International Accounting Standards Board®

Press Release

29 March 2007

IASB issues amendments to the requirements for borrowing costs

The International Accounting Standards Board (IASB) today issued a revised IAS 23 *Borrowing Costs*. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

The revised Standard continues the IASB's work in its Short-term Convergence project with the US Financial Accounting Standards Board (FASB) to reduce differences between IFRSs and US generally accepted accounting principles (GAAP). The IASB believes that application of the revised Standard will improve financial reporting in three ways. First, the cost of an asset will in future include all costs incurred in getting it ready for use or sale. Second, comparability is enhanced because one of the two accounting treatments that previously existed for those borrowing costs is removed. Third, the revision to IAS 23 achieves convergence in principle with US GAAP.

Introducing the revised Standard, Sir David Tweedie, IASB Chairman, said:

> The revised IAS 23 continues our work to eliminate major differences between IFRSs and US GAAP and to improve financial reporting. Removing the option from IFRSs improves comparability and converges in principle with US GAAP. And issuing this revised Standard is also a further step towards the removal of the requirement imposed on foreign registrants with the US Securities and Exchange Commission to reconcile their financial statements to US GAAP.

IAS 23 *Borrowing Costs* is available for *e*IFRS subscribers from today. In addition, for a limited period subscribers may view the text of the superseded version of IAS 23 marked to show the changes made by the revised version. Those wishing to subscribe to *e*IFRSs should visit the online shop at www.iasb.org or contact:

IASC Foundation Publications Department,
30 Cannon Street, London EC4M 6XH, United Kingdom.
Tel: +44 (0)20 7332 2730 Fax +44 (0)20 7332 2749
Email: publications@iasb.org   Web: www.iasb.org

Printed copies of IAS 23 (ISBN 978-1-905590-32-2) will be available shortly, at £15.00 plus shipping, from the IASC Foundation Publications Department.

END

Press enquiries:

Mark Byatt, Director of Corporate Communications, IASB,
telephone: +44 (0)20 7246 6472, email: mbyatt@iasb.org

Technical enquiries:

Elizabeth Hickey, Director of Technical Activities, IASB,
telephone:+44 (0)20 7246 6458, email: ehickey@iasb.org

Patrina Buchanan, Project Manager, IASB,
telephone:+44 (0)20 7246 6468, email: pbuchanan@iasb.org

Notes to Editors

About the revised IAS 23

1 Achieving convergence of accounting standards around the world is one of the IASB’s prime objectives. In pursuit of that objective, the IASB and the US Financial Accounting Standards Board (FASB) have undertaken a joint short-term project with the objective of reducing differences between International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP) that are capable of resolution in a relatively short time and can be addressed outside major projects. The revised IAS 23 arises from the IASB’s consideration of differences of principle between IAS 23 *Borrowing Costs* (issued in 1993) and SFAS 34 *Capitalization of Interest Cost*.

2 The revision to IAS 23 removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset.

3 The revised Standard does not require the capitalisation of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

4 The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Earlier application is permitted.

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 convergence in accounting standards around the world.