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Proceeds before Intended Use (Proposed amendments to IAS 16) - Cover Note

Objective

- 1 The objective of the session is to discuss and agree to recommend to the EFRAG Board a draft comment letter on the exposure draft, ED/2017/4 *Property, Plant and Equipment - Proceeds before Intended Use (Proposed amendments to IAS 16)*, issued by the IASB on 20 June 2017 (the 'ED').

Background

- 2 The IASB issued the ED to propose a narrow-scope amendment to IAS 16 on costs capitalised as part of the cost of an item of property, plant and equipment (PPE) to reduce the diversity in application of the Standard.
- 3 The proposed amendments in the ED prohibits deducting sales proceeds from the cost of an item of PPE while that asset is being made available for use. Instead, entities would recognise those sales proceeds and related costs in profit or loss. The proposed amendments in the ED are put forward following discussions of the IFRS Interpretations Committee on accounting for proceeds and costs of testing.
- 4 EFRAG TEG discussed the issue at its meeting on 10 May 2017. The majority of EFRAG TEG members were reasonably comfortable with supporting the direction expected in the forthcoming Exposure Draft, although some EFRAG TEG members wanted more details on the rationale.
- 5 Comments on the ED close on 19 October 2017.

Questions for EFRAG TEG

- 6 Does EFRAG TEG agree to recommend the draft comment letter to the EFRAG Board?

Agenda Papers

- 7 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 03-02 – *Draft Comment letter on IASB Amendments to IAS 16*
 - (b) Agenda paper 03-03 – *IASB ED/2017/4 Property, Plant and Equipment - Proceeds before Intended Use* – for background only.