

IFRS Briefing Sheet

Exposure Draft of *Proposed Amendments to IAS 23 Borrowing Costs*

June 2006, **Issue 50**

This IFRS Briefing Sheet summarises the International Accounting Standards Board's (IASB) exposure draft (ED) of *Proposed Amendments to IAS 23 Borrowing Costs*, which was published on 25 May 2006.

Main Change – Remove Option of Immediately Expensing All Borrowing Costs

The main change proposed by the ED is to remove the option of immediately recognising all borrowing costs as an expense, currently the benchmark treatment in IAS 23. This ED proposes that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The proposed requirement currently is the allowed alternative treatment in IAS 23.

Transitional Provisions

Although no effective date is proposed, the transitional provisions propose that if removing the option to immediately expense borrowing costs means a change in accounting policy for an entity, then it should apply the proposals prospectively on or after the effective date. However, an entity may choose to apply the requirements from any date prior to the effective date.

Response to the IASB

The IASB has invited comments on the ED by 29 September 2006.

If you would like further information on any of the matters discussed in this issue of *IFRS Briefing Sheet*, please talk to your usual local KPMG contact or call any of KPMG firms' offices.

Background

The ED is part of the IASB's joint short-term convergence project with the U.S. Financial Accounting Standards Board (FASB), the objective of which is to reduce differences between IFRSs and U.S. GAAP. The proposed amendments to IAS 23 remove a major difference between IAS 23 and U.S. standard SFAS 34 *Capitalization of Interest Cost*.

A supplement to KPMG's publication IFRS in Brief

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