COMMENCEMENT, SUSPENSION & CESSATION OF CAPITALISATION

Commencement of Capitalisation

1. Borrowing cost should be incurred.
2. Expenditure for produc./const./acquis. of QA should be incurred.
3. Activities necessary to make the QA ready for its intended use should be in progress.

Suspension of Capitalisation of Borrowing Costs

When active development is interupted because of avoidable reasons i.e. reasons within our control, then capitalisation of borrowing costs should be suspended.

Cessation of Capitalisation

When substantially all activities necessary to prepare QA for its intended use or sale are comp., capitalisation of borrowing cost should cease.

1.4.22 — Loan taken

1.5.22 — Building plan sent for approval of Municipal corporation

"Borrowing Cost Incurred"

P&L Dr.

30.6.22
- → Architect Hired
- → 150 labours hired
- → civil engineer hired

↓

Capitalisation of borrowing cost commences.

Labour Strike

Borrowing cost for this period will not be capitalised. It will be charged to P&L a/c.

30.4.23 — activities necessary to make the QA ready for its intended use or sale are substantially complete.

Only this much borrowing cost can be capitalised.

+ Interest pai[d] [after] this point will be Dr. to P&L.

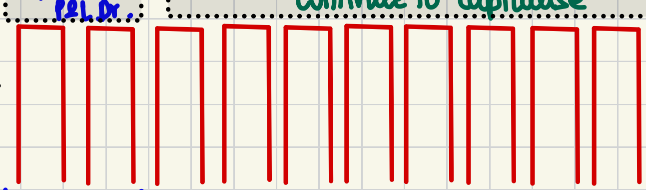
WHEN QUALIFYING ASSET IS COMPLETED IN PARTS

Prop. Loan = 50×2/10 = 10cr.
↓
Interest P&L Dr.

Proportionate Loan = 50×8/10 = 40cr.

Interest Continue to capitalise

Loan Taken = 50crores.



Substantially complete PART

10:00am - 10:45am

AS-2,10,16
↓
Wednesday

Question 5 :-

L10

Weighted Average Interest Rate → 12m

D1	L1	=	x	× IR	=	I
D2	L2	=	y	× IR	=	I
D3	L3	=	z	× IR	=	I
			TLA			TI

(12m) → TI / (12m) → TLA = WAIR (12m)

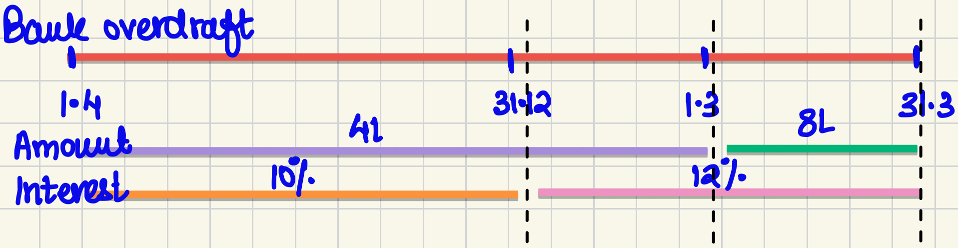
F + I + F

→ 3 exams score / 3 no. of exams

→ 1 - 10 score / 3 no. of exams

ICD	12m	20L	×	9%	=	180000
B.OD	9m	4L	×	10%	=	30000
B.OD	2m	4L	×	12%	=	8000
B.OD	1m	8L	×	12%	=	8000
		36L → (12m x)				226000 → (12m)

Bank overdraft



Average Loan Amount

= 20L × 12/12 + 4L × 9/12 + 4L × 2/12 + 8L × 1/12

= 2000000 + 300000 + 66667 + 66667

= 2433334 → (12m)

Weighted Average Interest Rate = $\frac{226000}{2433334}$

= 9.29%