



IFRS Corner

In this part of our newsletter, we feature the main items of news from the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS). This will focus on new standards (and/or amendments thereto), currently discussed topics, and the practical application of IFRS.

■ Amendment to IAS 23 – Borrowing costs

Pursuant to the previous version of this standard, borrowing costs could either be capitalised as part of the acquisition cost of the asset, or recognised as an expense for the current period.

The amendment has removed this option from the standard.

From this point on, entities must capitalise borrowing costs that are attributable to acquisition, construction or production of a qualifying asset.

This standard is applicable to projects that commenced on or after 1 January 2009, with earlier application permitted.

■ Discussion Paper on lease accounting

The International Accounting Standards Board (IASB) has published a Discussion Paper on lease accounting. The aim of the material is to present a summarized overview of the field in question, representing one of the first steps within the process of adopting new IFRS rules. It does not, however, constitute a binding document. The next step – yet to be taken – is the exposure draft.

Within the IFRS, a lease is currently classified as either a finance or operating lease, based on various criteria. For example, for a contract to be classified as a finance lease, the criteria must include the following:

- At the end of the term of lease, the asset is transferred to the lessee
- The lessee has the option to purchase the asset at a price considerably lower than fair value
- The term of lease covers a major part of the asset's economic life.

The main difference between the two types of lease when accounting for a lease in the financial statements of a lessee is that it is the lessee who recognises and depreciates the finance lease and records a corresponding liability

However, the exposure draft published by the IASB, together with the Financial Accounting Standards Board (FASB) in March 2009, proposes that the classification of leasing in finance and operating be removed.

According to the current material, all lease agreements – both operating and finance – are recognised as intangible assets, consisting of the right to use the subject of the lease also as the corresponding liability.

If you would like to learn more about the IAS/IFRS, please do not hesitate to contact us. We will be more than happy to advise you.



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