

Swiss Comment to

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.

Lausanne, February 8, 2021