



IFRS AT A GLANCE
IAS 23 *Borrowing Costs*



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DEFINITIONS

BORROWING COSTS

- ▶ Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds
- ▶ Borrowing costs may include:
 - Interest expense calculated using the effective interest method as

QUALIFYING ASSET

- ▶ A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale
- ▶ Examples include:
 - Inventories (that are not produced over a short period of time)

RECOGNITION

- ▶ Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised as part of the cost of that asset
- ▶ Other borrowing costs are recognised as an expense when incurred
- ▶ If funds are borrowed specifically, the amount of borrowing costs eligible for capitalisation are the actual borrowing costs incurred on that

Capitalisation commences when:

- ▶ Expenditures for the asset are being incurred

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

DISCLOSURE









- ▶ Amount of borrowing cost capitalised during the period
- ▶ Capitalisation rate used.

Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

Alternatively, please visit www.bdo.global where you can find full lists of regional and country contacts.



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