



International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Stockholm 28 September 2017

Exposure Draft ED/2017/4 Property, Plant and Equipment – Proceeds before Intended Use

FAR, the Institute for the Accountancy Profession in Sweden, is responding to your invitation to comment on the exposure draft *ED/2017/4 Property, Plant and Equipment – Proceeds before Intended Use*.

FAR supports the amendments proposed in the exposure draft, as FAR believes it will reduce diversity in practice and improve the quality of financial reporting under IFRS. FAR also supports the proposed transitional provisions.

Please refer to the appendix attached to this comment letter for detailed comments on questions raised in the exposure draft.

FAR

A handwritten signature in blue ink, appearing to read 'Pernilla Lundqvist', is written over a light blue horizontal line.

Pernilla Lundqvist
Chairman Accounting Practices Committee

Appendix

Question – Proposed amendment

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?

Response:

FAR supports the amendments proposed in the exposure draft to prohibit the deduction of proceeds generated in the process of making an item of property, plant and equipment ready for its intended use from the cost of that item. FAR considers that the proposed amendments would provide more relevant information to users of financial statements by requiring entities to recognise all sales as revenue when they occur. The existing requirements in IAS 16 make it difficult for a user to have a clear picture of an entity's total revenue in the period because some sales proceeds might be offset against the cost of property, plant and equipment. Those requirements also make it difficult to have a clear picture of the actual cost of some items of property, plant and equipment. The cost of those assets can be distorted by deducting sales proceeds before the assets are available for use. By not offsetting proceeds from incidental sales against the cost of property, plant and equipment, the property, plant and equipment will be recognised at the full cost of construction.

However, FAR sees no need to include a definition for "testing" in paragraph 17 of IAS 16. The proposed amendments do not distinguish between proceeds generated during the testing phase from all other proceeds generated before the asset is ready for its intended use. Accordingly, FAR sees no need to define the meaning of "testing" as it will not assist in applying the proposals in the exposure draft.

In the case of this amendment, FAR agrees with the IASB's proposal to limit retrospective application of the amendments to items of property, plant and equipment made available for use from the beginning of the earliest period presented. FAR does not support full retrospective application of the exposure draft, as this would require an entity to go back to initial recognition for each relevant item of property, plant and equipment to ascertain whether any proceeds from selling items produced before the assets available for use were deducted from the cost of the asset and then adjust the property, plant and equipment, income and expenses. FAR considers that full retrospective application would be burdensome for entities to apply and that any benefits of restatement are likely to be outweighed by the costs.