

**BY EMAIL**

Dear Sir/Madam

**Association of Accounting Technicians response to Proposed amendments to IAS 16 – Proceeds before Intended Use**

The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the consultation on *Proposed Amendments to IAS 16 – Proceeds before Intended Use*.

AAT is submitting this response on behalf of our membership and for the wider public benefit of achieving decision useful information, including disclosures, in financial statements.

**Question 1. 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 such 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?**

On balance, AAT agrees with the Board's proposal and is not persuaded by the dissenting view set out in the Basis for Conclusions to the proposed amendment.

The issue that the proposed amendment is attempting to address affects relatively few industries, primarily extractive or petrochemical industries where a significant amount of testing may be required before an item of property, plant or equipment to be used in such activities is ready for its intended use. Any items which are able to be sold before the item of plant or equipment is ready for its intended use are likely to be by-products of the testing process rather than directly affecting the cost of the asset itself.

Clearly, only costs – and income – which are directly attributable to bringing an asset to the point at which it is ready for its intended use should be capitalised as part of the costs of an asset. Whilst the costs of the testing process itself are clearly necessary to ready the asset for its intended use and therefore should be capitalised, the costs of materials to be used in that testing and which may generate by-products of testing which are capable of sale do not appear to be 'directly attributable' in the same way. AAT therefore agrees that the proceeds of such sales, and the costs of producing the items sold, should be shown in profit or loss rather than capitalised as part of the asset.

AAT also agrees that no specific additional disclosures should be required.

**About AAT**

AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,250 licensed accountants who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

Please do not hesitate to contact me should you have any queries or require any further information.

Yours faithfully



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