



## Solution 122.7

<b>Component</b>	Telecommunication entities
<b>Index</b>	Property, plant and equipment
<b>Short title</b>	Capitalisation of network planning

**Attention:** This guidance is based on the revised standards and interpretations that are mandatory for accounting periods commencing 1 January 2005. A company may early adopt an individual revised standard, but only in its entirety. Guidance based on the previous version of the standards is included in the “Applying IFRS 2004” guidance.

### Issue

The cost of an item of PP&E comprises, amongst others, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner that management intends [IAS16R.16].

Should an operator capitalise network planning costs?

### Background

Operator B is considering extending its network footprint. As part of the feasibility study, B’s network design and planning department has drafted three possible routes over which the network could be rolled out. The department has also estimated the potential cost of each route. The costs the department will incur in providing this analysis include internal time of 10,000 and external costs of 5,000.

### Solution

Operator B should expense the 15,000 the network design and planning department incurred.

IAS 16R.7 provides that in determining whether an item satisfies the criteria for asset recognition, it is necessary to assess the degree of certainty attaching to the flow of future economic benefits on the basis of the available evidence at the time of initial recognition.

The costs incurred during the initial feasibility study, which include identifying specification requirements and the selection process, should be expensed as incurred. The flow of economic benefits to B as a result of the work of the network design and planning department is uncertain.