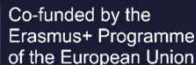




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IAS® Standard 23 Borrowing Costs



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OBJECTIVE AND SCOPE

- Recognize
- Capitalize

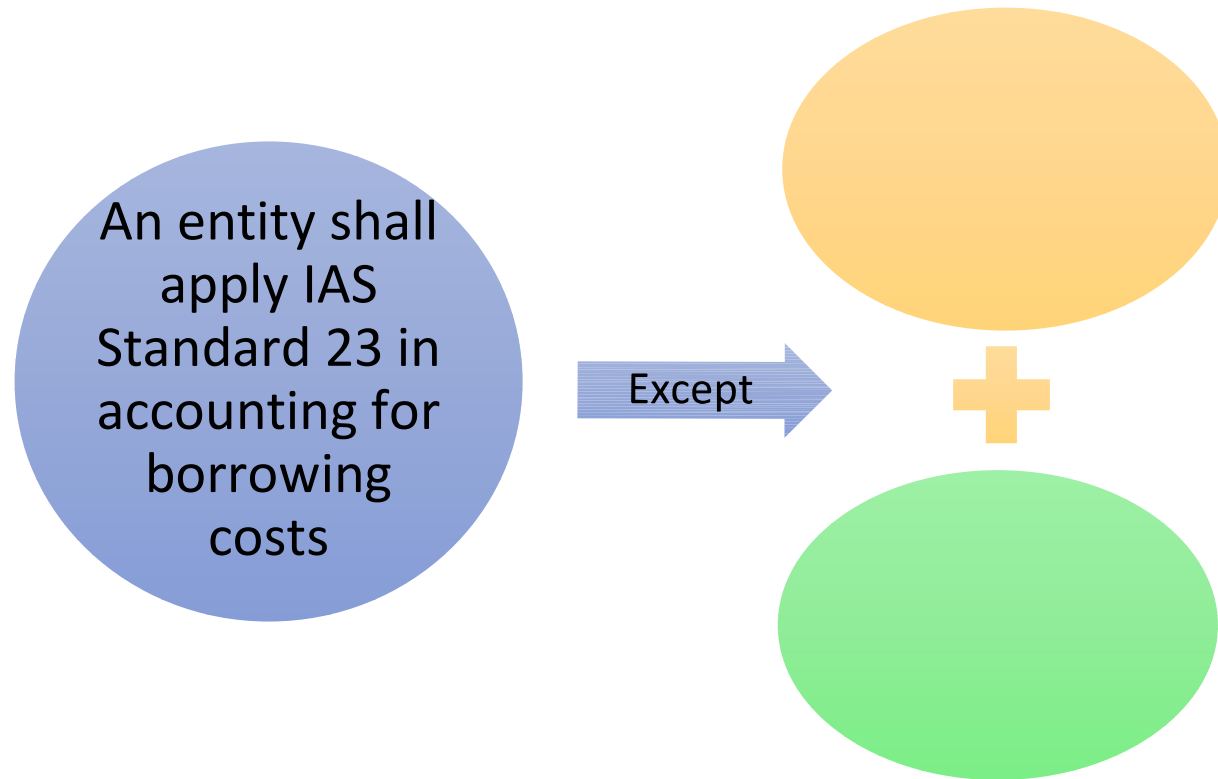
- Borrowing Cost

- Qualifying Asset

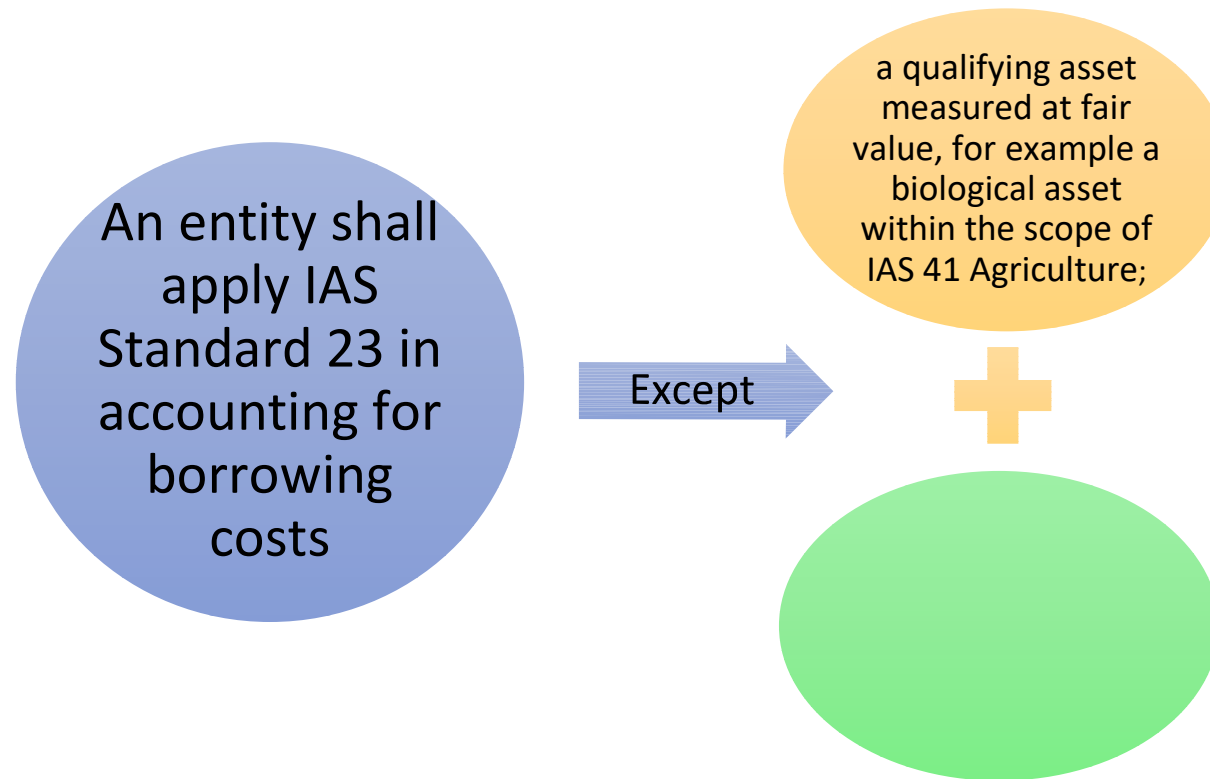
OBJECTIVE AND SCOPE



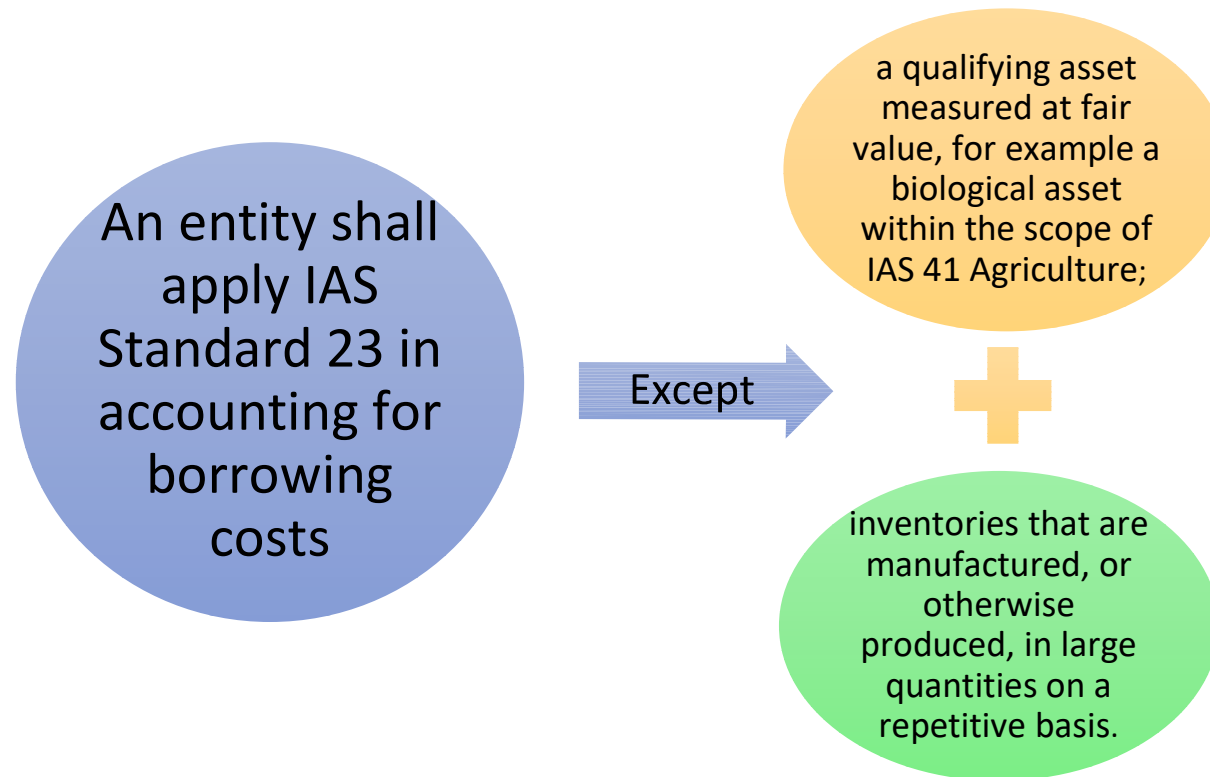
OBJECTIVE AND SCOPE



OBJECTIVE AND SCOPE



OBJECTIVE AND SCOPE



DEFINITIONS

Borrowing
costs



Qualifying
asset



DEFINITIONS

Borrowing
costs

- Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Qualifying
asset

DEFINITIONS

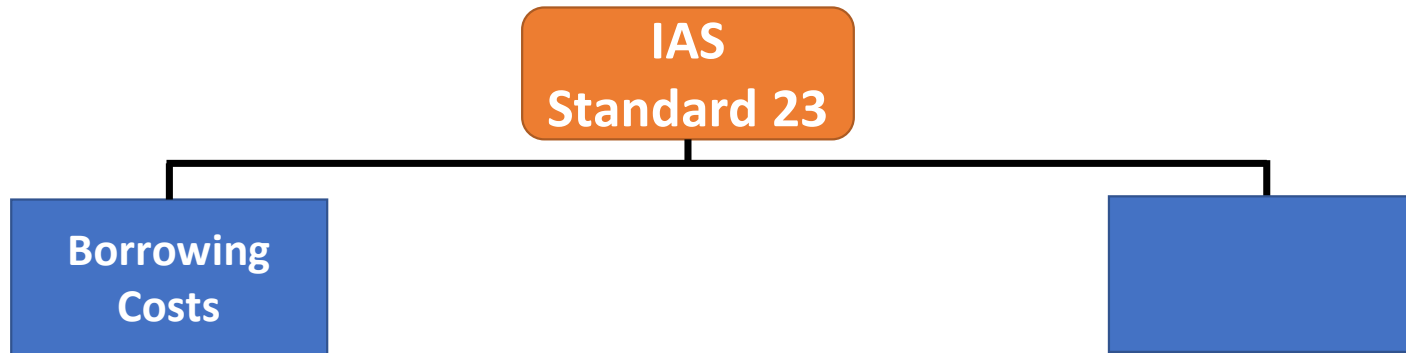
Borrowing costs

- Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

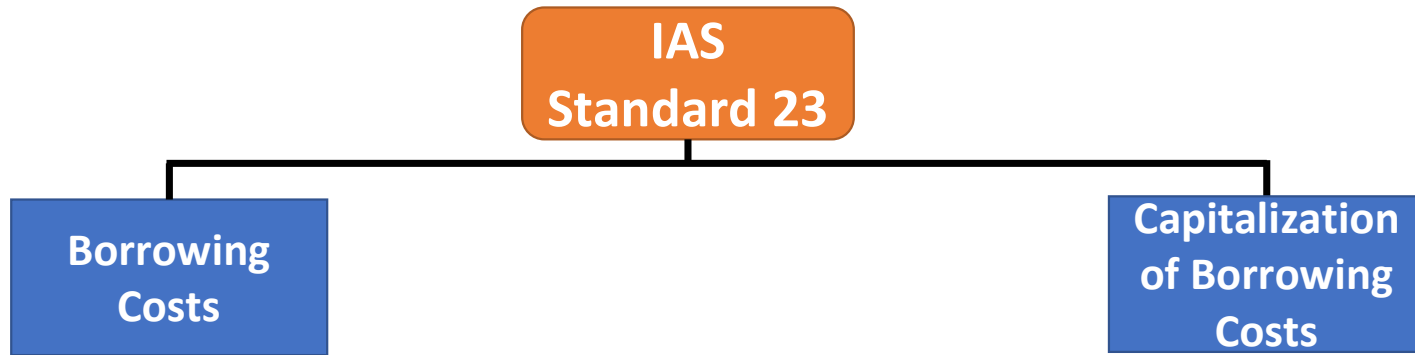
Qualifying asset

- A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

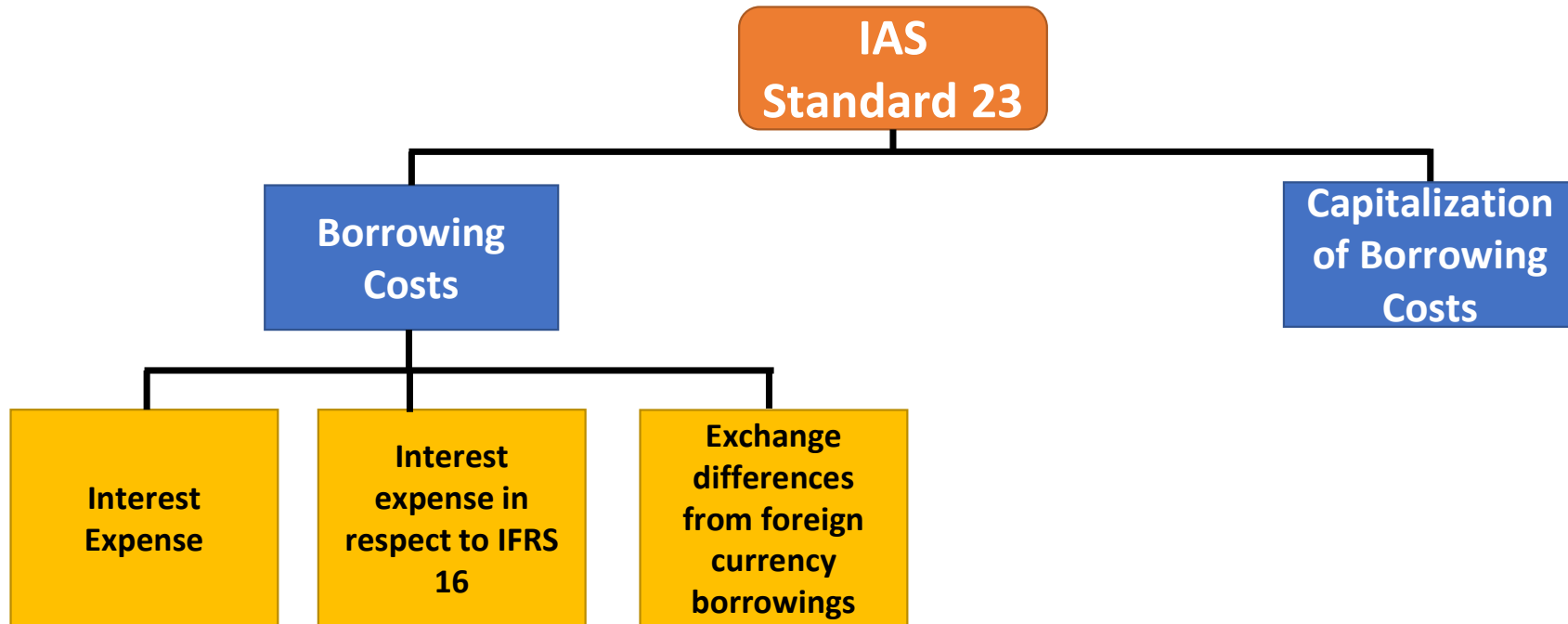
FUNDAMENTAL ISSUES



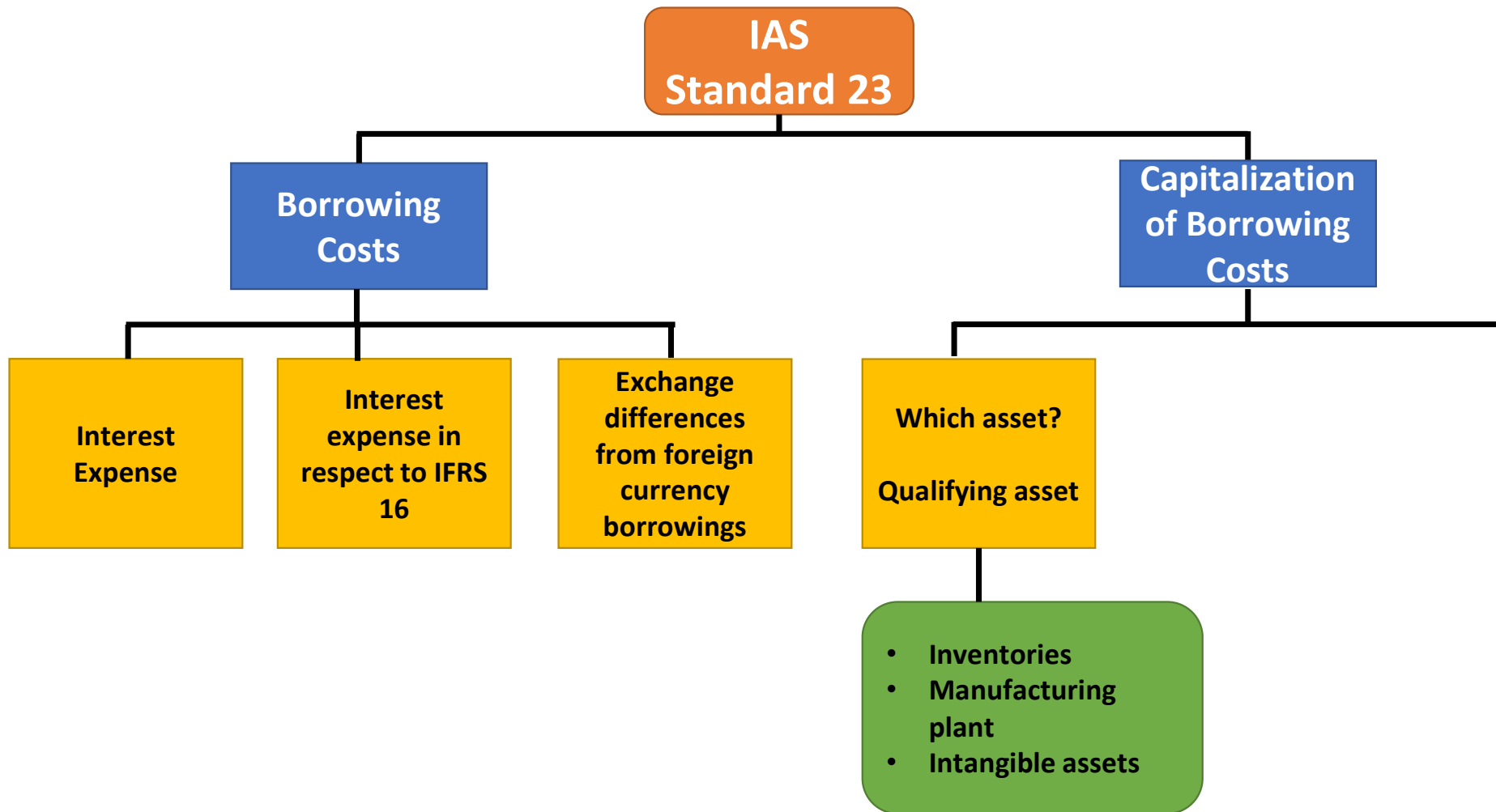
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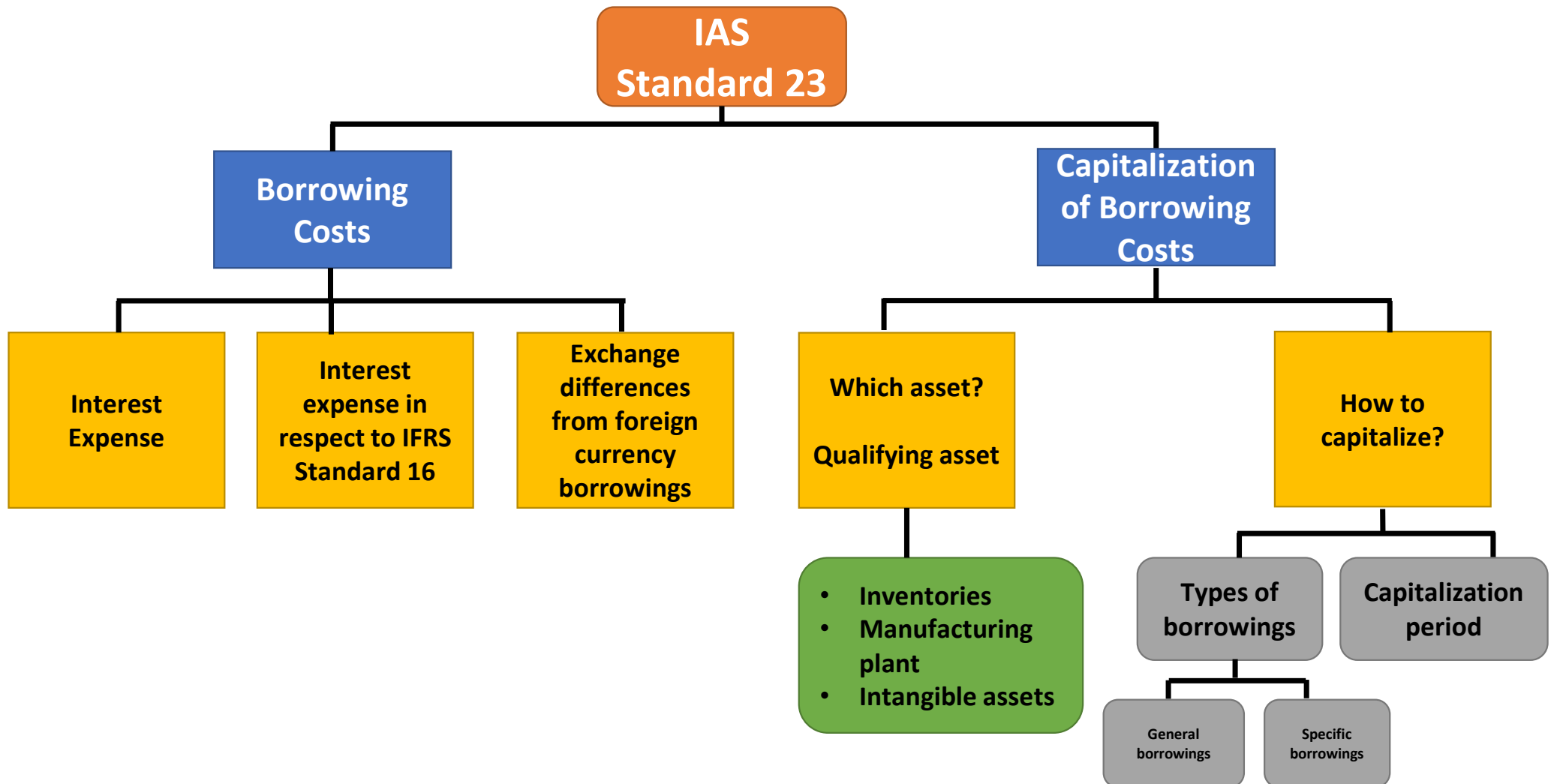
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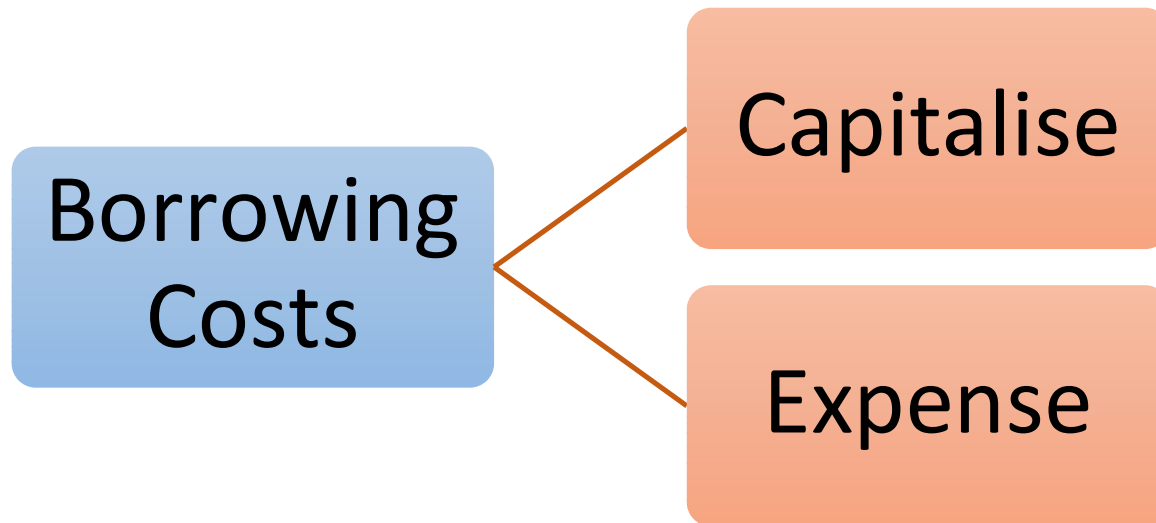
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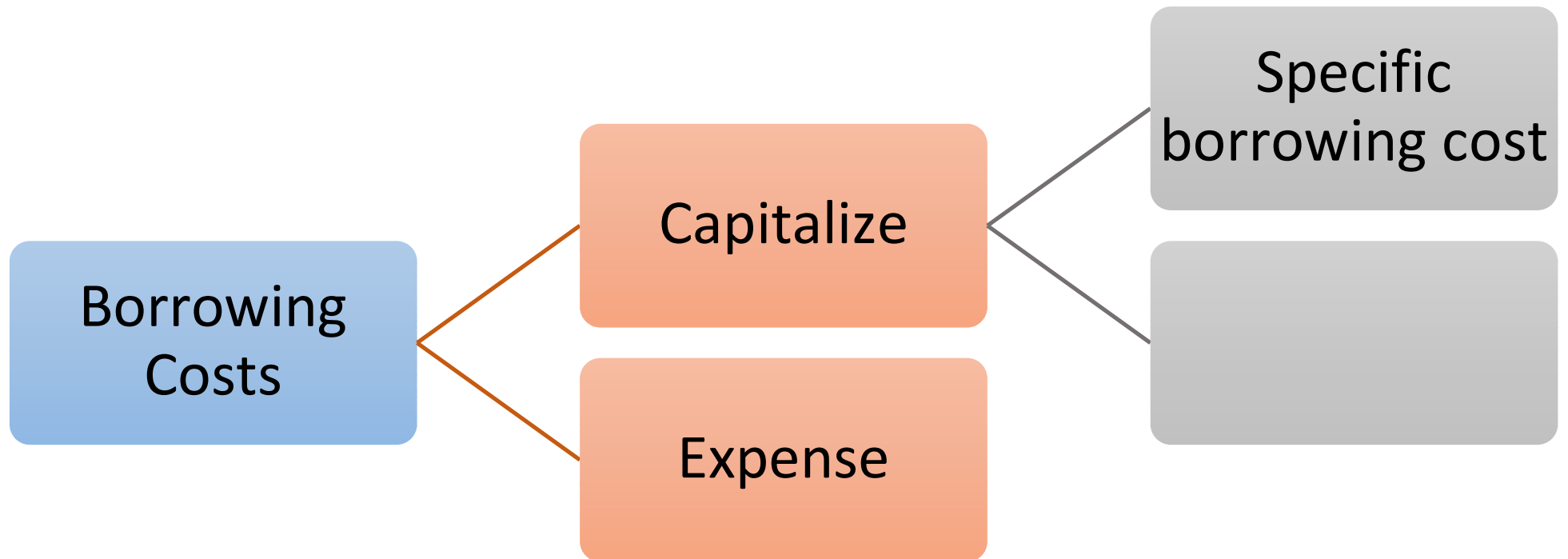
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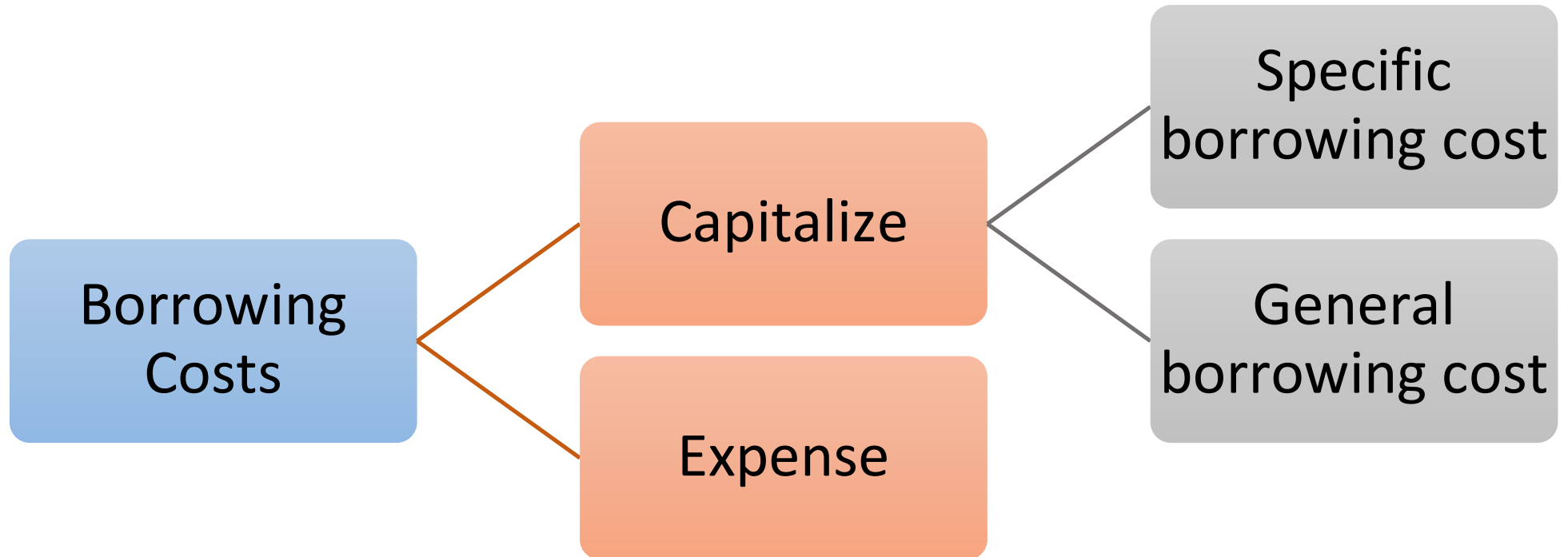
FUNDAMENTAL ISSUES



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FUNDAMENTAL ISSUES



CAPITALIZATION RATE

- General Borrowings
- CU10,000,000, 10% loan
- CU8,000,000, 14.5% loan

CAPITALIZATION RATE

- General Borrowings
- CU10,000,000, 10% loan
- CU8,000,000, 14.5% loan

- $\textit{Capitalization Rate} = \frac{\textit{Total borrowing cost}}{\textit{Total Principal Amount of Loans}}$
- $\textit{Capitalization Rate} = \frac{(10,000,000 \times 0.10) + (8,000,000 \times 0.145)}{10,000,000 + 8,000,000}$
- $\textit{Capitalization Rate} = \frac{1,000,000 + 1,160,000}{18,000,000}$
- $\textit{Capitalization Rate} = \frac{2,160,000}{18,000,000} = 0.12$ or 12%

WEIGHTED AVERAGE EXPENDITURES

YEAR 2020											
January											December
CU100,000											CU100,000

Interest Expense of CU100.000 made in January \neq Interest Expense of CU100.000 made in December

WEIGHTED AVERAGE EXPENDITURES

Date	Actual Expenditure A	Capitalization Period B	Weighted Average Expenditure A x B
1 January			
1 March			
1 September			
1 December			
TOTAL			

WEIGHTED AVERAGE EXPENDITURES

Date	Actual Expenditure A	Capitalization Period B	Weighted Average Expenditure A x B
1 January	100,000		
1 March	360,000		
1 September	300,000		
1 December	240,000		
TOTAL	1,000,000		

WEIGHTED AVERAGE EXPENDITURES

Date	Actual Expenditure A	Capitalization Period B	Weighted Average Expenditure A x B
1 January	100,000	12/12	
1 March	360,000	10/12	
1 September	300,000	4/12	
1 December	240,000	1/12	
TOTAL	1,000,000		

WEIGHTED AVERAGE EXPENDITURES

Date	Actual Expenditure A	Capitalization Period B	Weighted Average Expenditure A x B
1 January	100,000	12/12	100,000
1 March	360,000	10/12	300,000
1 September	300,000	4/12	100,000
1 December	240,000	1/12	20,000
TOTAL	1,000,000		520,000

CAPITALIZED BORROWING COST

- *Borrowing Cost to be Capitalized = Capitalization rate x Weighted Average Expenditure Total*

CAPITALIZED BORROWING COST

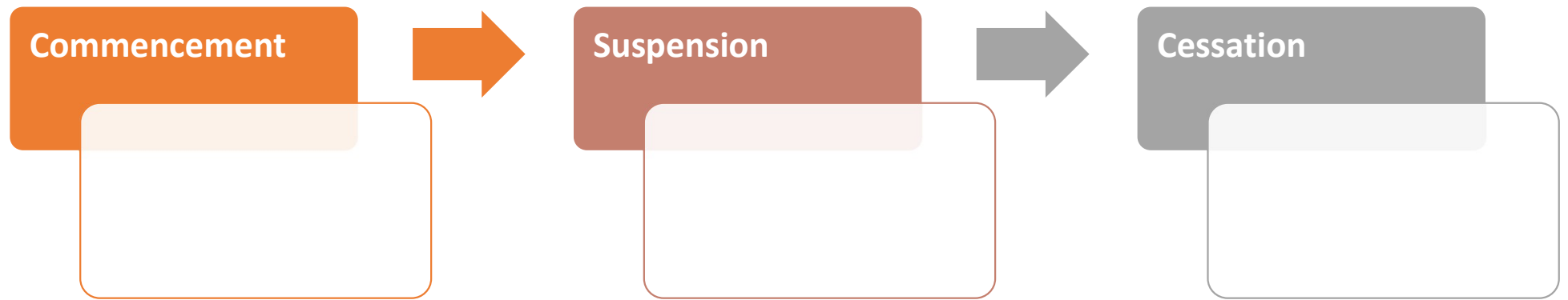
- *Borrowing Cost to be Capitalized = Capitalization rate x Weighted Average Expenditure Total*
- *Borrowing Cost to be Capitalized = 0.12x 520,000*
- *Borrowing Cost to be Capitalized = CU62,400*

CAPITALIZED BORROWING COST

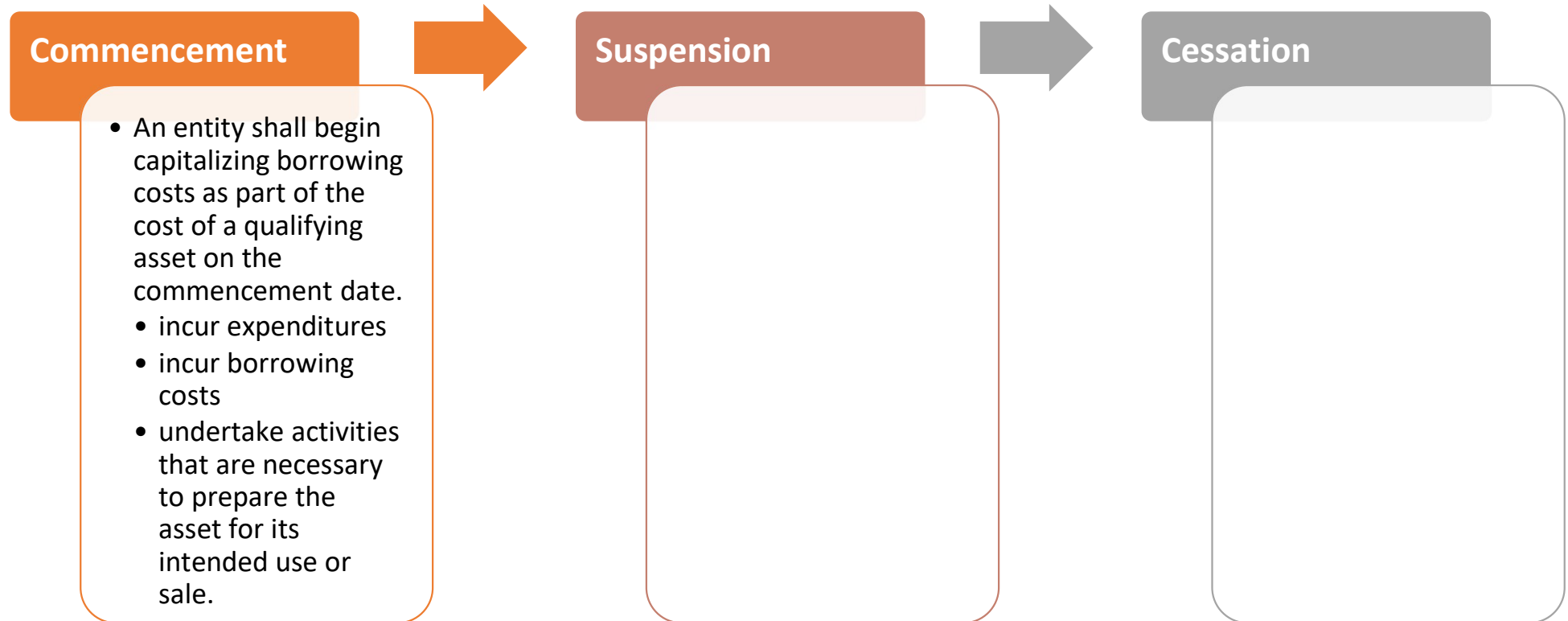
- *Borrowing Cost to be Capitalized = Capitalization rate x Weighted Average Expenditure Total*
- *Borrowing Cost to be Capitalized = 0.12x 520,000*
- *Borrowing Cost to be Capitalized = CU62,400*

- Total borrowing cost of the period : 2,160,000
- Capitalized Borrowing Cost: 62,400
- Expensed Borrowing Cost : 2,097,600

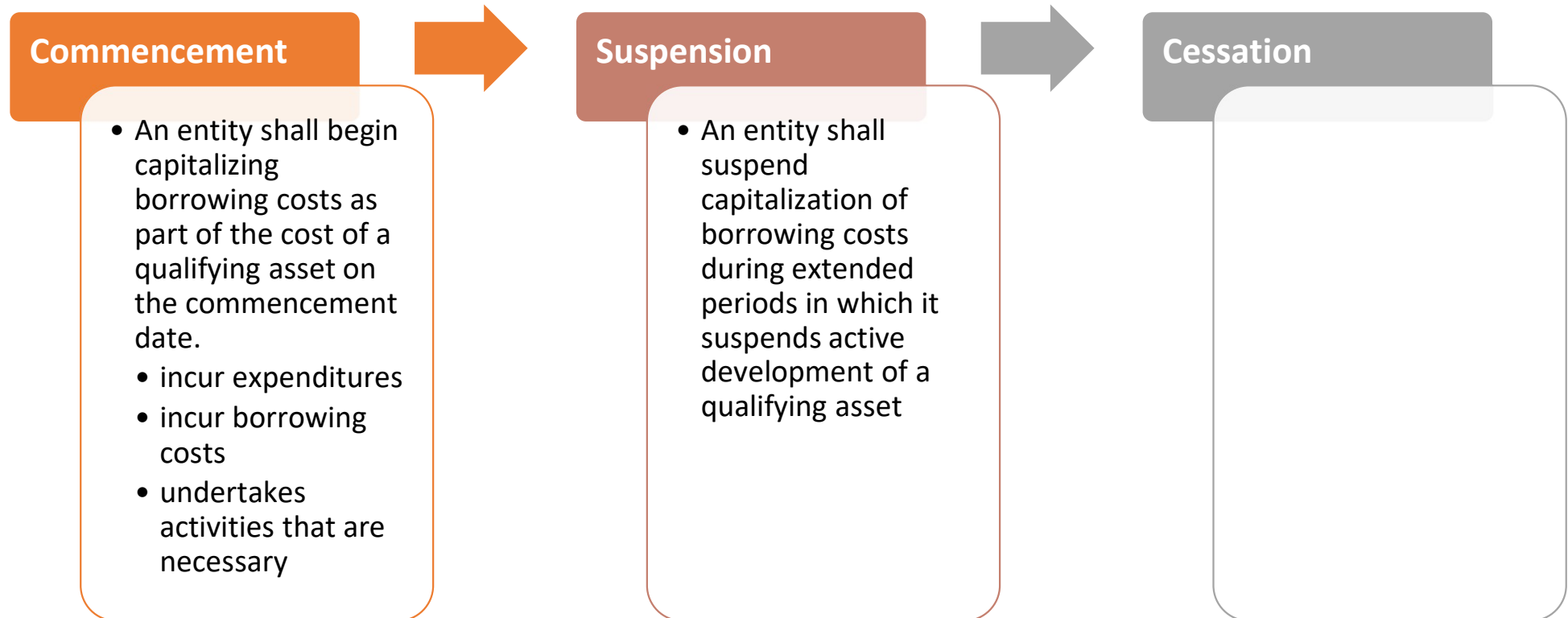
CAPITALIZATION PERIOD



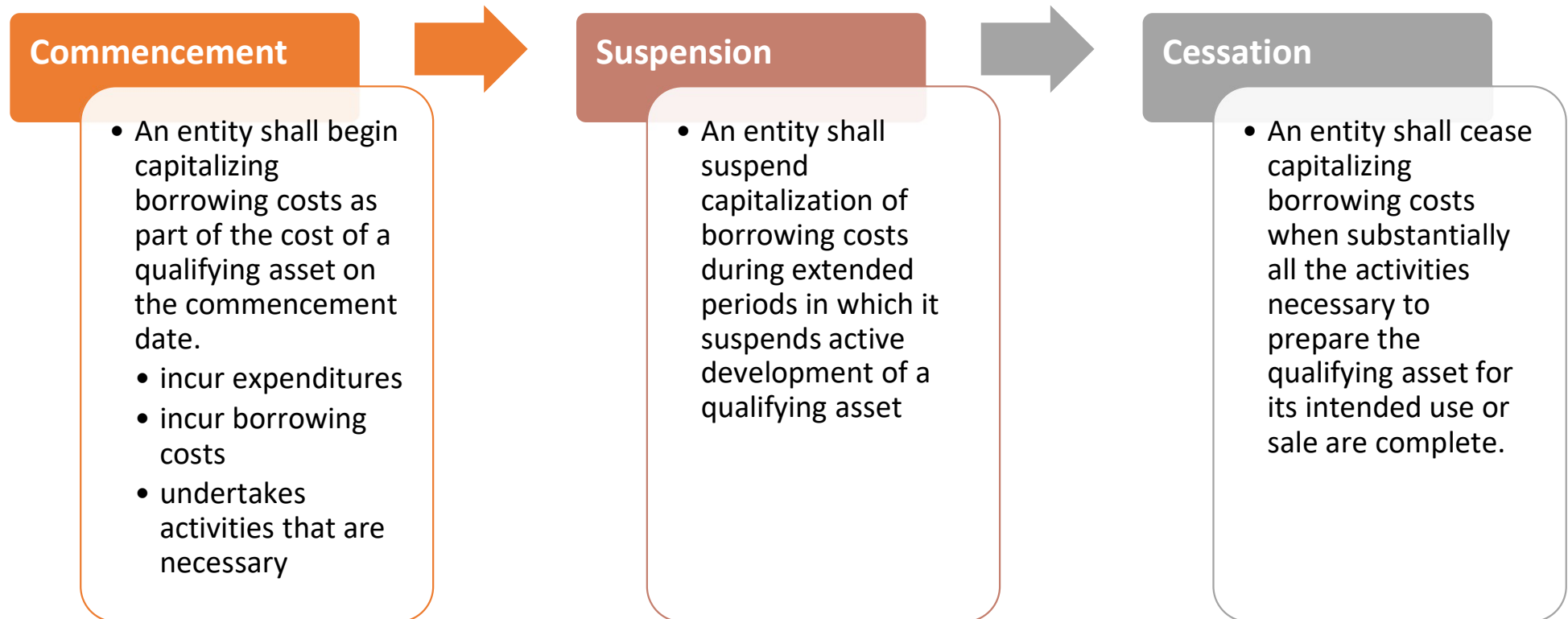
CAPITALIZATION PERIOD



CAPITALIZATION PERIOD



CAPITALIZATION PERIOD



DISCLOSURE

- An entity shall disclose:
 - (a) the amount of borrowing costs capitalized during the period; and
 - (b) the capitalization rate used to determine the amount of borrowing costs eligible for capitalization.



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