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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

Note: These notes are based on the staff paper prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB paper. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: **March 2006, London**

Project: **Short Term Convergence: Borrowing Costs (Agenda Paper 10)**

Introduction

1. A pre-ballot draft was distributed in February with a deadline for comments of 27th February.
2. The pre-ballot draft proposed an amendment to the scope of IAS 23. The standard would not be applied to borrowing costs directly attributable to the acquisition, construction or production of qualifying assets measured at fair value (e.g. biological assets).
3. [This part is not reproduced in this observer note]. IAS 41 requires biological assets to be measured on initial recognition, and at each balance sheet date, at fair value less estimated point-of-sale costs. IAS 41 does not address the treatment of subsequent expenditure after initial recognition of a biological asset, because it was considered unnecessary under a fair value approach. Some biological assets, in particular, plantation forests, would meet the IAS 23 definition of a qualifying asset, as they take a substantial period of time to get ready for their intended use or sale. [This part is not

reproduced in this observer note]. However, if IAS 23 were amended to require capitalisation, this would force entities to change their systems to capitalise the interest costs, only to then write those costs back off again when remeasuring the assets to fair value

4. [This part is not reproduced in this observer note]. Therefore, the staff asks the Board to confirm the scope as proposed to be amended by the staff.
5. A summary of other comments received on the pre-ballot draft and how the staff has reacted to them is annexed to this paper [The appendix is not reproduced in this observer note]. The staff does not intend to discuss these comments at the Board meeting unless a Board member wishes to do so.
6. [This paragraph is not reproduced in this observer note].