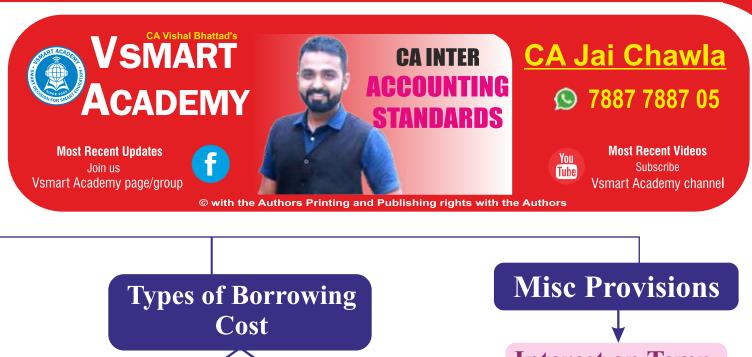
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AS 16 - BORROWING COST





Incurred in Relation to Arrangement of Funds, it includes -(a) Interest Cost (b) Other Costs

B.C. Covers Exclusively

- 1) Interest Calculated as Per ERI (IndAS 109)
- 2) Finance Charges in Leases
- 3) Ex. Diff. to the extent of Saving in Interest on F.C. Loan*
- 4) Ancilliary Cost Suchan **Stamp Duty, Processing Fees - Amortised Cost**
- 5) Discount on issue & **Premium on Redumption** of Debn - Amortised cost

*Lower of :-

- (a) Ex. Loss OR
- (b) Saving in Interest

Qualifying Assets (Q.A.) **Any Asset** That takes To get For Intended Substantial Ready Use or Sale Period** of Time **Eg:- IP/PPE/Intangible Asset (Software)** Is Inventory a Q.A.? If Yes —

→ When ? **Inventory must Not Produced** not be Produced & on Repetitive Basis in Larger Quantities and takes Substantial Period

> **Eg:- Aircrafts or Ships Manufactured on Special Orders**

but Liquor is not Q.A.

**Subsantial Period :- Generally 12months or more but a Lesser period can also be Substantial based on Facts & Circumstances

Recognition of B.C.

If B.C. is incurred in relation to:-Acquisition (A) **Construction (C) Production** (P) of Q.A., then Capitalised otherwise P&L

Commencement of Capitalization

B.C. must

be

incurred

Expenditure must be incurred on ACP

Necessary **Activities Should be** in Progress.

Suspension

Active Development is Interrupted During Extended Period. But When such Interruption is Necessary for active Development then No Suspension of Capitalization

Cessation

A/C/P is Substantially Completed If Completion takes place in Parts, then **Cessation for Such Part of QA only** when the Part is Capable of being **Used/Sold Separately**

B.C. B.C. One to One One to Many Relation of Q.A. (or) Many to Many

Capitalise B.C. to a Specific Q.A. only

& Borrowing

Specific

To Capitalise B.C. Calculate W. Avg **Capitalisation**

Rate

General

Interest on Temp. Investment of Borrowed Funds

Deduction From Total Borrowing Cost before Capitalization & before Calculating W.A.C.R.

Total B.C. During the Year

Total Borrowings O/s During the Period (Take months as Weight)

What to do now when W.A.C.R. is Calculated? Expenditure on Q.A. X W.A.C.R. X Weight

Expenditure Incurred till last year XXX (Including BC Capitalised) + Cash Payment on Material & Lab. XXX + Non - Cash Exp. XXX (-) Grant / Subsidy XXX (-) Progress Payments Received if any XXX XXXX

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