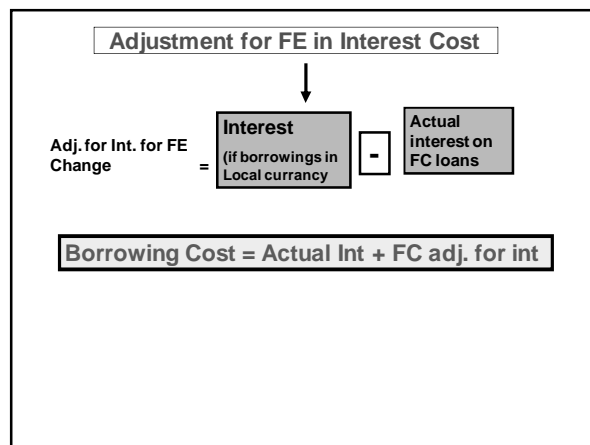


**d. Finance charges for Finance Lease**

**e. Adj. due to change in Foreign Exchange Rate**

Cont

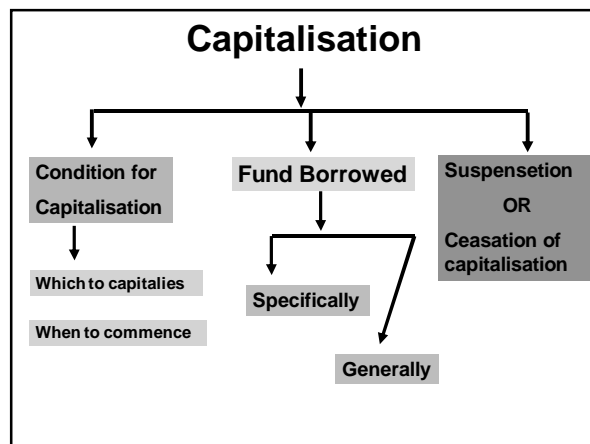


**Qualifying Asset (QA)**

↓

Those which require substantial time to get ready for intended use or sale like,

- (a) Manufacturing plants
- (b) Power generation facilities
- (a) Inventories that required substantial periods of time to bring them to saleable condition



**Which BC to capitalizes**

↓

**BC directly attributable to the**

- (a) Acquisition
- (b) Construction
- (c) Production of QA

That would have been avoided , if the expenditure on QA had not been made

U

**When BC to commence**

When all the 3 conditions mentioned below are to satisfied:

- a) Expenses incurred must be for acquisition / construction / production of QA.
- b) Cost incurred must be Borrowing Cost
- c) Activities preparing the assets for intended use or sale must be in progress Such Activities Include related technical & administrative work.

U

**Suspension of Capitalisation**

↓

Suspension for avoidable reason Do not capitalise

Suspension for unavoidable reason Capitalise

Cont.

**Cessation of capitalisation**

↓

- a) All activity for making assets ready for use/sale are substantially complete
- b) Work remain is only minor one (administrative / finish touch )
- b) When asset is complete in part and that part is capable to use and work on other is in progress ,capitalization of complete part should be stopped.

U

**Funds Specially Borrowed for Qualifying Assets**

Borrowing costs to be capitalized = Actual borrowing cost incurred (-) Income on temporary investments of funds

U

**General Borrowings**

↓

Borrowing Costs = Capitalisation rate X Expenditure on the assets

Capitalisation Rate = Weighted Average of outstanding borrowing cost (excluding cost of specific borrowings)

Borrowing cost capitalized during the period should not exceed the amount of borrowing cost incurred

U

### Disclosure Requirements



- **Accounting Policies for borrowing costs**
- **Amount capitalized as borrowing cost during the period.**



### Which BC to capitalizes



BC directly attributable to the

- (a) Acquisition
- (b) Construction
- (c) Production of QA

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### When BC to commence

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### Suspension of Capitalisation



Suspension for avoidable reason **Do not capitalise**

Suspension for unavoidable reason **Capitalise**

Cont.

### Cessation of capitalisation



- a) All activity for making assets ready for use/sale are substantially complete
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### Disclosure Requirements



- **Accounting Policies for borrowing costs**
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