



Le Président

Paris, January 14, 2021

Mr Ross Smith
Technical director
International Public Sector Accounting
Standards Board
International Federation of Accountants
277 Wellington Street, 4th floor
Toronto
Ontario M5V 3H2 CANADA

Re: Response to Exposure Draft 74, *IPSAS 5, Borrowing Costs – Non-authoritative guidance*

Dear Mr Smith,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on the Exposure Draft 74, *IPSAS 5, Borrowing Costs – Non-authoritative guidance* published in October 2020 (ED74).

We commend the IPSAS Board for developing Implementation Guidance and Illustrative Examples to help preparers when faced with practical public sector challenges in capitalising borrowing costs. We believe implementation of borrowing costs capitalisation is complex for public sector entities where borrowing is centralised, and we would recommend those entities should choose to expense borrowing costs to meet the cost/benefit ratio constraint.

However, we also understand that for consolidation purposes alignment with IFRSs is important, therefore we agree on the Board's proposal to retain the option to capitalise borrowing costs.

We also note the clarification made in the Basis for Conclusion in paragraph BC12 that transactions costs and borrowing costs are different economic phenomena which may require different accounting treatments.

Yours sincerely,

Michel Prada

APPENDIX

Specific Matter for Comment 1

Do you agree with the proposed additional implementation guidance and illustrative examples? If not, what changes would you make?

We find that the proposed illustrative examples are relevant and that they illustrate well the approach retained for capitalising borrowing costs.