



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

Brussels, 29th September 2006
MR/B16/06-195

CommentLetters@iasb.org

E-MAIL

Re: EACB comments on IASB Exposure Draft on IAS 23 – Borrowing Costs

Dear Madam, dear Sir,

The European Association of Cooperative Banks (EACB)¹ is pleased to provide the IASB with its comments regarding the IASB Exposure Draft on proposed amendments to IAS 23 “Borrowing Costs”.

Unfortunately, the EACB has to disagree with the proposed amendments. We take position against the removal of the existing option of immediate recognition of borrowing costs for qualifying assets as an expense.

We recognise that the proposed changes aim at reaching a higher level of convergence between IFRSs and US GAAP. However, the amounts capitalised as borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset will remain different, since the composition of the costs and the calculation techniques are not identical under the two accounting systems. Therefore we think that the elimination of the option to immediately expense borrowing costs would not be of significant benefit to users of financial reports. Preparers who currently expense their borrowing costs would have to make extra efforts to calculate the amounts that do not result in additional benefits for users.

In particular, there is frequently uncertainty about the exact structure of the refinancing for a qualifying asset and allocation of amounts to that asset. Preparers who wish to capitalise borrowing costs may already do so under the existing IFRS 23. Also, the retained solution

¹ The European Association of Co-operative Banks represents over 4.500 co-operative credit institutions active in all the EU Member states and serving over 100 Million customers. Its member organisations are decentralised national networks of small-sized Co-operative banks' networks, which have a strong presence on a local or regional level. They account for a large part of the SME and private household credit market (17%) and thus play a crucial role within the Internal Market.



may present some weaknesses from a prudential point of view, since capitalised borrowing costs may not be recouped once the asset is sold, creating a fictive asset notion. For those reasons we are not in favour of the proposed changes. We think that the current option should remain effective to ensure a stable environment in the short term until a more uniform approach is developed that reaches a higher level of convergence between IFRSs and US GAAP in accounting for borrowing costs.

Of course, we remain at your disposal for any further questions regarding our position,

Yours sincerely,

Volker HEEGEMANN
Senior Adviser

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