

IAS 23 BORROWING COSTS

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1. STATUS **Mandatory**
2. OBJECTIVE Prescribe the Accounting Treatment for BORROWING COSTS.
3. NOT APPLICABLE Does not deal with ACTUAL or IMPUTED Cost of Equity including Preferred Capital not classified as Equity.
4. KEY TERMS BORROWING COSTS (BC) are INTEREST + OTHER COSTS incurred by an entity in connection with the borrowing of funds.

QUALIFYING ASSETS (QA) is an asset that NECESSARILY takes a SUBSTANTIAL period of time to get ready for intended use or sale.

BENCHMARK TREATMENT

5. RECOGNITION OF BC BC shall be recognised as an Expense in the period in which they are incurred. (~ regardless of how they are incurred.)
6. DISCLOSURE Accounting Policy adopted for Borrowing Costs.

ALLOWED ALTERNATIVE TREATMENT

5. RECOGNITION OF BC BC shall be recognised as an Expense in the period in which they are incurred. EXCEPT to the extent they are CAPITALISED.

CAPITALISATION OF BC BC DIRECTLY attributable to the Acquisition, Construction or Production of QA shall be CAPITALISED as part of the cost of the asset.

AMOUNT OF BC ELIGIBLE FOR CAPITALISATION

Funds are borrowed SPECIFICALLY for the purpose of obtaining a QA	Funds are borrowed GENERALLY and used for the purpose of obtaining a QA
ACTUAL BC incurred on that borrowing during the period LESS any income on temporary investment of those borrowings	BC shall be determined using a CAPITALISATION RATE to the expenditure on that asset.
	Capitalisation Rate is the WEIGHTED AVERAGE of the BC of the entity that are outstanding during the period – OTHER than Borrowings made SPECIFICALLY for the purpose of obtaining a QA.

Amount of BC Capitalised during a period shall NOT EXCEED the ACTUAL amount of BC incurred during the year.

IMPAIRMENT

If the Carrying Amount or Expected ultimate cost of QA EXCEEDS its Recoverable Amount of Net Realisable Value (NRV) – THEN Carrying Amount is WRITTEN DOWN- as per IAS on Impairment of Assets.

COMMENCEMENT, SUSPENSION AND CESSATION OF CAPITALISATION

COMMENCEMENT	SUSPENSION	CESSATION
(a) Expenditure for the asset are being incurred; (b) BC are incurred; (c) Active Development i.e., activities that are necessary to prepare the asset for its intended use or sale are in progress.	During Extended periods in which Active Development is INTERRUPTED. Read ABNORMAL DELAYS.	Substantially all the activities necessary to prepare the asset for its intended use or sale are in progress.

DISCLOSURE

The Financial Statements shall disclose:

- (a) the Accounting Policy adopted for Borrowing Costs;
- (b) the amount of Borrowing Costs capitalised during the period;
- (c) Capitalisation Rate.