



30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: www.iasb.org

**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.

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

INFORMATION FOR OBSERVERS

Board Meeting: 11 March 2008, London

Project: Annual Improvements Process

Subject: ED comment analysis: IAS 23 Components of borrowing costs (Question 20) (Agenda Paper 8C)

INTRODUCTION

1. Paragraph 6 of IAS 23 provides a list of the components of borrowing costs. These are:
 - (a) interest on bank overdrafts and short-term and long-term borrowings;
 - (b) amortisation of discounts or premiums relating to borrowings;
 - (c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings;.....
2. The Board noted that items (a) to (c) are broadly equivalent to the components of interest expense calculated using the effective interest method in accordance with IAS 39. Therefore, the Board proposed in Question 20 to the ED for the Annual Improvements Project 2007 to amend IAS 23 *Borrowing Costs* to refer to guidance in IAS 39 *Financial Instruments: Recognition and Measurement* on effective interest rate when describing the components of borrowing costs.

STAFF ANALYSIS AND RECOMMENDATION

3. Respondent to this question agreed with the Board's proposal. Therefore, the staff recommends that the Board proceeds with the amendment. As there were no major issues raised by constituents, the staff does not intend to discuss this issue at the Board meeting. However, if you have other issues pertaining to this question, board members are asked to raise them during the meeting.