

***IAS 16 Property, plant and equipment*** (May 2007)

***IAS 16 Property, Plant and Equipment—Sale of assets held for rental***

The IFRIC was asked to provide guidance on the accounting for sales of assets held for rental. Some entities sell assets after renting them out to third parties. In such circumstances, it appears that the asset is manufactured or acquired with a dual intention, to rent it out and to sell it. The issue is whether the sale of such an asset should be presented gross (revenue and costs of sales) or net (gain or loss) in the income statement.

The IFRIC noted that IAS 16 paragraph 68 states that gains arising from derecognition of an item of property, plant and equipment shall not be classified as revenue. Also, when the asset is classified as held for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 5 paragraph 24 refers to the derecognition requirements of paragraphs 67-72 of IAS 16, thereby confirming that gains should not be classified as revenue. However, some believed that, in some limited circumstances, reporting gross revenue in the income statement would be consistent with the Framework paragraph 72, with IAS 18 Revenue, IAS 2 *Inventories*, and IAS 40 *Investment Properties* and with the prohibition on offsets in IAS 1 *Presentation of Financial Statements*. For this reason, the IFRIC decided to draw the issue to the attention of the Board and not to take the item on to its own agenda.