



LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA
MALAYSIAN ACCOUNTING STANDARDS BOARD

29 September 2006

The Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Dear Sir David,

Exposure Draft of Proposed Amendments to IAS 23 Borrowing Costs

The Malaysian Accounting Standards Board (MASB) appreciates the opportunity to offer its views on the Exposure Draft of Proposed Amendments to IAS 23 Borrowing Costs (ED).

Generally we have no objection to the proposals in the ED. We support the move by IASB to eliminate the option in IAS 23 of recognising borrowing costs immediately as an expense.

However, we wish to suggest certain drafting improvements to maintain consistency in the wordings used within or across Standards dealing with identical matters:

(a) Paragraphs 23 and 24 of the ED

The original paragraph 23 in IAS 23 is revised in this ED, namely the replacement of the word 'interrupted' with the word 'suspends', ie

"An entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development ~~is interrupted~~."

We suggest similar amendment be made to paragraph 24 which explain the requirement in paragraph 23. The propose addition is as per underline and deletion as per struck through:

24. *Borrowing costs may be incurred during an extended period in which the activities necessary to prepare an asset for its intended use or sale are suspended ~~interrupted~~. Such costs are costs of holding partially completed assets and do not qualify for capitalisation. However, capitalisation of borrowing costs is not normally suspended during a period when substantial technical*



and administrative work is being carried out. Capitalisation of borrowing costs is also not suspended when a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale. For example, capitalisation continues during the extended period needed for inventories to mature or the extended period during which high water levels delay construction of a bridge, if such high water levels are common during the construction period in the geographic region involved.

(b) Paragraph 27 of the ED

The phrase "its intended use" in paragraph 27 of the ED was also used in IAS 16 before the improvements to the latter Standard in 2003. Pursuant to the improvements to IAS 16, the phrase "its intended use" has been replaced with "in the manner intended by management".

Therefore, we suggest that paragraph 27 be amended to be in line with the wordings used in the revised IAS 16 [suggestion per underline]:

27. *When an entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for ~~its intended use~~ it to be capable of operating in the manner intended by management or for sale.*

Similarly, paragraph BC7 of the ED which made reference to paragraph 16(c) of IAS 16 has to be amended accordingly. That wording quoted in paragraph BC7 should be based on the wordings in the revised IAS 16 and not the wordings in the original IAS 16 which is currently being published in the ED.

Should you require further information, please contact Dr. Nordin Mohd Zain, the Executive Director of MASB, via e-mail at nordin@masb.org.my.

Yours sincerely,

Dato' Zainal Abidin Putih
Chairman