

STAFF PAPER

November 2016

IASB Meeting

Project	Property, Plant and Equipment: Proceeds before Intended Use		
Paper topic	Due process steps		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (the Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS[®] Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB[®] *Update*.

Introduction and background

1. At its meeting in October 2016, the International Accounting Standards Board (the Board) discussed recommendations from the IFRS Interpretations Committee (the Interpretations Committee) for a narrow scope amendment to IAS 16 *Property, Plant and Equipment* (see [Agenda Paper 12C](#) of that meeting). The issue relates to proceeds from selling items produced while bringing an item of property, plant and equipment (PPE) to the location and condition necessary for it to be capable of operating in the manner intended by management (ie while making an item of PPE available for use).
2. The Board tentatively decided to propose amendments to IAS 16. The amendments would prohibit deducting from the cost of an item of PPE the proceeds from selling items produced while making that item of PPE available for use.
3. Additionally, the Board tentatively decided:
 - (a) to require an entity to apply the proposed amendments only to items of PPE made available for use from the beginning of the earliest comparative period presented when first applying the amendments; and
 - (b) not to provide transition relief for first-time adopters.

Purpose

4. This paper:
 - (a) proposes a comment period of no less than 120 days for the Exposure Draft of the proposed amendments;
 - (b) explains the steps in the IFRS Foundation Due Process Handbook (the *Due Process Handbook*) that the Board has taken in developing the proposed amendments (see **Appendix A**), and asks the Board to confirm that it is satisfied that it has complied with the due process requirements;
 - (c) asks whether any Board member intends to dissent from the proposed amendments; and
 - (d) seeks the Board's permission to prepare the Exposure Draft for balloting.

Comment period

5. The *Due Process Handbook* states the following about the comment period on an Exposure Draft.
 - 6.7 The IASB normally allows a minimum period of 120 days for comment on an Exposure Draft. If the matter is narrow in scope and urgent the IASB may consider a comment period of no less than 30 days, but it will only set a period of less than 120 days after consulting, and obtaining approval from, the DPOC. [Due Process Oversight Committee]
6. We think that the proposed amendments to IAS 16 are narrow in scope. However, feedback received on the project to date indicates that the proposed amendments may have a significant effect for some entities in particular industry sectors. In addition, that feedback does not suggest any urgency. Consequently, we recommend the standard comment period of no less than 120 days.

Intention to dissent

7. In accordance with paragraph 6.9 of the *Due Process Handbook*, we are formally asking whether any Board member intends to dissent from the proposed amendments to IAS 16.

Confirmation of due process steps

8. In **Appendix A** to this paper, we have summarised the due process steps taken so far in the development of the proposed amendments to IAS 16. We note that the required due process steps applicable have been completed.

Questions for the Board

1. **Comment period**—does the Board agree with our recommendation to have a comment period of no less than 120 days for the Exposure Draft of proposed amendments to IAS 16?
2. **Dissent**—does any Board member intend to dissent from the proposed amendments to IAS 16?
3. **Permission to ballot**—is the Board satisfied that it has complied with all due process steps required and, thus, do we have permission to prepare the Exposure Draft for balloting?

Appendix A—Actions taken to meet the due process requirements

<i>Step</i>	<i>Required/Optional</i>	<i>Metrics or evidence</i>	<i>Actions</i>
Board and Interpretations Committee meetings held in public, with papers available for observers. All decisions are made in public session.	Required	<p>Meetings held.</p> <p>Project website contains a full description with up-to-date information.</p> <p>Meeting papers posted in a timely fashion.</p>	<p>At its October 2016 meeting, the Board discussed the Interpretations Committee’s recommendations and tentatively decided to propose amendments to IAS 16.</p> <p>The Interpretations Committee discussed the issue at several meetings and, in March 2016, recommended that the Board propose amendments to IAS 16.</p> <p>The project webpage has been updated by the staff after every meeting.</p> <p>Agenda Papers were posted on the website before every meeting on a timely basis.</p>
Consultation with the Trustees and the Advisory Council.	Required	Trustees and Advisory Council consulted.	The Trustees and the Advisory Council will be informed about the proposed amendments to IAS 16 as part of the regular reporting to them.
Analysis of the likely effects of the forthcoming Standard or major amendment.	Required		The proposed amendments are narrow in scope. Consequently, we do not see a need to have a separate effects analysis.
Finalisation			
Due process steps reviewed by the Board.	Required		This step will be met by this Agenda Paper.
The Exposure Draft has an appropriate comment period.	Required		To be discussed by the Board at this meeting. We recommend a comment period of no less than 120 days. See paragraph 5–6 of this agenda paper.
Drafting			
Drafting quality assurance steps are adequate.	Required	<p>Translations and XBRL teams have been included in the review process.</p> <p>External reviewers have reviewed drafts for editorial review and the comments have been collected and considered by the Board.</p>	<p>The translations, XBRL and editorial teams will review drafts during the balloting process.</p> <p>We will perform an editorial review of the pre-ballot draft with some external parties.</p> <p>The pre-ballot draft will be made available to members of the International Forum of Accounting Standard Setters (IFASS).</p>
Publication			
Exposure Draft published.	Required	Exposure Draft posted on the IASB website.	The Exposure Draft will be made available on our website when published.
Press release to announce publication of Exposure Draft.	Required	Press release published.	A press release will be published with the Exposure Draft.