



Comments due by 22 February 2021

ACCOUNTING STANDARDS BOARD

INVITATION TO COMMENT ON PROPOSED IPSAS 5, BORROWING COSTS – NON- AUTHORITATIVE GUIDANCE (ED 186)



Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft of the proposed *IPSAS 5, Borrowing Costs – Non-Authoritative Guidance* issued by the International Public Sector Accounting Standards Board (IPSASB).

The comment received on this Exposure Draft will be used to develop a comment letter to the IPSASB. Comment should be submitted in writing so as to be received by **22 February 2021**. Email responses are preferred. Unless respondents to this Exposure Draft specifically request confidentiality, their comment is a matter of public record once the Standard of GRAP has been issued. Comment should be addressed to:

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Background to the project

At present, the International Public Sector Accounting Standard on *Borrowing Costs* (IPSAS 5) permits the expensing of borrowing costs, as well as the capitalisation of borrowing costs to the cost of assets when certain criteria are met.

As part of the IPSASB's Consultation Paper on *Measurement*, it requested respondents' views on whether borrowing costs should only be expensed, i.e. eliminate the allowed alternative accounting treatment which permits the capitalisation of borrowing costs. Respondents' views varied, with support expressed by some, and disagreement expressed by others. The IPSASB agreed to retain both options, which means there are no changes proposed to the authoritative material in IPSAS 5. The basis for conclusions has been updated to reflect the IPSASB's deliberations on the expensing or capitalisation of borrowing costs.

In addition to the views expressed on the treatment of borrowing costs, respondents raised application issues with IPSAS 5 in their responses. Based on the feedback received, the IPSASB did not believe that amendments were needed to the authoritative guidance in IPSAS 5. To respond to the application issues raised, the IPSASB developed non-authoritative implementation guidance and illustrative examples to address these issues. The IPSASB is seeking comments on the amendments to the basis for conclusions and implementation guidance of IPSAS 5.

Commenting on the Exposure Draft

Due process and timetable

The Board invites comment on the proposals set out in this Exposure Draft from preparers, users, auditors, standard-setters and other parties with an interest in public sector financial reporting. Upon the closure of the comment period, the Board will consider the comment received on the Exposure Draft. The comment received will be used to formulate a comment letter to the IPSASB.

Available materials

The IPSASB has developed an "At-a-Glance" document that outlines the high-level principles and concepts of the Exposure Draft (which is ED 74). This can be accessed on the ASB's website along with the other materials for the concurrent Exposure Draft.

Request for comment

Comment on this Exposure Draft is invited by **22 February 2021**. The Board requests that respondents express an overall opinion on whether the Exposure Draft, in general, is supported and to supplement this opinion with detailed comment, whether supportive or critical. Respondents are also invited to provide detailed comment identifying the specific paragraphs to which it relates, explaining the issue and suggesting alternative wording, with supporting reasoning, where appropriate.



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There is a specific matter for comment on which the IPSASB would appreciate feedback. This is outlined below.

Specific matters for comment

The IPSASB would appreciate feedback to the following question.

Specific Matter for Comment 1

Do you agree with the proposed additional implementation guidance and illustrative examples? If not, what changes would you make?

General matters for comment

As with any other Exposure Draft, comment on any other matter contained in this Exposure Draft would also be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs.