

Illustration for computation of increase in project cost

Illustration 1

Original cost of the Project – ₹1,000 crore

Revised cost of the Project – ₹1,200 crore

Increase in cost – ₹200 crore i.e., 20%

Attribution of increase in cost

- a. Change in Scope 18%
- b. Cost Overrun 2%

The increase in cost attributable to change in scope is ₹180 crore (18%) only. Since rise in cost on account of change in scope is 18%, which is less than 25%, no asset classification benefit shall be available

Illustration 2

Original cost of the Project – ₹1,000 crore

Revised cost of the Project – ₹1,400 crore

Increase in cost – ₹400 crore i.e., 40%

Attribution of increase in cost

- a. Change in Scope 30%
- b. Cost Overrun 10%

The increase in cost attributable to change in scope is ₹300 crore (30%). Since rise in cost on account of change in scope is 30%, which is more than 25%, asset classification benefit shall be available