

**J.K. SHAH<sup>®</sup>**  
**CLASSES**  
CAFC → INTER CA → FINAL CA 7

**FINAL CA**  
**MAY '19**  
**REVISION NOTES**  
**Financial Reporting**

**Part - V -**  
**Questions of AS 16 / Ind AS 23 – Borrowings Cost**

### AS 16 / Ind AS 23 – Borrowings Cost

**Q.1.** Advise X Limited on the Weighted Average cost of borrowing and the interest cost to be capitalised based on the following :

- a) Total Borrowings and interest costs of X Limited for year ending 31st March 2018 are as follows:

Borrowings	Date of Borrowings	Amount ₹ '000
18% Bank Loan	1.04.2017	3,000
14% Debentures	1.10.2017	2,000
16% Term Loan	1.07.2017	1,000
<b>Total</b>		<b>6,000</b>

- b) Qualifying assets in which these borrowed funds are utilised are :

Assets	₹ '000	Period
Factory Shed	2,500	12 months
Plant 1	1,500	9 months
Plant 2	1,000	7 months

**Q.2.** Does License fees paid for a telecom circle to the Central Government constitute a qualifying asset for capitalising the borrowing cost? Can the interest paid on borrowings for financing the license fees capitalised up to the time the telecom operations were commenced in accordance with Ind AS 23 ? On view is that License is an intangible asset (and it has been considered as such by all telecom companies in their financial statements) and unless the telecom network is laid down (which takes one to two years of time), it has no use. Thus, it qualifies to be called a 'qualifying asset' and hence, interest can be capitalised along with License cost. Do you agree?