



Mr Ross Smith
Program and Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, ON M5V 3H2
Canada

Dear Mr Smith

Exposure Draft 74 IPSAS 5, *Borrowing Costs – Non-Authoritative Guidance*

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on IPSASB Exposure Draft (ED) 74 IPSAS 5, *Borrowing Costs – Non-Authoritative Guidance*.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises the senior accounting policy representatives from all Australian states and territories and the Australian Government.

HOTARAC supports the proposed Implementation Guidance and Illustrative Examples in ED 74 to assist public sector entities which elect to capitalise borrowing costs under IPSAS 5 *Borrowing Costs*. The following detailed issues were noted:

- Paragraph A4 of ED 74 states that where the entity acquiring, constructing or producing the qualifying asset receives loan funding on concessionary terms, it should “capitalise borrowing costs based on a market related interest rate that the entity would have incurred on a similar loan”. This appears inconsistent with other sections of A3 and A4, which state that “The entity can include in the cost of the qualifying asset only those borrowing costs which it itself has incurred”. Further guidance or an illustrative example on a concessional loan which explains and reconciles these two principles may be helpful.
- Paragraph A4 notes that consolidation adjustments may be required where borrowing costs incurred by a centralised lending agency differ to those of the controlled entity which acquired, constructed or produced the qualifying asset. HOTARAC notes this could involve significant work on consolidation where governments elect to capitalise borrowing costs.

If you have any queries regarding HOTARAC’s comments, please contact Peter Gibson from the Commonwealth Department of Finance on +61 02 6215 3551 or by email to peter.gibson@finance.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stewart Walters'.

Stewart Walters
CHAIR

Heads of Treasuries Accounting and Reporting Advisory Committee

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