



International Accounting Standards Board®

# Press Release

FOR IMMEDIATE RELEASE

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## **IASB publishes proposals for convergence on borrowing costs**

The International Accounting Standards Board (IASB) today published for public comment proposals to improve the accounting treatment for borrowing costs. The proposals are set out in an Exposure Draft of proposed amendments to International Accounting Standard (IAS) 23 *Borrowing Costs*.

The proposals mark another step towards convergence of international and national standards by continuing the IASB's work in its joint short-term convergence project with the US Financial Accounting Standards Board (FASB). The objective of the project is to reduce differences between the IASB's International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP).

The Exposure Draft results from the IASB's comparison of IAS 23 *Borrowing Costs* with the US standard SFAS 34 *Capitalization of Interest Cost*. The proposed amendments to IAS 23 would remove a major difference between the accounting treatments for borrowing costs under the two standards.

The Exposure Draft proposes to require an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately recognising those borrowing costs as an expense would be removed.

The IASB believes that the elimination of one of the two options in accounting for borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset would improve financial reporting and would result in information that is more comparable between entities.

Introducing the Exposure Draft, Sir David Tweedie, IASB Chairman, said:

The proposals in the Exposure Draft continue our work to eliminate major differences between IFRSs and US GAAP and to improve financial reporting. If confirmed, these proposed changes will align international and US standards by requiring companies to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. We believe that the proposals offer benefits to users of financial statements, at little extra system cost to those who prepare them, by improving the comparability of financial information between entities applying IFRSs as well as with entities using US GAAP.

The IASB invites comments on the Exposure Draft by 29 September 2006.

The primary means of publishing proposed Standards and amendments to Standards is by electronic format through the IASB's subscriber Website. Subscribers are able to access the Exposure Draft published today through 'online services'. Those wishing to subscribe should contact:

IASCF Publications Department,  
30 Cannon Street, London EC4M 6XH, United Kingdom .  
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Email: [publications@iasb.org](mailto:publications@iasb.org) Web: [www.iasb.org](http://www.iasb.org)

Printed copies of the Exposure Draft Proposed Amendments to IAS 23 *Borrowing Costs* (ISBN 1-905590-05-9) are available, at £10 including postage, from IASCF Publications Department.

From 5 June the text of the Exposure Draft will be available freely from the IASB's Website.

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## ***Notes to Editors***

### **About the Exposure Draft**

#### **Reasons for publishing the Exposure Draft of proposed amendments to IAS 23**

##### ***Borrowing Costs***

1. Achieving convergence of accounting standards around the world is one of the prime objectives of the IASB. In pursuit of that objective, the IASB and the Financial Accounting Standards Board (FASB) in the United States have undertaken a joint short-term project with the aim of reducing differences between International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (US GAAP) that are capable of resolution in a relatively short time and can be addressed outside major projects. The proposed amendments to the requirements in IAS 23 for the accounting treatment of borrowing costs result from the IASB's consideration of FASB Statement No. 34 *Capitalization of Interest Cost* (SFAS 34). The proposed amendments eliminate the option in IAS 23 of recognising borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. The IASB concluded that eliminating this option will improve financial reporting and will move closer to the recognition requirements of SFAS 34. The IASB has not reconsidered the other provisions of IAS 23.

### **Main features of the Exposure Draft**

2. The Exposure Draft would require an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The option to recognise immediately borrowing costs as an expense would be removed.

### **About the IASB**

The international Accounting Standards Board (IASB), based in London, began operations in 2001. Contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations fund the operations of the IASB.

The 14 Board members (12 of whom are full-time) are drawn from nine countries and have wide international experience and a variety of functional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve in accounting standards around the world.