



### **ED/2017/4 Property, Plant and Equipment - Proceeds before Intended Use**

ICAEW welcomes the opportunity to comment on the *ED/2017/4 Property, Plant and Equipment - Proceeds before Intended Use* published by IASB on 9 October 2017, a copy of which is available from this [link](#).

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

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## MAJOR POINTS

### Support for the proposals

1. We broadly support the proposals but suggest that the Board gives further consideration to when an item of property, plant and equipment should be regarded as 'available for use'.

## RESPONSES TO SPECIFIC QUESTIONS

### Question 1

The Board is proposing to amend IAS 16 to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity would recognise the proceeds from selling such items, and the costs of producing those items, in profit or loss. Do you agree with the Board's proposal? Why or why not? If not, what alternative would you propose, and why?

2. 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. For example, under the proposals the cost of the items produced before an asset is available for use would not include depreciation. Given the current diversity and a lack of clarity over the assessment of when an asset is available for use, we question whether this might further reduce comparability between entities and/or result in confusing information in the financial statements.