



29 June 2017

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

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

Comments to be received by 15 September 2017

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the IASB Exposure Draft (ED). You may access the ED from the Institute's website: <http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>

The ED proposes narrow-scope amendments to IAS 16 *Property, Plant and Equipment* to reduce the diversity in applying the standard.

Paragraph 16(b) of IAS 16 explains that the cost of a property, plant and equipment (PPE) includes costs directly attributable to bringing the asset available for use. Paragraph 17 of IAS 16 specifies examples of directly attributable costs. One of those examples is costs of testing, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (IAS 16.17(e)). Some interpret this requirement quite narrowly as only applying to income earned from actually 'testing' the asset, while others interpret this more broadly to include other types of pre-commissioning revenue.

To eliminate this diversity in practice, the IASB proposes to amend IAS 16 to prohibit deducting from the cost of PPE any proceeds from selling items produced while bringing that asset available for use. Instead, an entity would recognise the proceeds from selling such items, and the cost of producing those items, in profit or loss.

To allow your comments to be considered in developing its response to the IASB, the FRSC requests for your comments by **15 September 2017**. Comments should be supported by specific reasoning.

Comments may be submitted in written form by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.