

RECOGNITION OF NON-CURRENT ASSETS (FI01.07PR.01)

OBJECTIVES

The objectives of this procedure are:

1. To set the criteria and capitalisation thresholds for the recognition of non-current assets; and
2. To establish methods of valuation for non-current assets.

SCOPE

This procedure applies to all non-current assets owned by Council.

PROCEDURE ACTIONS

Capitalisation Thresholds for Non-Current Assets

Section 206(2) of the *Local Government Regulation 2012* provides that Council must, by resolution, set capitalisation thresholds for each different type of non-current asset.

The below capitalisation threshold values will be used for the recognition of the following classes of non-current assets:

Asset Class	Capitalisation Threshold
Land	\$0
Buildings at Cost (< \$450,000)	\$10,000
Buildings at Valuation (≥ \$450,000)	\$10,000
Road and Bridge Network	\$10,000
Drainage	\$10,000
Other Infrastructure	\$10,000
Plant and Equipment	\$5,000
Intangibles	\$100,000

The above thresholds are exclusive of GST.

These thresholds refer to individual acquisitions and not to aggregated amounts except for assets forming part of a network (e.g. library books).

If expenditure does not meet the capitalisation threshold it is to be treated as an expense of the current period.

Methods of Valuation

Section 206(1) of the *Local Government Regulation 2012* provides that the value of a local government's non-current physical assets must be worked out using the prescribed accounting standards.

Initial Recognition

All non-current assets shall be initially recorded at (AASB116, p15) cost.

Where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition (Aus15.1, AASB116).

After Recognition

After initial recognition, an entity shall choose either the cost model or the revaluation model to apply to each class of property, plant and equipment. (AASB116; p29)

The valuation model to be used for each class of non-current asset is listed below:

Asset Class	Valuation Model
Land	Revaluation
Buildings at Cost (< \$450,000)	Cost
Buildings at Valuation (≥ \$450,000)	Revaluation
Road and Bridge Network	Revaluation
Drainage	Revaluation
Other Infrastructure	Revaluation
Plant and Equipment	Cost
Intangibles	Cost

Change in Australian Accounting Standards

Any change in Australian Accounting Standards that is in conflict with this guideline shall override this guideline.

DEFINITIONS

Assets

Future economic benefits controlled by an entity as a result of past transactions or other past events.
(Source: SAC4, p14)

Buildings at Cost

Buildings that have an initial cost of < \$450,000.

Buildings at Valuation

Buildings that do not fall under the definition of Buildings at Cost.

Cost

The amount of cash ... paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

(Source: AASB116; p6)

Cost Model

Cost less any accumulated depreciation and any accumulated impairment losses.

(Source: AASB116; p30)

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(Source: AASB13; p9)

Intangible

An intangible asset is an identifiable non-monetary asset without physical substance (e.g.: Computer Software).

(Source: AASB138; p8)

Non-Current Assets

Any item of property, plant and equipment or an intangible expected to be used during more than one period.

Property, Plant and Equipment

Tangible items that are:

1. Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
2. Expected to be used during more than one period.

(Source: AASB116; p6)

Revaluation Model

A revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period

(Source: AASB116; p31)

RELATED DOCUMENTS

1. *Local Government Act 2009*
2. *Local Government Regulation 2012*
3. FI01.11AP Portable and Attractive Items Policy
4. AASB13 Fair Value Measurement
5. AASB116 Property, Plant and Equipment
6. AASB138 Intangible Assets
7. SAC4 Definition and Recognition of the Elements of Financial Statements

This procedure supports the Scenic Rim Regional Council Corporate Plan 2018-2023, in particular Theme - Open and Responsive Government.

Approved By:

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Date 27 May 2019

Version Information

Version No.	Date	Key Changes
1	27/05/2019	New Procedure