

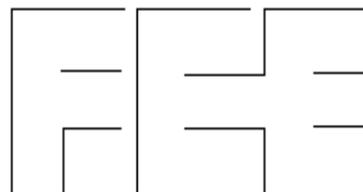
Date
5 October 2006

Le Président

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Mr. Stig Enevoldsen
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commentletter@efrag.org

Dear Mr. Enevoldsen,

Re: EFRAG draft comment letter on IASB Exposure Draft of Proposed Amendments to IAS 23 *Borrowing Costs*

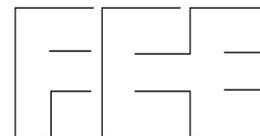
FEE (Fédération des Experts Comptables Européens, European Federation of Accountants) is pleased to submit its views on the EFRAG draft comment letter on the IASB Exposure Draft of Proposed Amendments to IAS 23 *Borrowing Costs*.

FEE is strongly committed to high quality, global, principle-based and neutral financial reporting standards. It is the overarching objective of standard setting. Long term convergence of standards is desirable. We support the IASB strategy to achieve convergence on high-quality standards. But convergence must involve an approach of seeking the best solutions for accounting issues.

In general we support the elimination of accounting options in IFRS but in this case, we do not see benefits to removing the option. A proper argument to justify why capitalisation is better than expensing has not been made. The change in accounting policy would hit all IFRS compliant entities although the change is aimed at benefiting only a small number of them – those listed in the US.

We do not believe a principle based analysis has been conducted in appropriate depth to support the elimination of an option in IAS 23. It is premature to decide which approach is more suitable for users without an analysis of comparative strengths and weaknesses. The fact that US GAAP requires capitalisation is not a sufficient argument in isolation to justify the elimination of the expensing option. We are not convinced it is a better solution than expensing borrowing costs. We do not agree with the argument in BC10 that the capitalisation of borrowing costs enhances comparability between assets that are internally developed and those acquired from third parties. The price of assets from third parties includes the finance costs incurred through equity financing as well as borrowing. Comparability therefore is not achieved through capitalisation of borrowing costs. Furthermore the cost of an asset should not depend on the sources of financing during its construction or production (equity or borrowing).

The proposed amendments eliminate only part of the differences between IAS 23 and SFAS 34, meaning the amounts capitalised would continue to be different and entities would still be required to reconcile to US GAAP the carrying amounts for qualifying assets. The definition of qualifying asset, components of costs and calculation techniques are examples of areas where differences will exist even if the proposed amendments to IAS 23 are adopted. Although convergence does not mean an identical set of standards, it should result in arriving at the same economic decisions in similar situations using US GAAP or IFRS.



Furthermore, we note that under this proposal borrowing costs will have to be capitalised, while acquisition costs would have to be expensed under the proposed amendments to IFRS 3. This appears to be inconsistent.

Therefore, we agree with EFRAG and we do not support the proposal. We are not in favour of the alternative view expressed in EFRAG's draft comment letter.

If the IASB persists in its proposal, we agree with the EFRAG's response to Question 2 and to the transitional provisions proposed.

We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Devlin'.

David Devlin
President