VOLKSWAGEN AG

Volkswagen AG · 38436 Wolfsburg · Deutschland

EFRAG
Avenue des Arts 13-14

1210 Brussels

Belgium

Ihre Zeichen
Ihre Nachricht
Unsere Zeichen 1848/1 kö-mo
Durchwahl 2 78 79
Telefax 7 22 26
E-Mail

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Volkswagen AG
38436 Wolfsburg
Deutschland
Telefon +49 (53 61) 9-0
Telefax +49 (53 61) 9-2 82 82
E-Mail vw@volkswagen.de

Comments on Exposure Draft of Proposed Amendments to IAS 23

Dear Madam/Sir,

We appreciate the opportunity to comment on your comment letter to the exposure draft of proposed amendments to IAS 23.

From our point of view major changes in the accounting and valuation treatment should be discussed with users within the framework of a consultation process, before concrete change proposals in the form of an exposure draft are specified. Unfortunately this did not take place with the existing exposure draft. Thus we are currently not convinced of certain important points.

Generally we positively view the convergence efforts between IFRS und US-GAAP and regard the work as indispensable. However we find it unclear, which criteria are decisive for the adoption of either a US-GAAP or IFRS rule. It has not been obvious in the past that always the most appropriate solution has been chosen.

In relation to the draft standard now under discussion, it is not clear to us, why a partial capitalisation of borrowing costs should be seen as the more appropriate accounting method. The current possibility of immediate expensing of borrowing costs leads to equal treatment of all borrowing costs. This is not the case in exposure draft IAS 23.
Furthermore the criteria of IAS 23 allow scope for discretion, which can be laid out differently by IFRS-users. The comparability of IFRS financial statements would be limited.

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The current option of general immediate expensing of borrowing costs is easy to handle. On the other hand the changeover to the capitalisation of certain borrowing costs and the continuous documentation would be labour and cost intensive.

The aim of the convergence of IFRS and US-GAAP will not be achieved through this exposure draft. The definition of qualifying assets and the specific determination of borrowing costs eligible for capitalisation (amount, scope) would not be identical in both accounting systems. For this reason the financial statements in both accounting systems may differ. So the convergence and comparability of financial statements would fail.

We would also like to point out the problem of inter-group loans. It is difficult and cost intensive for the Accounting department to ensure that partial amounts of group loans are directly attributable.

As a result of the mentioned reasons we refuse this exposure draft.

If you have any questions to our comments please do not hesitate to contact us.

Yours sincerely,

ppa. i. V.

F. Lotz B. Lachmann