

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to MFRS 116)

This Addendum sets out the amendments to MFRS 116 Property, Plant and Equipment. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

Paragraph 17 and 74 are amended; paragraphs 20A, 74A, 80D and 81N are added. The requirements formerly in paragraph 74(d) have not been amended but have been moved to paragraph 74A(a). Deleted text is struck through and new text is underlined.

Measurement at recognition

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Elements of cost

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17 Examples of directly attributable costs are:

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- (e) costs of testing whether the asset is functioning properly (ie assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes), ~~after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment)~~; and

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20A Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly). An entity recognises the proceeds from selling any such

items, and the cost of those items, in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of MFRS 102.

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Disclosure

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74 The financial statements shall also disclose:

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- (b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction; and
- (c) the amount of contractual commitments for the acquisition of property, plant and equipment; ~~and~~
- (d) ~~if it is not disclosed separately in the statement of comprehensive income, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.~~

74A If not presented separately in the statement of comprehensive income, the financial statements shall also disclose:

- (a) the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss; and
- (b) the amounts of proceeds and cost included in profit or loss in accordance with paragraph 20A that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Transitional provisions

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80D *Property, Plant and Equipment—Proceeds before Intended Use* [*Property, Plant and Equipment—Proceeds before Intended Use* issued by IASB in May 2020] amended paragraphs 17 and 74 and added paragraphs 20A and 74A. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Effective date

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81N *Property, Plant and Equipment—Proceeds before Intended Use* [*Property, Plant and Equipment—Proceeds before Intended Use* issued by IASB in May 2020] amended paragraphs 17 and 74, and added paragraphs 20A, 74A and 80D. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.