

29 September 2017

Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London
United Kingdom
EC4M 6XH

Dear Mr Hoogervorst

Exposure draft 2017/4 Property, Plant and Equipment – Proceeds before Intended Use (Proposed amendments to IAS 16)

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Accounting Standards Board's ('the IASB's') exposure draft *Property, Plant and Equipment – Proceeds before Intended Use (Proposed amendments to IAS 16)* ('the exposure draft').

We do not agree with the proposed amendment to IAS 16 and share many of the concerns expressed in the Alternative View on the exposure draft. As stated in our response to the IFRS Interpretations Committee's tentative agenda decision on this issue in July 2014, we do not believe that the recognition of revenue with no depreciation and little or no other associated cost would be an appropriate outcome and, consistent with Mr Zhang, we do not believe that consumption of property, plant and equipment in development can be assumed to be 'negligible'.

The proposed amendment is likely to have an effect primarily on entities operating in the energy and extractives industries, where construction of an asset can be a lengthy and complex process with many costs (including those of testing) attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. Proceeds from, for example, power generated during the commissioning of a new power station, precious metals produced prior to completion of a processing plant or minerals extracting during construction of an underground shaft for a mining operation can be significant and can arise over an extended period of time.

We recommend that a thorough consideration of the issues arising from such activities (for example, the unit of account for property, plant and equipment relating to a large mining development and the point at which such an asset is determined to be available for use) and similar issues arising in other industries is necessary prior to making amendments to specific IFRSs as a very limited scope amendment such as the one proposed in the exposure draft cannot address those issues and carries the risk of unintended consequences.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'V. Poole', with a stylized, flowing script.

Veronica Poole
Global IFRS Leader