สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์
FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

October 16, 2017

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Comment Letter on ED/2017/4 Property, Plant and Equipment-Proceeds before Intended Use (Proposed amendments to IAS 16)

The Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to comment on ***ED/2017/4 Property, Plant and Equipment-Proceeds before Intended Use (Proposed amendments to IAS 16)***. Overall, we do not support an amended concept of which proceeds before intended use of assets should not be included in the cost of property, plant and equipment since this is inconsistent with the concept that all the costs that are directly attributable to the assets should be capitalized.

Please find our responses to the specific questions raised in ***ED/2017/4 Property, Plant and Equipment-Proceeds before Intended Use (Proposed amendments to IAS 16)*** in an attachment. We believe that this proposed amendment will help the practitioners in the future and that our comment letter will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions of Thailand.

The Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr.Somchai Supattarakul
Chairman of Thai Accounting Standards Board
Federation of Accounting Professions of Thailand
Bangkok, Thailand

IFRS Standards Exposure Draft ED/2017/4 Property, Plant and Equipment—Proceeds before Intended Use Proposed amendments to IAS 16

Questions for respondents

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?

FAP : We do not agree with the proposed amendment to IAS 16 as described in the ED 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. The proposed amendment is attempting to address effect on entities operating in the energy and extractive industries. In addition, the proposal requires the recognition of revenue for the proceeds of the sales of the outputs and the associated cost of goods sold from the testing process. In fact, the cost of materials to be used in the testing process may generate by-products of testing which are capable of sale but are 'not directly attributable' in the same way as income arising in the course of an entity's ordinary activities.

According to IFRS 15, revenue is defined as "Income arising in the course of an entity's ordinary activities". The net proceeds of the sales of the outputs from the testing process is not an ordinary activity of the entity. In addition, since the item of property, plant and equipment is not yet ready for the intended use, the entity will not yet depreciate the asset and it would be contradictory to require the recognition of income from selling items produced during testing and at the same time, not to recognize depreciation on the basis that the asset is not available for use.

As a result, unless the property, plant and equipment actually becomes available for use, the sale proceeds of items produced during the testing process should not be treated as normal income.