

## COMMENT LETTER EFRAG

### Dutch Accounting Standards Board (The Netherlands)

EFRAG

Attn. EFRAG Technical Expert Group  
41, Avenue des Arts  
B-1040 Brussels  
Belgique

Our ref : AdK  
Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0279  
Date : Amsterdam, 28 September 2006  
Re : **Comment on Exposure Draft of Proposed Amendments to IAS 23 Borrowing Costs**

Dear Sirs,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond on your draft comment letter on the IASB's Exposure Draft of Proposed Amendments to IAS 23 Borrowing Costs.

We have included our general comments to your draft comment letter below. In the appendix of our response we have included the full appendix of your draft comment letter and we have commented on the respective questions and comments in detail.

We share your concern that the convergence achieved is less than full. Nevertheless we support the proposed amendments to IAS 23 because we realize it is a step in the direction of full convergence. It appears to enable one of the targets set by the roadmap to be met. Therefore we support this proposal.

We are also of the opinion that the capitalisation of borrowing costs into qualifying assets is preferable to immediate expensing. Borrowing costs relating to qualifying assets are part of the cost to construct these assets and should therefore be recognised. We understand your critical remark relating to comparability. However, we believe that capitalisation of borrowing costs into qualifying assets decreases the gap between the cost of internally developed assets and the cost of those acquired from third parties.

Yours sincerely,

Martin N. Hoogendoorn  
Chairman DASB

## Appendix

### 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?**

#### Comment DASB

*We do not agree with your last comment. In our opinion the proposed amendment enhances comparability between assets that are internally developed and those acquired from third parties. As a consequence financial information will improve. We are of the opinion that borrowing costs relating to qualifying assets are part of the cost to construct these assets and should therefore be recognised.*

*Although we concur with your other comments, we support therefore the proposal of the IASB because:*

- we believe that this particular capitalisation approach is preferable to immediate expensing;*
- although it does not achieve full convergence, it is a step in that direction; and*
- it appears to enable one of the targets set by the roadmap to be met.*

### Question 2

**This Exposure Draft proposes that entities shall apply the amendments to borrowing costs for which the commencement date is on or after the effective date. However, an entity is permitted to designate any date before the effective date and to apply the [draft] 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?**

#### Comment EFRAG

While we generally favour retrospective application, in this instance we concur with the Board's assessment that the cost of retrospective application would outweigh the benefits. We also understand and agree with the Board's rationale for allowing entities to apply the amendment from any date before the effective date. Therefore, we support the proposed transitional provisions should the Board decide to continue the project which we are opposed to as described above.

Comment DASB

*We agree with your comment.*