

CASE STUDY

T Com Ltd is Telecom Operator providing 2G and 3G services in Mumbai and Goa. Government announced auction of 4G waves and requested existing operators to bid for spectrum. One of the conditions for the operator was that no operator would hold more than 2 types of licenses.

Unamortised costs of 2G license was Rs 500 Crs and for 3G it was Rs 5,000 Crs. T Com decided to exchange 2G license with 4G license and pay for the difference of auction price and 2G license surrender value which was Rs 300 Crs.

The cost of bidding document was Rs 10 lacs. This fee was valid for a single round of auction. The company could win the 4G bid in 2 second round at a cost of Rs 6,000 Crs. The said value was financed by taking a bank loan to the tune of Rs 4,000 Crs @12% p.a. T Com spent Rs 20 lacs on bidding document and Rs 25 lacs for feasibility reports from external consultants. The license period is 20 years.

In order to provide 4G services, the company had to expand its Tower Network. The Company had to acquire land portions at various places and construct telecom towers. Cost of constructing towers and laying cables is Rs 2,000 Crs and compensation to Landowners is Rs 200 Crs. T Com is committed to dismantle the towers after 20 years, which the company expects to cost it Rs 100 Crs then. The useful life of Towers is 25 years and residual value expected is Rs 300 Crs.

The Company is headquartered at Nariman Point and had 50,000 square feet of office space, which it used for running operations. In order to expand operations, it decided to move to a bigger location in Thane and give the Nariman Point office on operating lease, in such a way that its lease income would offset the lease cost of the bigger space in Thane.

The cost of building was Rs 500 Crs and Land was acquired for Rs 400 Crs. The company decided to go for revaluation model for measuring land. Fair value of land in year 1 was Rs 600 Crs and 2 was Rs 300 Crs.

The company sold the land and building in 3rd year, valuing land at Rs 400 Crs.

How should T Com go about recognizing about items in its Balance Sheet under Ind AS?