

PBE IPSAS 5 Borrowing Costs – Differences to NZ IFRS (PBE)

	NZ IAS 23 (PBE)	PBE IPSAS 5	Difference
1	<p>Under NZ IFRS (PBE) standards, entities applying NZ IAS 23 (PBE) <i>Borrowing Costs</i> had the choice of applying either the 2008 or the 2004 version. The 2008 version required the capitalisation of borrowing costs on qualifying assets, but the 2004 version allowed a choice between capitalising and immediately expensing borrowing costs.</p> <p>NZ IAS 23 NZBC 2</p>	<p>Under PBE IPSAS 5, entities have the choice between immediately expensing borrowing costs or capitalising borrowing costs on qualifying assets.</p> <p>PBE IPSAS 5.17-20</p>	<p>The Crown's accounting policy is to expense all borrowings costs (we previously elected to apply the 2004 version of NZ IAS 23 (PBE)). This same policy will continue after transition to the new PBE standards, so there is no change in accounting for borrowing costs for the Financial Statements of the Government.</p>
2	<p>The scope of NZ IAS 23 (PBE) (2008 version) excludes:</p> <ul style="list-style-type: none"> (a) qualifying assets measured at fair value, for example a biological asset; or (b) Inventories that are manufactured or otherwise produced, in large quantities on a repetitive basis. <p>NZ IAS 23.4</p>	<p>PBE IPSAS 5 does not exclude such assets from its scope.</p>	<p>Entities applying the 2008 version of NZ IAS 23:</p> <ul style="list-style-type: none"> (a) which have a policy of capitalising borrowing costs; and (b) are taking advantage of the exclusions for assets measured at fair value or inventories that are manufactured or otherwise produced, in large quantities on a repetitive basis; <p>will now be required to capitalise borrowing costs with respect to these assets.</p>
3	<p>NZ IAS 23 (PBE) touches on the complications that arise with respect to capitalising borrowing costs involved in inter-group funding, but does not provide guidance.</p> <p>NZ IAS 23.11</p>	<p>PBE IPSAS 5 contains guidance for capitalisation of borrowing costs in group situations, including where funds are transferred at no cost or only partial cost. It specifically requires that the borrowing costs capitalised by an entity are limited to the costs incurred by the entity.</p> <p>PBE IPSAS 5.26-29</p>	<p>Additional guidance for capitalisation of borrowing costs in group situations is now provided in PBE IPSAS 5.</p>