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International Financial Reporting
Interpretations Committee (IFRIC)
Mr Robert Garnett
30 Cannon Street
London EC4M 6XH

Berlin, 14. Dezember 2009

United Kingdom

Dear Bob

**Comment Letter on IFRIC's Agenda Decision 'IAS 23 *Borrowing Costs* –
Meaning of "general borrowings"' published in November 2009**

During its meeting in November 2009 the IFRIC discussed the issue of what comprises 'general borrowings' for purposes of capitalisation of borrowing costs in accordance with IAS 23. Specifically the issue related to the treatment of general borrowings used to purchase a specific asset other than a qualifying asset as defined in the standard.

The IFRIC discussed whether or not borrowings relating to specific assets other than qualifying assets must or cannot be excluded from determining the capitalisation rate for general borrowings (for details please refer to the IFRIC Update November 2009). In the end the IFRIC concluded that any guidance it could provide would be in the nature of application guidance rather than an interpretation.

At its meeting in July 2009, the Board noted that IAS 23 excludes only debt used to acquire qualifying assets from the determination of the capitalisation rate. Thus, the Board decided not to include this issue in the annual improvements process.

Considering the above, the IFRIC decided not to add the issue to its agenda.

Although we acknowledge the IASB's conclusion that IAS 23 is clear with regard to the issue in discussion (only debts used to acquire qualifying assets are excluded from the determination of the capitalisation rate), we are deeply concerned that this rule may lead to meaningless capitalisation rates in situations, where borrowings can be objectively linked to a non-qualifying asset. An example might be that an acquisition is financed via a lease agreement.



Accordingly we would like to ask the IFRIC to once more suggest that the Board include this issue in the Annual Improvement Process and to clarify IAS 23 in this respect.

If you would like further clarification of the issue set out in this letter, please do not hesitate to contact me.

With best regards

Guido Fladt
AIC, Chairman