

IAS23 BORROWING COST



DOES NOT APPLY TO:

- A qualifying asset measured at **Fair Value**
- Manufactured **inventories**



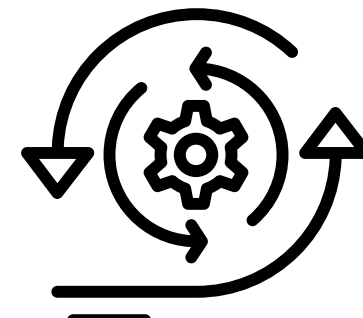
KEY DEFINITIONS

- **Borrowing Cost:** Cost incurred in connection with **borrowings**
- **Qualifying Asset** - Takes a **substantial period** of time to **get ready** for its **intended use or sale**



LIMITS TO BORROWING COST

- IFRS9 interest expense
- IFRS16 lease interest
- Exchange difference from foreign borrowings relating to adjustments to interest costs



PRINCIPLE

- Borrowing costs are capitalized to qualifying asset if attributable to the **cost, construction or production**
- Reduce borrowing cost by **investment income** from temporary investment

START

CAPITALISATION COMMENCEMENT

- When the entity:
- **Incurs** expenditure for asset
- **Incurs** borrowing cost
- Prepares asset for its **intended use or sale**



SUSPENSION / CESSATION

- **Suspend** - When developing activities are suspended
- **Cessation** - When developing activities are completed