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Lausanne, February 16, 2020

Swiss Comment to

ED 74 Borrowing Costs – *Non-Authoritative Guidance*

Dear Ross,

With reference to the request for comments on the proposed Consultation Paper, we are pleased to present the Swiss Comments to ED 74 Borrowing Costs – *Non-Authoritative Guidance*. We thank you for giving us the opportunity to put forward our views and suggestions. You will find our comments for the Exposure Draft in the attached document.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,

SRS-CSPCP



Prof Nils Soguel, President



Evelyn Munier, Secretary

ED 74 Borrowing Costs – *Non-Authoritative Guidance*

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the 26 cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP has discussed the ED 74 Borrowing Costs – *Non-Authoritative Guidance*.

2. General Remarks

The SRS-CSPCP points out that when commenting on the CP Measurement it rejected a capitalization of debt costs. It was of the opinion that, if recognized in the statement of financial performance, the comparability of public entities with different level of self-financing is better ensured. The SRS-CSPCP is somehow disappointed that both options (capitalization and recognition as expense) would be acceptable. However it understands the IPSASB's dilemma.

3. Specific Matter for Comment 1

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

The SRS-CSPCP would like to draw attention to the problematic of hierarchizing IPSAS 5 and IPSAS 41 and wishes that an additional example be given. This example should clearly distinguish the hierarchy between IPSAS 5 and IPSAS 41 and provide users with assistance in recognizing interest costs pursuant to IPSAS 41 when capitalizing or not capitalizing borrowing costs. Further, the SRS-CSPCP wishes that the treatment of interest expense should also be included in an additional point of the Implementation Guidance (new Point A.7).

The SRS-CSPCP has the following comments:

- a) For the example, which is given under IE 13, there lacks a corresponding point in the Implementation Guidance; lacking is in particular a link to Point A. 6 of the Implementation Guidance.
- b) In Point A.3 of the Implementation Guidance it is not quite clear whether "transfer" is a cash transfer or the transfer of an asset. Further, the formulation of the Point is (too) complicated and in the Answer it is not evident to what "no" applies: to the transfer or to the underlying source of funds? Basically the Answer given does not answer the question.
- c) In Point A.4 in the Question of the "interest rate incurred" is referred to, but in the Answer stands "weighted average interest rate incurred". The expression "weighted average" should therefore be omitted.
- d) In Point A.5 the supplement that at most the "interest incurred" may be applied is lacking. In Example IE 8 it is pointed out. In the Implementation Guidance, under Point A.5 a corresponding reference is lacking.