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EFRAG
Avenue Des Arts 41, 4th Floor
B-1040 Brussels
BELGIUM
commentletter@efrag.org

Subject: **Exposure Draft of Proposed Amendments to IAS 23 *Borrowing Costs***

Dear Sirs,

We are pleased to provide our comments on the subject matter.

The OIC shares the concerns expressed by the EFRAG, especially regarding the idea that (partial) convergence with the US GAAP is the main reason for the proposed change.

The OIC agrees with the objective of eliminating options in the standards and also with the convergence objective. For these reasons, the OIC prefers the alternative version of the EFRAG draft response and, consequently, the alternative version of response 1. However, the OIC considers that the IASB has not provided sufficient explanation as to how the proposed change would lead to better quality accounting principles. Indeed, the IASB document does not furnish truly convincing reasons (based on properly thorough research and analysis) as to why the capitalization of borrowing costs directly attributable to the construction of qualifying assets is preferable to their immediate expensing.

We do not agree with the EFRAG recommendation that the IASB should clarify in the Basis of conclusions that the driving factor in proceeding with the proposal is the desire to eliminate reconciliation with the US GAAP. Rather, we would suggest that the IASB be invited to specify why the proposed elimination would lead to improved accounts and also (as a consequence rather than a reason) enable alignment with the US GAAP.

Last, we would point out that recent non-official indications on the possible content of the SME project suggest that SMEs will be required to expense borrowing costs. Should this prove to be the case, the IASB should justify this different treatment, which, in our opinion, cannot be based solely on simplicity but also on the different needs of the users of SME accounts.

Concerning the specific questions:

Question 1

We agree with the alternative proposed by the EFRAG (see above comments).

Question 2

We agree with the EFRAG comment.

Yours sincerely,

Prof. Angelo Provasoli
(OIC Chairman)