



Asset Recognition and Measurement Policy

Policy Owner	Manager Finance
Department	Finance
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PURPOSE

To provide guidance in accordance with Australian Accounting Standards regarding financial thresholds that are to be applied when recognising assets. Differing thresholds can be set for different classes of assets and a summary of Council's current policy is set out within Note 1 to the Annual Financial Report, in particular Section (h) Recognition and Measurement of Assets.

SCOPE

This policy only applies to non-current physical assets. This policy directs those Council Officers who are charged with accounting for Council's Assets and related purposes.

APPLICATION

The Australian Accounting standards require a distinction to be made between operating and capital expenditure.

Operating expenses are expensed within the financial year they occur and are of low value, whereas capital expenditure is depreciated over the life of the physical asset and must provide service over more than one financial year. Capital expenditure generally includes the acquiring, repairing, expanding or upgrading of an asset. Typical assets include, roads, bridges, footpaths, playgrounds, parks and buildings.

Capital projects that do not meet the financial thresholds set by Council nor extend the life or have a life of greater than one year will be expensed in the year in which they are completed.

The thresholds will result in each capital project being appropriately depreciated over the useful life of that asset, rather than distorting annual financial results by being expensed in the period of completion.

POLICY STATEMENT

In order to include all capital projects within the Asset Recognition and Measurement Policy, the following categories and thresholds will be used. The categories listed are consistent with the categories used to present financial information in the notes in the Annual Financial Report.

Expenditure may still be capitalised on items that are individually immaterial, however are significant when considered as a group of assets, such as signs or reserve furniture.



Category	Recognition Threshold (\$)
Land	1,000
Buildings	10,000
Plant and machinery	1,000
Furniture, equipment and computers	1,000
Infrastructure	
Road pavements and seals	20,000
Road formation and earthworks	20,000
Bridges deck and substructure	20,000
Drainage	5,000
Footpaths and cycle ways	5,000
Road kerb, channel and minor culverts	5,000
Waste management	20,000
Recreational, leisure and community facilities	5,000
Parks, open space and streetscapes	5,000
Off street car parks	1,000
Library books	1
Work in progress	1

When capitalising an asset, a determination must be made between renewing, upgrading or purchasing a new asset. Refer to the Asset Management Policy for further information.

RECOGNITION

Measurement at Recognition

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- a) It is probable that future economic benefits associated with the item will flow to the entity; and
- b) The cost of the item can be measured reliably.

In accordance with AASB 116:

- a) An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.
- b) Notwithstanding this, where an asset is acquired at no cost, or for a nominal cost (as is the case with developer and other contributed assets), the cost is its fair value as at the date of acquisition.

Existing assets identified as not being reported in the financial statements for the preceding financial reporting period (found assets), will be treated in accordance with b) above.



Recognition Cost

AASB 116 defines the cost of an item of property, plant and equipment as comprising:

- a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- b) Any costs directly attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management;
- c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.
- d) Land Under Roads (LUR) prior to 30/6/2008 will be recognised at the average property value (square metre) of built up area of the locality in which it is located. An appropriate discounting factor shall be applied to best estimate a reasonable englobo value for LUR in particular road localities for financial reporting purposes.

RELATED COUNCIL DOCUMENTS

Asset Management Policy 2015

Asset Management Strategy 2015

REVIEW

This policy may be varied by the Council at any time or will be reviewed by 30 June 2020.