



Republic of Kenya



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Date: 26th February 2021

Ross Smith
Program and Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto
Ontario M5V 3H2
CANADA

Dear *Mr. Smith,*

EXPOSURE DRAFT 74: IPSAS 5, Borrowing Costs – Non- Authoritative Guidance

The Public Sector Accounting Standards Board (PSASB), Kenya was established by the Public Finance Management Act (PFM) No.18 of 2012. The Board is mandated to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and Public entities in Kenya and to prescribe internal audit procedures which comply with the Public Finance Management Act, 2012.

PSASB acknowledges the Board's effort in providing the non-authoritative guidance with respect to borrowing costs. PSASB Kenya response is documented in the attachment for your consideration.

Yours *Sincerely,*

CPA FREDRICK RIAGA
CHIEF EXECUTIVE OFFICER

**PSASB- KENYA RESPONSE TO EXPOSURE DRAFT 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?

PSASB Kenya is in agreement with the proposed additional implementation guidance and illustrative examples as per the below comments.

Section of IPSAS 5, Borrowing Costs	Summary of Proposed Non-Authoritative Guidance	PSASB KENYA COMMENTS
Basis for Conclusions	Explains the IPSASB decision to <ul style="list-style-type: none"> • Retain the accounting policy choice to capitalize borrowing costs as part of the cost of the asset when they are directly attributable to the acquisition, construction, or production of a qualifying asset (BC3 – BC9); • Add Implementation Guidance and Illustrative Examples (BC10); and • Distinguish between borrowing costs and transaction costs (BC11 – BC14). 	<i>PSASB Kenya is in agreement with IPSASB’s basis of conclusion as it has provided the basis on which the two accounting policies can be adopted in ensuring faithful representation of information in the financial statements</i>
Implementation Guidance	Guidance added to clarify the extent to which borrowing costs can be capitalized.	<i>The implementation guidance provided has provided sufficient clarity on the extent to which borrowing costs can be capitalized</i>
Illustrative Examples	Examples added to clarify the extent to which borrowing costs can be capitalized.	<i>PSASB Kenya is in agreement with the illustrative examples provided.</i>