

1 March 2021

The Technical Director,  
International Public Sector Accounting Standards Board,  
277 Wellington St. West Toronto, ON  
M5V 3H2.

Dear Sir/ Madam,

**RESPONSE TO EXPOSURE DRAFT 74, IPSAS 5, BORROWING COSTS - NON-  
AUTHORITATIVE GUIDANCE**

The Institute of Certified Public Accountants of Uganda (ICPAU) welcomes the opportunity to comment on Exposure Draft (ED) 74, IPSAS 5, Borrowing Costs - Non-Authoritative Guidance.

**Specific Matter for Comment 1**

*Do you agree with the proposed additional implementation guidance and illustrative examples? If not, what changes would you make?*

We generally agree with the proposed additional implementation guidance and illustrative examples. Specifically, the guidance included to explain the Board's decision to retain the existing accounting policy choice (BC3-BC9) - capitalization of borrowing costs. Also, the guidance and examples added to clarify the interpretation of "qualifying asset" and "directly attributable" expenditures is useful.

**General matters for comment**

We want to commend the Board for the additional implementation guidance and illustrative examples that have been developed to help users deal with the practical challenges of capitalising borrowing costs in the public sector. This has been especially challenging for public sector entities where borrowing is centralised.

We generally support the proposals therein and hope these will improve the application of the principles set out in IPSAS 5.

We also agree with the overall decision in the basis for conclusion para BC12 that borrowing costs are not the same as transaction costs. However, we think it would also be useful to provide a definition for what the Board calls "transaction costs" as

*ICPAU Comments on ED 74, IPSAS 5, Borrowing Costs*

there is no consistent definition across the other IPSAS, to enhance the overall understandability of the Board's decision.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'MA', enclosed within a circular scribble.

CPA Mark Omona,  
**DIRECTOR, STANDARDS AND REGULATION**

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