

STAFF PAPER

13 - 14 May 2014

IFRS Interpretations Committee Meeting

Project	IAS 16 <i>Property, Plant and Equipment</i>		
Paper topic	Disclosure of carrying amount information for assets stated at revalued amounts		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination. Decisions made by the IFRS Interpretations Committee are reported in IFRIC *Update*. The approval of a final Interpretation by the Board is reported in IASB *Update*.

Introduction

1. The IFRS Interpretations Committee (the Interpretations Committee) received a request enquiring whether an entity is required reflect the capitalisation of borrowing costs to meet the disclosure requirement in IAS 16 *Property, Plant and Equipment* paragraph 77(e). IAS 16.77(e) requires disclosing the amount at which assets stated at revalued amounts (for which borrowing costs are not capitalised in accordance with IAS 23 *Borrowing Costs* paragraph 4(a)) would have been stated at had those assets been carried under the cost model. The submitter stated that the capitalisation of borrowing costs for these assets to meet disclosure requirements is burdensome, and suggested that it should not be a requirement of IAS 16 to capitalise these costs.
2. The Interpretations Committee discussed this issue in January 2014. In that meeting the Interpretations Committee observed that:
 - (a) the requirements in IAS 16 paragraph 77(e)—that an entity shall disclose the amount at which qualifying assets stated at revalued amounts would have been stated at had those assets been carried under the cost model—are clear;

- (b) the amount at which qualifying assets would have been carried at under the cost model includes borrowing costs capitalised in accordance with IAS 23; and
- (c) this requirement enables users of financial statements to compare between entities that apply the cost model in IAS 16 and those that apply the revaluation model.

Comments received on the tentative agenda decision

- 3. We received one comment letter on the tentative agenda decision that was published in January 2014.
- 4. The respondent (Deloitte Touche Tohmatsu Limited) agreed with the Interpretation Committee’s decision not to add this issue onto its agenda, and with the rationale provided in the tentative decision.

Staff analysis and recommendation

- 5. Taking into consideration the comments received on the tentative agenda decision, we recommend that the Interpretations Committee should finalise the agenda decision without modifications to the wording of the tentative agenda decision. The proposed wording of the final agenda decision is presented in Appendix A to this Agenda Paper.

Question to the Interpretations Committee

- 1. Does the Interpretations Committee agree with the staff’s recommendation that the Interpretations Committee should finalise its decision not to add this issue to its agenda?
- 2. If the answer to Question 1 is ‘yes’, does the Interpretations Committee agree with the wording of the final agenda decision in Appendix A to this Agenda Paper?

Appendix A—Proposed wording for the final agenda decision

IAS 16 *Property, Plant and Equipment*—Disclosure of carrying amounts under the cost model

The Interpretations Committee received a request for clarification about IAS 16 *Property, Plant and Equipment*. The submission relates to whether an entity is required to reflect the capitalisation of borrowing costs to meet the disclosure requirement in IAS 16 *Property, Plant and Equipment* paragraph 77(e) for assets stated at revalued amounts for which borrowing costs are not capitalised in accordance with IAS 23 *Borrowing Costs* paragraph 4(a).

The submitter asserted that the capitalisation of borrowing costs for these assets to meet disclosure requirements is burdensome, and suggested that it should not be a requirement of IAS 16 to capitalise these costs.

The Interpretations Committee noted that the requirements in IAS 16 paragraph 77(e) are clear. This paragraph requires an entity to disclose the amount at which assets stated at revalued amounts would have been stated at had those assets been carried under the cost model. The amount to be disclosed includes borrowing costs capitalised in accordance with IAS 23. The Interpretations Committee also noted that this requirement enables users of financial statements to compare between entities that apply the cost model in IAS 16 and those that apply the revaluation model.

The Interpretations Committee determined that, in the light of the existing IFRS requirements, neither an Interpretation nor an amendment to IFRSs was necessary and consequently decided not to add this issue to its agenda.

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Wayne Upton
Chairman
IFRS Interpretations Committee
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7 April 2014

Dear Mr Upton

Tentative agenda decision - IAS 16 *Property, Plant and Equipment*: Disclosure of carrying amounts under the cost model

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the January IFRIC Update of the tentative decision not to take onto the Committee's agenda a request for clarification of whether an entity is required to reflect the capitalisation of borrowing costs in disclosing the carrying amount that would have been recognised had property, plant and equipment stated at revalued amounts been carried under the cost model.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely



Veronica Poole
Global IFRS Leader

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