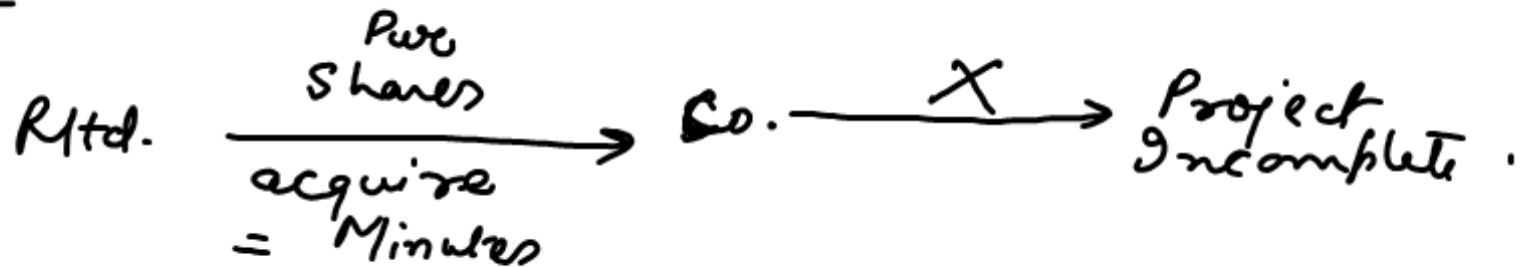


Specific Borrowings :

BC to be capitalised = BC incurred -
Income on temporary Investment

General Borrowings

- BC to be capitalised should be determined by using Capitalisation rate.
- Capitalisation rate is weighted average of BC applicable. $\text{capitalisation rate} = \frac{\text{Total Intt}}{\text{Total Loan}} \times 100.$
- BC Capitalised \leq BC incurred.

Ques 1Worksheet.

Intt cannot be capitalised ∴

1) Intt is not QA

2) Time for acquisition of shares is NOT substantial.

HGtd BLS

Sutd BLS



Group of Industries.

BLS.

MI

Ques 2.

Asset	QA or not.	Intt to be Capitalised.
Construction of Shed	QA	$\frac{9}{50} \times 20 = 3.60.$
Purc of Machinery	Not a QA.	
WC	Not a QA.	
Advance	Not a QA.	

Shed a/c Dr 3.60

P&L a/c Dr 5.40.

to Intt Expense 9

Intt Expense Dr 9

to Bank 9

3

$$\text{BC Incurred} = 150 \times 11\% = 16.5$$

$$\text{BC Capitalised} = 150 \times 13\% = 19.5.$$

$$\begin{aligned} \text{Actual BC to be Capitalised in asset} \\ &= \text{BC Incurred} - \text{Income Earned} \\ &= 16.5 - 3.5 = 13 \text{ Crore.} \end{aligned}$$

<u>y.</u>	<u>loan</u>	<u>Intt to be Capitalised</u>
Plant P	General	$100 \times 10.786\% = 10.79$
Plant Q	Specific	$65 \times 10\% = 6.50$
	General	$60 \times 10.786\% = 6.47$
Plant R	Specific	$125 \times 9\% = 11.25$
	General	$50 \times 10.786\% = 5.39$
		<hr/> <u>40.40</u>

So Intt to be capitalised is 40.40

$$\begin{aligned} \text{So the total asset cost} &= 100 + 125 + 175 + 40.4 \\ &= 440.40 \end{aligned}$$

$$\begin{aligned}\frac{\text{General Borrowing}}{\text{Capitalisation rate}} &= \frac{\text{Total Intt}}{\text{Total loan}} \\ &= \frac{100 \times 10\% + 110 \times 11.5\%}{210} \times 100 \\ &= 10.786\%\end{aligned}$$

5.

$$\text{General loan Capitalisation rate} = \frac{500000 \times 11\% + 900000 \times 13\%}{1400000}$$

$$= 12.286\%$$

Jan $200000 \times \frac{12}{12}$

Apr. $250000 \times \frac{9}{12}$

July $450000 \times \frac{6}{12}$

Dec $120000 \times \frac{1}{12}$

622500

$100000 \times 10\%$ Specific = 10000

$522500 \times 12.286\%$ general = $\frac{64194}{74194}$

Building Dr 1094194
to Bank 1094194.

$$1020000 + 74194 = 1094194$$

<u>6:</u>	Expd on Bldg	Interest.	QA
July.	300000	—	300000
Aug	450000	$300000 \times 15\% \times \frac{1}{12} = 3750$	753750.
Sept	200000	$753750 \times 15\% \times \frac{1}{12} = 9422$	963172
Oct.	500000.	$963172 \times 15\% \times \frac{1}{12} = 12040$	1475212
Nov.	300000	$1475212 \times 15\% \times \frac{1}{12} = 18440$	1793652
Dec	250000	$1793652 \times 15\% \times \frac{1}{12} = 22421$	2066073.

So the value of QA is ₹ 2066073.