



EFRAG draft comment letter to IASB ED/2017/4 Property, Plant and Equipment - Proceeds before Intended Use (Proposed amendments to IAS 16)

ICAEW welcomes the opportunity to comment on *EFRAG's draft comment letter to IASB ED/2017/4 Property, Plant and Equipment - Proceeds before Intended Use (Proposed amendments to IAS 16)* published by EFRAG in July 2017.

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For more information, please contact [include faculty, department or default email address:
frfac@icaew.com

icaew.com

MAJOR POINTS

Support for the proposals

1. In our draft response to the IASB we broadly support the proposals but call for further consideration about when an item of property, plant and equipment is available for use.

RESPONSES TO SPECIFIC QUESTIONS

Q1: The IASB is proposing to amend IAS 16 to prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity would recognise those sales proceeds in profit or loss.

Do you agree with this proposal? Why or why not? If not, what alternative would you propose, and why?

2. In our draft response to the IASB we broadly agree with the proposed recognition in profit and loss account of any sale proceeds arising from the sale of items produced while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, together with the costs of producing those items.
3. However, we also believe that the Board should consider again whether it would be helpful to clarify when an item of property, plant and equipment should be regarded as available for use. To our mind this is the more fundamental point, and as noted in the Basis For Conclusions, it is an area where there is currently diversity in practice. Further clarity might be helpful, particularly in light of the proposed amendments.

Q2: EFRAG's response is based on the IASB's identification of diversity in practice. In your experience:

- (a) Is the issue of selling items produced during the testing phase of making an item of PPE ready for its intended use widespread?
- (b) If widespread, are the amounts generated from such sales material?
- (c) How frequently do proceeds generated from selling items produced during the testing phase exceed the cost of testing?
- (d) EFRAG notes that the ED does not propose any corresponding amendment to IAS 38 Intangible Assets (which does not refer to proceeds of selling items produced during testing). If such proceeds often arise in practice, are the amounts material and how are these amounts accounted for?

4. We have no comments on these matters at this stage.