



Grupo Latinoamericano  
de Emisores de Normas  
de Información Financiera

Group of Latin American  
Accounting Standard Setters

October 19, 2017

**International Accounting Standards Board**

30 Cannon Street  
London EC4M 6XH  
United Kingdom

**RE: ED/2017/4 – Property, Plant and Equipment— Proceeds before Intended Use Proposed amendments to IAS 16 (ED)**

Dear Board Members:

The “Group of Latin American Accounting Standard Setters”<sup>1</sup> – GLASS welcomes the opportunity to comment on the ED/2017/4 – Property, Plant and Equipment— Proceeds before Intended Use Proposed amendments to IAS 16.

**Due process**

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in July 2017. All GLASS country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g. surveys, internal working groups). All results were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary during conference calls. In those calls the TWG developed a final document on the basis of the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

**Overall comments**

GLASS supports the proposal 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; however, We have not been able to reach a consensus in our region, since the views with respect to the most appropriate solution vary widely among our member countries. The different views and arguments are presented in the attachment.

**Specific Comments**

Attached please find our specific responses to the question presented in the ED.

**Contact**

If you have any questions about our comments, please contact [glenif@glenif.org](mailto:glenif@glenif.org).

Sincerely yours,

Felipe Pérez Cervantes

Chairman

Group of Latin-american Accounting Standard Setters (GLASS)

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<sup>1</sup> The overall objective of the Group of Latin-american Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Board), Bolivia, Brazil (Vice Chairman), Chile, Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico (Chairman), Panama, Paraguay, Peru (Board Alternate), Uruguay (Board) y Venezuela (Board).



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**GLASS' Comment Letter on the  
ED/2017/4 – Property, Plant and Equipment— Proceeds before Intended Use Proposed amendments to IAS 16**

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?

We agree with the proposed amendment to IAS 16, since the decision to sell the goods or services generated during the testing period is a decision independent of that of constructing or verifying the operation of the asset under the conditions established by the management, the effect of such transactions should be dealt with independently in the financial statements.

This treatment also allows clarity for the treatment of the costs of the goods elaborated during the testing period, whose sales are made after the end of the testing period; however, we believe that the Board should expand IAS 2 Inventories to include guidance on amounts that could be allocated as costs of goods generated during the testing period of an item of property, Plant and Equipment.

However, the treatment in the ED, establishes alignment with IFRS 15 Revenue from Contracts with Customers, and improves the faithful representation of the economic reality of the cost of the asset.

Two minority view:

1. To eliminate the paragraph 17 (e) costs of testing, based on the difficulty existing to reliably determine the future generation of economic benefits of such expenditures, which is an indispensable condition to recognize it as an asset, as provided by the Conceptual Framework for Financial Reporting.
2. Maintain the paragraph 17 (e) without modification, based on the fact that the incidental sales of items produced while bringing the asset to that location and condition, corresponds to the subsidy or recovery of the cost of construction and assembly, proposing that, in case of exceeding the amount of sales of the tests to that of the costs of verification, said excess is recognized in the results of the period at the end of the testing process.

In addition, paragraph 80D of the "... **An entity shall apply those amendments retrospectively only to items of property, plant and equipment brought ...**", we consider that its application must be prospective to the elements that begin the verification process from the beginning of the first exercise of application, since what is contained in this ED affects every element that is in the process of installation or construction in any entity, whose retrospective application may constitute a undue cost or effort.

**Other Comments:**

Finally, it is proposed to amend the wording of paragraph 20A in order to avoid confusion with the word "items" used throughout IAS 16: "~~Items~~ **Goods and services may be produced while bringing an asset to the location and condition necessary for it to be capable ...**".