



Our Ref.: C/FRSC

By e-mail [CommentLetters@iasb.org](mailto:CommentLetters@iasb.org) and by post

20 September 2006

IAS 23 Amendments  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sirs,

**Comments on IASB Exposure Draft of Proposed Amendments to IAS 23  
Borrowing Costs**

The Hong Kong Institute of Certified Public Accountants welcomes the opportunity to provide you with our comments on the captioned Exposure Draft. Our responses to the questions raised in your Exposure Draft are set out in the appendix for your consideration.

In general, we support the proposed amendments to 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. We believe that these amendments will improve financial reporting and will result in information that is more comparable between entities.

If you have any questions on our comments, please do not hesitate to contact me at [patricia@hkicpa.org.hk](mailto:patricia@hkicpa.org.hk).

Yours sincerely,

Patricia McBride  
Director, Standard Setting

PM/EH/al

Hong Kong Institute of CPAs

**Responses to the questions raised  
in the IASB Exposure Draft of Proposed Amendments  
to IAS 23 Borrowing Costs**

**Question 1**

This Exposure Draft proposes to eliminate the option in IAS 23 of recognising immediately as an expense borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Do you agree with the proposal? If not, why? What alternative would you propose and why?

***Yes, we agree with the proposal. In Hong Kong, the treatment of capitalising borrowing costs to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset was the only treatment permitted for a long time before the adoption of IAS 23 in full as a result of our convergence policy. Based on our experience, we are not aware of any disadvantages of not having the option that the IASB proposes to eliminate. We therefore support the IASB's initiative in achieving convergence with US GAAP in this regard.***

**Question 2**

This Exposure Draft proposes that entities should apply the amendments to borrowing costs for which the commencement date for capitalisation is on or after the effective date. However, an entity would be permitted to designate any date before the effective date and to apply the proposed amendments to borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after that date. Do you agree with the proposal? If not, why? What alternative would you propose and why?

***Yes, we agree with the proposal. We believe that the proposal will ease the transition while providing some flexibility for entities to early adopt the changes if they so wish. However, there seems to be an inconsistency between this transitional provision, which appears to allow an entity to designate a particular commencement date even if it falls in between two accounting periods, and the effective date paragraph, which appears to allow an entity to early adopt the amendments only as from the beginning of a period. We suggest that the IASB should look into this inconsistency. In addition, if an entity decides to designate a particular commencement date in between two accounting periods, we consider that that fact and the reason for choosing that date should be disclosed.***