



25 January 2008

Our ref: ICAEW Rep 13/08

European Commission  
DG Internal Market and Services  
Accounting Unit F3  
B-1049  
Brussels

By email: [angel.monzon@ec.europa.eu](mailto:angel.monzon@ec.europa.eu) and [philippe.bui@ec.europa.eu](mailto:philippe.bui@ec.europa.eu)

Dear Philippe

### **ENDORSEMENT OF IAS 23**

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to comment on the European Commission's consultation on the *Endorsement of IAS 23 Borrowing Costs*, published by the Commission in December 2007. Our responses to the relevant questions included in the EC Questionnaire are attached as an appendix to this letter.

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We are fully satisfied with the due process undertaken by the IASB and EFRAG regarding the revised standard and, despite our reservations regarding the changes to made IAS 23, noted below, we fully support endorsement of the revised standard by the EU without further delay.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

Dr Nigel Sleigh-Johnson  
Head of Financial Reporting  
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## **APPENDIX EC QUESTIONNAIRE**

**Please provide the following details together with your response:**

Preparer  User  Other (please specify): professional accountancy body

**Name of your organization / company:** ICAEW

**Short description of the general activity of your organization/ company:**

See covering letter

**Country where your organization/ company is located:** UK

**Contact details incl. e-mail address:** nigel.sleigh-johnson@icaew.com

**Please indicate whether you submitted comments to IASB and/or EFRAG during their consultations on exposure drafts, comment letters or endorsement advice related to the revised IAS 23:** Yes, IASB and EFRAG.

**In case we need further details on the submitted information we will take the liberty to contact the relevant respondent.**

**Information from preparers:** (not included in this appendix)

### **1. General questions on IAS 23**

**a) Which method do you think will provide more relevant, reliable, comparable and understandable information?**

**Relevant**  Capitalising  Expensing  
**Reliable**  Capitalising  Expensing  
**Comparable**  Capitalising  Expensing  
**Understandable**  Capitalising  Expensing

Please see our comments below.

**b) Can you explain the reasons why you prefer one or the other method?**

In our submission to the IASB we rejected the removal of either of the options as there was a lack of research on their relative merits, although we noted our understanding that analysts prefer the expensing of interest costs because it is easier to separately identify the numbers.

**c) Do you think higher comparability will be achieved between companies through the removal of the expensing method?**

Yes, we recognise the overall benefit of removing one of the options in terms of the comparability of IFRS financial statements.

**d) What do you consider are the main costs and benefits of the revised IAS 23 and what weighting would you assign to each of them?**

There are likely to be considerable on-going costs involved for companies that can no longer expense these costs, but overall benefits in terms of comparability.

**2. Questions for preparers** (not included in this appendix)

**3. Questions for users** (not included in this appendix)

**4. Other Questions**

**a) Can you provide any information that has been generated by field studies, research work, internal analysis carried out in your organization, jurisdiction?**

Please see the relevant analysis for the 2005 financial statements of EU listed companies included in the ICAEW study for the EC on the transition to IFRS, published in October 2007. Our study highlighted inconsistent practice in this area and the degree to which optional treatments reduced comparability in IFRS financial statements.

**b) If you have any further comments on this consultation please provide them to us.**

We are fully satisfied with the due process undertaken by the IASB and EFRAG regarding the revised standard and, despite our reservations regarding the changes to made IAS 23, noted above and in our previous submissions, we fully support endorsement of the revised standard by the EU without further delay.

Email: [nigel.sleigh-johnson@icaew.com](mailto:nigel.sleigh-johnson@icaew.com)

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