

Borrowing Costs of Not-for-Profit Public Sector Entities

Project summary

This is a domestic AASB project. The objective of this project was to consider the removal of the exemption for not-for-profit public sector entities in AASB 123 *Borrowing Costs* from capitalising borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.

This project was completed with the addition of an AASB Basis for Conclusions to AASB 123 in October 2014.

Project contact

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Project completed

Issued documents

- An AASB Basis for Conclusions has been added to AASB 123

Project status

- The project was completed in October 2014 with the issue of an AASB Basis for Conclusions to AASB 123

- [Link to AASB 123 *Borrowing Costs*](#)

AASB outreach

- The project is now complete

Board deliberations

- AASB Action Alert Update and AASB Board papers

AASB communications

- No other AASB communications on this project

Project news

Date	News
5 September 2014	September 2014 Action Alert
18 March 2011	March 2011 Action Alert

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

Last updated: **29 October 2014**

AASB Action Alert Update and Board Papers

Meeting Date	Update
September 2014	<p>The Board considered, applying its <i>Process for Modifying IFRSs for PBE/NFP</i>, the option in AASB 123 <i>Borrowing Costs</i> for NFP public sector entities to immediately expense all borrowing costs. On evaluation of the accounting policy, including the costs and benefits of aligning the treatment of borrowing costs of NFP public sector entities with that of private sector entities, the Board decided to retain the current relief in AASB 123 from capitalisation of borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. The Board requested that staff prepare an AASB Basis for Conclusions to AASB 123 explaining the Board's reasoning in finalising its view.</p> <p><u>10.1</u> Memorandum from Evelyn Ling dated 19 August 2014 re Borrowing Costs of Not-for-Profit Public Sector Entities – Removal of the Expense Option</p> <p><u>10.2</u> Staff paper: Application of the <i>Process for Modifying IFRSs for PBE/NFP</i> to Borrowing Costs</p> <p><u>10.3</u> Issues paper: Transitional Provisions and Proposed Application Date – Proposed Amendments to AASB 123</p> <p><u>10.4</u> Issues paper: Due Process – Proposed Amendments to AASB 123</p> <p><u>10.5</u> AASB <i>Process for Modifying IFRSs for PBE/NFP</i></p>
March 2011	<p>In relation to the forthcoming IFRS on Fair Value Measurement (which the IASB plans to issue in April 2011), the AASB considered the treatment of borrowing costs by not-for-profit (NFP) public sector entities when using depreciated replacement cost (DRC) to measure the fair value of property, plant and equipment. Under AASB 123 <i>Borrowing Costs</i>, NFP public sector entities may elect to recognise borrowing costs as an immediate expense instead of applying the capitalisation requirements in respect of qualifying assets that apply to other entities. The AASB considered and rejected an argument that a NFP public sector entity that makes such an election should, for 'consistency', be required to exclude borrowing costs from DRC estimates of the fair value of property, plant and equipment measured under the revaluation model in AASB 116 <i>Property, Plant and Equipment</i>.</p> <p>The AASB decided to reactivate its project on the application of AASB 123 by NFP public sector entities, and test the above-mentioned election against its <i>Process for Modifying IFRSs for PBE/NFP</i>.</p> <p>The AASB and FRSB decided to work jointly in developing their separate submissions to the International Valuation Standards Council on its Exposure Draft Proposed Technical Information Paper 2 "Depreciated Replacement Cost", on which the IVSC requests comments by 31 May 2011. The focus of the submission will be on whether the IVSC ED is consistent with the forthcoming IFRS on Fair Value Measurement regarding the determination of DRC as an estimate of fair value.</p> <p><u>4.1</u> Memo FVM</p> <p><u>4.2</u> Issues paper FVM borrowing costs</p>