



2 June 2006

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IAS 23 *BORROWING COSTS*

The International Accounting Standards Board (IASB) has issued an exposure draft (ED) of Proposed Amendments to IAS 23 *Borrowing Costs*.

The IASB's Exposure Draft and the related press release have been posted on the website of the Hong Kong Institute of CPAs (Institute) at www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php which can also be found on-line at: www.iasb.org.

The Exposure Draft proposes to require an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately recognising those borrowing costs as an expense would be removed.

The IASB believes that the elimination of one of the two options in accounting for borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset would improve financial reporting and would result in information that is more comparable between entities.

The Institute's Financial Reporting Standards Committee (FRSC) invites comments on the IASB Exposure Draft from any interested party and would like to hear from both those who do agree and those who do not agree with the proposals contained in it. Comments should be supported by specific reasoning and should preferably be submitted in written form.

To allow your comments on the IASB Exposure Draft to be considered and included in the Institute's responses to the IASB, comments are invited by **13 September 2006**.

Comments may be sent by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.