

***IAS 16 Property, plant and equipment*** (November 2014)

***Core inventories***

The Interpretations Committee received a request to clarify the accounting for 'core inventories'. The submitter defined core inventories as a minimum amount of material that:

- (a) is necessary to permit a production facility to start operating and to maintain subsequent production;
- (b) cannot be physically separated from other inventories; and
- (c) can be removed only when the production facility is finally decommissioned or is at a considerable financial charge.

The issue is whether core inventories should be accounted for under IAS 16 or IAS 2.

The Interpretations Committee discussed the issue at its March 2014 meeting and tentatively decided to develop an Interpretation. The Interpretations Committee further directed the staff to define the scope of what is considered to be core inventories and to analyse the applicability of the concept to a range of industries. At its July 2014 meeting the Interpretations Committee discussed the feedback received from informal consultations with IASB members, the proposed scope of core inventories and the staff analysis of the applicability of the issue to a range of industries. The Interpretations Committee observed that what might constitute core inventories, and how they are accounted for, can vary between industries. The Interpretations Committee noted that significant judgement might be needed in determining the appropriate accounting. Disclosure about such judgements might therefore be needed in accordance with paragraph 122 of IAS 1 *Presentation of Financial Statements*. The Interpretations Committee noted that it did not have clear evidence that the differences in accounting were caused by differences in how IAS 2 and IAS 16 were being applied. In the absence of such evidence, the Interpretations Committee decided to remove this item from its agenda.