

UAE Audit

Did you know that interest paid on bank loans by your company may qualify for capitalisation?

Under IAS 23 – Borrowing Costs, borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset must be capitalised as part of the cost of that asset. These are costs that would have been avoided had the expenditure on the qualifying asset not been incurred.

Accordingly, where funds are borrowed specifically for the purpose of acquiring or constructing a qualifying asset, the borrowing costs directly related to that asset are eligible for capitalisation during the relevant period.

Appropriate application of this principle can significantly impact your company's financial position and financial performance, affecting asset valuation, profit recognition, and key financial ratios.

Please share your suggestions and feedback at
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