

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

IASB ED/2017/4 *Property, Plant and Equipment – Proceeds before Intended Use (Proposed amendments to IAS 16)*

Cover Note

Objective

- 1 The objectives of this session are to:
 - (a) consider the feedback received in response to EFRAG’s 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’); and
 - (b) recommend to the EFRAG Board a proposed final comment letter on the ED.

Background

- 2 The ED proposes a narrow-scope amendment to IAS 16 *Property, Plant, and Equipment* 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. The proposed amendments prohibit 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.
- 3 On 5 July 2017, EFRAG issued its draft comment letter on the ED. Comments were requested by 13 October 2017.
- 4 In its draft comment letter EFRAG supported the proposed amendments in the ED, as it will reduce diversity in practice and, therefore, improve the quality of financial reporting under IFRS in regard to PPE.
- 5 However, EFRAG did not see the need to include a definition for ‘testing’ as the proposed amendments do not distinguish between net proceeds from selling items produced during the testing phase from any other proceeds prior to the item of PPE being available for use.

Comment letter analysis

- 6 The EFRAG Secretariat considered the feedback received (summarised in agenda paper 07-02) to prepare a proposed final comment letter (agenda paper 07-03).
- 7 The comment letters received in response to EFRAG’s draft comment letter can be found on EFRAG’s website [here](#), under ‘Documents’ - ‘Exposure draft consultation’.
- 8 The EFRAG Secretariat also noted that, at the time of writing the IASB received 36 comment letters. The respondents held opposing views, with eighteen supporting the proposed changes to IAS 16 and eighteen opposing.

Question for EFRAG TEG

- 9 Does EFRAG TEG agree to recommend the proposed final comment letter to the EFRAG Board?

Agenda Papers

- 10 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 07-02 – *Comment Letter Analysis on IASB Amendments to IAS 16 – TEG 17-10-25*; and
 - (b) Agenda paper 07-03 – *Proposed Final Comment Letter on IASB Amendments to IAS 16 – TEG 17-10-25*.