

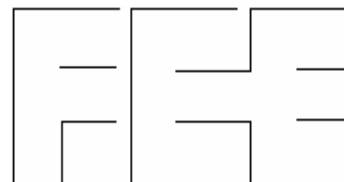
Date
5 June 2007

Le Président

Fédération
des Experts
Comptables
Européens
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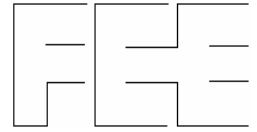


commentletter@efrag.org

Dear Mr. Enevoldsen,

Re: EFRAG Draft Endorsement Advice on IAS 23 Borrowing Costs

1. FEE (Fédération des Experts Comptables Européens, European Federation of Accountants) welcomes the opportunity to comment on the EFRAG draft endorsement advice on IAS 23 as published by EFRAG for public consultation in April.
2. FEE is strongly committed to high quality, global, principle-based and neutral financial reporting standards. It is the overarching objective of standard setting. We support the IASB strategy to achieve convergence on high-quality standards. However, convergence must involve an approach of seeking the best solutions for accounting issues.
3. Our comment letter of 5 October 2006 expressed FEE's general support for the elimination of accounting options in IFRS. However, in this case we do not see the benefits of removing the option in IAS 23. A compelling argument to justify why capitalisation is better than expensing has not been made in the draft revised standard. The change in accounting policy would affect all IFRS compliant entities, yet the change is aimed at benefiting only a small number of them – those also listed in the US. Our attached letter of 5 October 2006 sets out in further detail why we are against the removal of the expense option. In summary, our arguments are:
 - No principle-based analysis of user needs has been made.
 - The case has not been made for capitalisation resulting in better accounting than expensing of borrowing costs.
 - Only part of the differences between IAS 23 and SFAS 34 has been removed.
 - Only convergence towards the best solution is acceptable.
 - Expensing of borrowing costs is widely used in practice in Europe and is in many countries the preferred option both under IFRS and national legislation based on the Fourth and Seventh Directives.
 - Capitalisation as the only available treatment forces companies to incur additional costs of capitalising interest without related benefits.
4. In addition we find it confusing – as EFRAG concludes in its Update of April 2007 – that on the one hand options are removed for the sake of convergence with US GAAP whereas on the other hand “convergence options” are being introduced in other projects, notably in Business Combinations Phase II.



5. We believe that the political implications of non-endorsement by the EU of revised IAS 23 – and the creation thereby of European GAAP – clearly outweigh the disadvantages of endorsing IAS 23.
6. Therefore, balancing all arguments, we support EFRAG's positive endorsement advice which is formed on the basis of the criteria as formulated in the IAS Regulation.

We would be pleased to discuss any aspect of this letter you may wish to raise with us.

Yours sincerely,

Jacques Potdevin
President

Encl.