

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Virtual Meeting

Meeting Date: June 23–26, 2020

Agenda Item 8

For:

- ☐ Approval
☒ Discussion
☐ Information

ED 76, IPSAS 17 UPDATE—COORDINATION OF CROSS-CUTTING ISSUES

Project summary	To provide members an overview of the issues addressed in the Measurement, Infrastructure Assets and Heritage Assets Projects.	
Meeting objectives Project management	Topic	Agenda Item
	ED 76, IPSAS 17 Update – Coordination of Cross-Cutting Issues: Project Roadmap	8.1.1
	Instructions up to Previous Meeting	8.1.2
	Decisions up to Previous Meeting	8.1.3
Decisions required at this meeting	Coordinators Report of Cross-Cutting Issues	8.2.1
	Overview of Changes to ED 76	8.2.2
	Format of Guidance in IPSAS 41, Financial Instruments	8.2.3
Other supporting items	ED76, Property, Plant, and Equipment	8.3.1
	IPSASB Approved List of Issues Identified for Accounting for Infrastructure Assets and Heritage Assets	8.3.2

**ED 76, IPSAS 17 UPDATE – COORDINATION OF CROSS-CUTTING
ISSUES:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
June 2020	1. Discussion of Issues
September 2020	1. Discussion of Issues 1. Review [draft] Exposure Draft
December 2020	1. Approve Exposure Draft

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
March 2020	1. Lead staff for CF-LSU, Measurement, Heritage and Infrastructure projects to coordinate the development of the related EDs (Measurement, PP&E (Updated IPSAS 17) and CF Update), including managing cross-cutting issues.	1. See Agenda Item 8.2.1 .
	2. Measurement staff to lead on cross-cutting standards-level issues, reporting to Chairs of 3 Task Forces, and reporting progress at each Board meeting via a coordinator's report.	2. See Agenda Item 5.2.1 and Agenda Item 8.2.1 .
	3. Use guidance from IPSAS 41, to illustrate how the authoritative guidance (core text and application guidance) works together with non-authoritative guidance (BCs, IEs and IGs) as example to follow in current projects.	3. See Agenda Item 8.2.3 .

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
March 2020	1. Not applicable – This Agenda Item is new for June 2020. It summarizes the process followed by staff in managing the infrastructure assets and heritage assets project holistically. Decisions are included in the specific Agenda Items related to each project.	1. Not applicable

Coordinators Report of Cross-Cutting Issues

Purpose

1. To provide the IPSASB with an overview of the issues addressed as part of the work performed by the Infrastructure Assets and Heritage Assets teams.

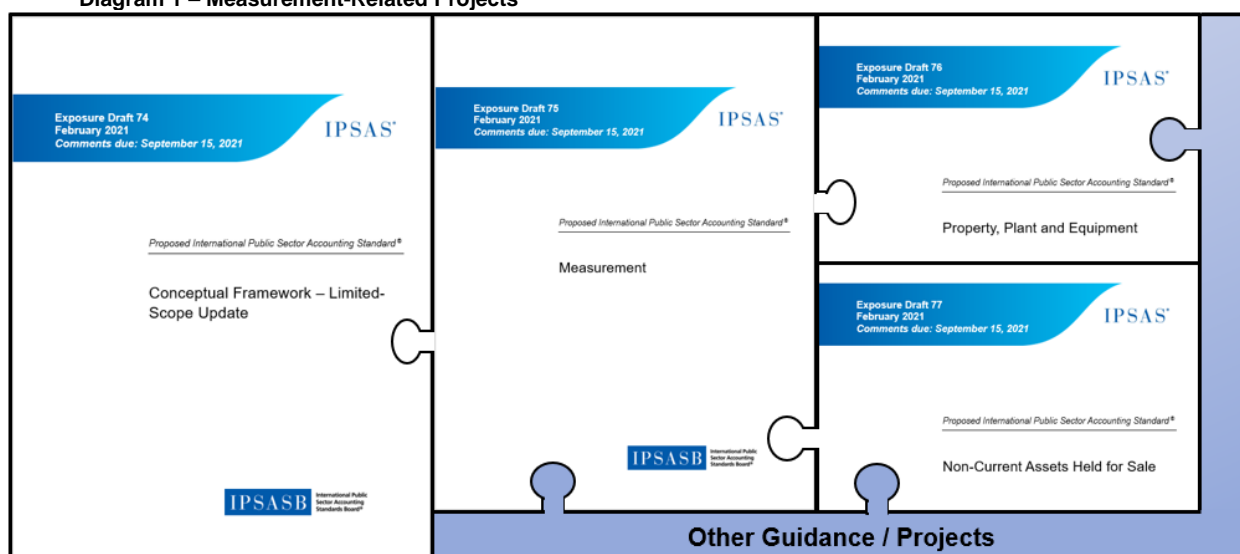
Background

2. During its March 2020 meeting, the IPSASB performed a detailed review of its ongoing projects. The review included a stock-take of the current status of each project and considered how projects should be managed holistically.
3. The IPSASB noted projects are increasingly inter-related. This extends to the Heritage Assets and Infrastructure Assets projects. At the March 2020 meeting the IPSASB agreed that Heritage Assets and Infrastructure Assets should be recognized as Property, Plant and Equipment when they satisfy the IPSAS 17 definition and the recognition criteria. Therefore, Heritage Assets and Infrastructure assets should be treated as subsets of PPE and should be treated in accordance of the principles in IPSAS 17. The IPSASB highlighted the need for an integrated project management approach.

Analysis

4. Staff determined that the Heritage Assets project and the Infrastructure Assets project were imperative to consider jointly given the development of a shared ED. Staff performed the following to integrate management of the projects:
 - (a) Joint development of the overall project plan for Q2 2020, and through to ED approval;
 - (b) Created a joint Task Force to review all cross-cutting issues; and
 - (c) Review and comparison of all agenda papers to ensure consistency in recommendations.
5. This process has resulted in an integrated approach. This is important because of:
 - (a) **Shared output.** The output of these projects will be ED 76, *Property, Plant and Equipment* (see Agenda Item [Supporting Documents 1 – ED 76](#)).
 - (b) **Links with other projects.** Some of the issues identified for one, or both, projects are dependent on decisions made as part of the measurement project.
 - (c) **Cross-cutting issues.** Many of the issues identified in the Heritage Assets project also exist in the Infrastructure assets project. For example, the same concepts applied when measuring heritage assets should be consistent with those applied when measuring infrastructure assets.

Diagram 1 – Measurement-Related Projects



6. The following table provides an overview of:
- The issues addressed in Q2 2020; and
 - The issues to be considered in Q3 2020 and Q4 2020.

		Issue (agreed in March 2020)		
Agenda Paper	Theme of Paper	Infrastructure	Heritage	Board agenda reference
Q2 – June 2020				
Overview of Changes to ED 76 Staff presenter – Dave Warren / Eileen Zhou	Overview Issues	March 2020 Board Decision – Coordinated approach to develop ED 76, <i>PP&E</i> was necessary.		8.2.2
Format of Guidance in IPSAS 41, <i>Financial Instruments</i> Staff presenter – Dave Warren		March 2020 Board Instruction – Use guidance from IPSAS 41, to illustrate how the authoritative guidance works together with non-authoritative guidance (BCs, IEs and IGs) as an example to follow in current projects.		8.2.3
Characteristics of Infrastructure Assets Staff presenter – Amon Dhliwayo	Definition	Issue 01 – Characteristics (see Agenda Item 8.3.2 for issue details)	-	9.2.2
Characteristics of Heritage Assets Staff presenter – Gwenda Jensen		-	Issue 01 – Characteristics (see Agenda Item 8.3.2 for issue details)	9.2.3

Agenda Item 8.2.1

Agenda Paper	Theme of Paper	Issue (agreed in March 2020)		Board agenda reference
		Infrastructure	Heritage	
Location for Characteristics Guidance Staff presenter – Eileen Zhou		March 2020 Board Instruction - Provide joint paper (heritage and infrastructure) on the definition/description issue, which includes: (a) whether it should be in core text or other authoritative guidance, and (b) potential need for entities to disclose how they identify their heritage/infrastructure assets.		9.2.4
Scope Exclusion Staff presenter – Gwenda Jensen	Scope	-	March 2020 Board Instruction – Provide recommended text for IPSASB to approve to remove IPSAS 17's heritage scope exclusion clause.	10.2.2
Cross-Cutting Issue (Control) Staff presenter – Amon Dhlwayo	Recognition	-	Issue 05 – Control Criteria (see Agenda Item 8.3.2 for issue details)	10.2.3
Q3 – September 2020				
Land under / over infrastructure assets		Issue 02 – Separating land under / over infrastructure assets (see Agenda Item 8.3.2 for issue details)	-	X.X.X
Control of land under / over infrastructure assets		Issue 4 - Control - land under or over infrastructure assets (see Agenda Item 8.3.2 for issue details)		X.X.X
Ownership/Stewardship/held in trust		-	Issue 6 – Control - Ownership/stewardship/held in trust (see Agenda Item 8.3.2 for issue details)	X.X.X
Difficulty of measurement basis application		Issue 7 - 13 – Measurement bases related issues (see Agenda Item 8.3.2 for issue details)		X.X.X
Threshold of subsequent costs		Issue 14 – Threshold of subsequent costs to capitalize or expense (see Agenda Item 8.3.2 for issue details)		X.X.X

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Agenda Paper	Theme of Paper	Issue (agreed in March 2020)		Board agenda reference
		Infrastructure	Heritage	
Capitalization of subsequent costs		Issue 15 - Subsequent expenditure as capital or expense (see Agenda Item 8.3.2 for issue details)		X.X.X
Maintenance costs		Issue 16 - Planned/backlog/deferred maintenance costs (see Agenda Item 8.3.2 for issue details)		X.X.X
Depreciation		Issue 17 – Depreciation (see Agenda Item 8.3.2 for issue details)		X.X.X
Componentization		Issue 18 – Componentization (see Agenda Item 8.3.2 for issue details)		X.X.X
Impairment		Issue 19 – Impairment (see Agenda Item 8.3.2 for issue details)		X.X.X
Derecognition		Issue 20 – Derecognition (see Agenda Item 8.3.2 for issue details)	-	X.X.X
Disclosure		Issue 21 – Disclosure (see Agenda Item 8.3.2 for issue details)		X.X.X
Heritage or non-heritage use		-	Issue 22 - Heritage use/ non-heritage use (see Agenda Item 8.3.2 for issue details)	X.X.X
[draft] Exposure Drafts	Exposure Drafts	-	-	X.X.X
Q4 – December 2020				
[draft] Exposure Drafts	Exposure Drafts	-	-	X.X.X

Overview of Changes to ED 76

Question

1. Does the IPSASB agree with the generic guidance removed from, and the specific guidance added to, IPSAS 17, *Property, Plant and Equipment (PP&E)*?

Recommendation

2. In developing ED 76, Staff recommend:
 - (a) Removing generic PP&E measurement guidance identified in [draft] ED 76, *Property, Plant and Equipment*; and
 - (b) Adding specific PP&E measurement guidance identified in [draft] ED 76, *Property, Plant and Equipment*.

Background

3. In its CP, *Measurement*, the IPSASB agreed the application guidance for the most commonly used measurement bases should be generic in nature in order to be applied across the IPSAS suite of standards. Transaction-specific measurement guidance will be included in the individual standards providing measurement requirements and guidance for assets and liabilities.
4. To achieve this objective, the IPSASB agreed generic measurement guidance would be removed from each IPSAS and incorporated in ED 74, *Measurement*.¹

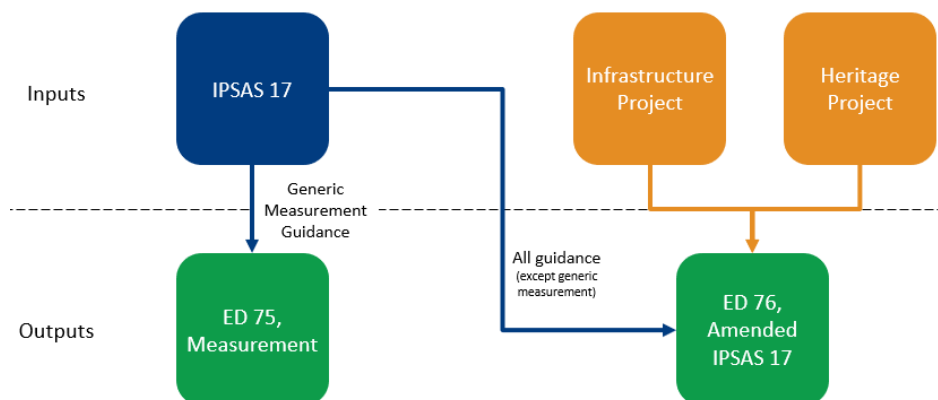
Analysis

5. A complete review of IPSAS is required in order to identify which generic measurement guidance should be moved to ED 75. This will be performed during Q3 2020 in conjunction with the development of the consequential amendments.
6. The Heritage Assets and Infrastructure Assets projects began development of their output, ED 76, in Q2 2020. Staff determined generic measurement guidance should be considered as part of the first draft of ED 76.
7. Guidance in ED 76 will come from three sources:
 - (a) **IPSAS 17.** ED 76 is based on text imported from IPSAS 17. Changes to IPSAS 17 text have been tracked and relates to:
 - (i) Generic measurement text extracted to ED 74; and
 - (ii) Specific measurement text inserted by the Measurement project.See table below for explanation of changes related to the Measurement project.
 - (b) **Heritage Assets Project.** Placeholders are inserted for all issues identified in [Agenda Item 8.2.1](#). Changes reflect Board decisions from previous meetings only. Placeholders will be replaced when the IPSASB approves text presented in agenda items.

¹ Decision made in March 2019 when CP, *Measurement* was approved.

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- (c) **Infrastructure Assets Project.** Placeholders are inserted for all issues identified in [Agenda Item 8.2.1](#). Changes reflect Board decisions from previous meetings only. Placeholders will be replaced when the IPSASB approves text presented in agenda items.



8. The following table summarizes:

- (a) Where measurement material specific to PP&E has been added to IPSAS 17; and
(b) Where material has been moved to ED 75, *Measurement*.

IPSAS 17 section	IPSAS 17 paragraph	ED 76 paragraph	Change	Rationale for change
Terminology Change	Throughout	Throughout	Replaced existing references to “fair value” with “[current value]”	In Q3 2020, staff will evaluate whether it is appropriate to apply the fair value measurement basis (IFRS 13 fair value) to PP&E in the public sector. For the purposes of the current version of ED 76, Staff highlighted this change by replacing “fair value” with “[current value model]” as one of the measurement bases under the current value model will be recommended in September 2020.
Recognition (Initial Costs)	22	AG4	Moved to Application Guidance	The paragraph relates to application of a principle and is not principle itself.
Recognition (Subsequent Costs)	23-25	AG5-AG7	Moved to Application Guidance	These paragraphs relate to application of a principle and is not principle itself.

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IPSAS 17 section	IPSAS 17 paragraph	ED 76 paragraph	Change	Rationale for change
Classification	n/a	19-22 AG8-AG12	Added new guidance on classification of PP&E items	Paragraphs added to help stakeholders determine whether they should apply a historical cost model or a current value model when measuring PP&E.
Measurement at Recognition (Elements of Cost)	30-31	n/a	Deleted and moved to [draft] IPSAS X, <i>Measurement</i> (ED 74), paragraph C15	Paragraphs provide generic guidance when calculating a measurement basis.
Measurement at Recognition (Elements of Cost)	n/a	26	Added new guidance on application of generic current cost measurement requirements	Because the generic guidance is removed, a reference to IPSAS, <i>Measurement</i> is provided to direct stakeholders IPSAS, <i>Measurement</i> .
Measurement at Recognition (Elements of Cost)	34-35	n/a	Deleted and moved to [draft] IPSAS X, <i>Measurement</i> (ED 74), paragraph C19	Paragraphs provide generic guidance when calculating a measurement basis.
Measurement at Recognition (Elements of Cost)	36-36A	AG13-AG14	Moved to Application Guidance	These paragraphs relate to application of a principle and is not principle itself.
Measurement at Recognition (Measurement of Cost)	37-41	n/a	Deleted and moved to [draft] IPSAS X, <i>Measurement</i> (ED 74) “Current Cost”	Paragraphs provide generic guidance when calculating a measurement basis.

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IPSAS 17 section	IPSAS 17 paragraph	ED 76 paragraph	Change	Rationale for change
Measurement after Recognition (Cost Model)	42-43	29-31	Replaced existing references to “cost model” with “historical cost model” Added additional guidance relating to generic historical cost measurement requirements in draft IPSAS [X], ED 74	Terminology updated to reflect proposals in CF-LSU project. Because the generic guidance is removed, a reference to IPSAS, <i>Measurement</i> is provided to direct stakeholders IPSAS, <i>Measurement</i> .
Measurement after Recognition (Revaluation Model)	44	32-33	Replaced existing references to “revaluation model” with “current value model” Added additional guidance relating to generic current cost measurement requirements in [draft] IPSAS X, <i>Measurement</i> (ED 75)	Terminology updated to reflect proposals in CF-LSU project. Because the generic guidance is removed, a reference to IPSAS, <i>Measurement</i> is provided to direct stakeholders IPSAS, <i>Measurement</i> .
Measurement after Recognition (Revaluation Model)	45-48	n/a	Deleted and moved to [draft] IPSAS X, <i>Measurement</i> (ED 75)	Paragraphs provide generic guidance when calculating a measurement basis.
Measurement after Recognition (Revaluation Model)	49-51	IG25-IG27	Moved to Implementation Guidance	These paragraphs relate to application of a principle and is not principle itself.
Measurement after Recognition (Revaluation Model)	52-53	IG28, IG30	Moved to Implementation Guidance	These paragraphs relate to application of a principle and is not principle itself.

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IPSAS 17 section	IPSAS 17 paragraph	ED 76 paragraph	Change	Rationale for change
Depreciation (Depreciable Amount and Depreciation Period)	66-67	n/a	Deleted and moved to [draft] IPSAS X, <i>Measurement</i> (ED 75) “Historical Cost”	Historical cost is updated to depict depreciation, if applicable. These paragraphs provide generic guidance when calculating a measurement basis.
Depreciation (Depreciable Amount and Depreciation Period)	69-73	n/a	Deleted and moved to [draft] IPSAS X, <i>Measurement</i> (ED 75) “Historical Cost”	
Depreciation (Depreciation Method)	76-78A	n/a	Deleted and moved to [draft] IPSAS X, <i>Measurement</i> (ED 75) “Historical Cost”	
Basis of Conclusions	n/a	BC32-BC34	Added additional guidance relating to selection of measurement basis	Because the generic guidance is removed, BCs were added to explain the change.
Implementation Guidance	n/a	IG11-IG24	Added additional guidance relating to selection of measurement basis, and measurement requirements to heritage and infrastructure items	Implementation guidance is added to expand on the application of the measurement principles to PP&E.
Illustrative Examples	n/a	IE8-IE12	Added additional guidance relating to use of revaluation model for complex networks	Illustrative examples are added to expand on the application of the measurement principles to PP&E.

Decision Required

11. Does the IPSASB agree with Staff’s recommendation?

Format of Guidance in IPSAS 41, *Financial Instruments*

Question

1. Does the Task Force agree the guidance in ED 76 should be developed in a format consistent with IPSAS 41?

Recommendation

2. Text in ED 76 should be developed as follows:
 - (a) **Core Text** – generic principles (not specific to a transaction);
 - (b) **Application Guidance (AG)** – expand principles (generally with reference to transactions to clarify);
 - (c) **Basis for Conclusions (BC)** – reflect IPSASB decisions;
 - (d) **Illustrative Examples (IE)** – illustrate principles, generally individual principles, with case facts developed from practical examples; and
 - (e) **Implementation Guidance (IG)** – question / answer format.

Key Information

3. In March 2020, the IPSASB instructed Staff to illustrate how the authoritative guidance (core text and application guidance) works together with non-authoritative guidance (BCs, IEs and IGs). This should be illustrated in the context of the format of guidance developed for IPSAS 41.

Analysis

4. In June 2018 the IPSASB approved IPSAS 41, *Financial Instruments*. This alignment project included the development of several public sector examples by way of IGs and IEs.
5. Given the extent of the guidance developed, and its recent approval, the format of IPSAS 41 represents a good format for the IPSASB to consider using in developing additional guidance for ED 76.
6. A benefit to applying the IPSAS 41 format is the is a clear distinction between each type of guidance. Guidance developed for concessionary loans illustrates this format:

Guidance Type	Format	Summary Text (see complete text in Appendix A)
Core Text	Generic principles (not specific to a transaction)	Paragraph 57 An entity shall measure a financial asset or financial liability at its fair value
Application Guidance	Expand principles (generally with reference to transactions to clarify)	Paragraphs AG123 – AG125 Concessionary loans are granted or received at below market terms. The transaction price may not be its fair value. An entity analyzes the substance of the loan into its component parts, and accounts for those components separately.

Guidance Type	Format	Summary Text (see complete text in Appendix A)
Basis for Conclusions	Reflect IPSASB decisions	<p>Paragraph BC4</p> <p>The IPSASB followed a rigorous process to develop the following additional public sector examples to help with application of this Standard:</p> <p>(a) Examples related to concessionary loans;</p> <p>...</p>
Illustrative Examples	Illustrate principles, generally individual principles, with case facts developed from practical examples	<p>Example 20 (IE153 – IE155)</p> <p>A local authority receives loan funding to the value of CU5 million to build healthcare clinics. The agreement stipulates that the loan is to be repaid over 5 years.</p> <p>Interest is paid annually in arrears, at a rate of 5 percent. A market-related rate of interest for a similar transaction is 10 percent.</p> <p>The local authority has received a concessionary loan, which will be repaid at 5 percent below the current market interest rate. The difference between the proceeds of the loan and the present value of the contractual payments, is recognized in accordance with IPSAS 23.</p>
Implementation Guidance	Question / answer format	<p><i>G.1 Sequencing of “Solely Payments of Principal and Interest” Evaluation for a Concessionary Loan</i></p> <p>If an entity issues a concessionary loan (financial asset) when does it assess classification for subsequent measurement purposes?</p> <p>An entity firstly assesses whether the substance of the concessionary loan is in fact a loan. If yes, it assesses whether the transaction price represents the fair value of the loan on initial recognition.</p> <p>After initial recognition at fair value, an entity subsequently assesses the classification of concessionary loans.</p>

7. Applying this format offers two key benefits:

- (a) Helps Staff and the IPSASB develop guidance because expectations of the purpose of each type of guidance is shared; and
- (b) Enables constituents to better use IPSAS as formatting consistency through the Standards increases.

Decision Required

8. Does the IPSASB agree with the staff recommendation?

Appendix A – Format of Guidance

1. The following table illustrates the concessionary loan guidance developed throughout IPSAS 41, Financial Instruments.

Guidance Type	Format	Text
Core Text	Generic principles (not specific to a transaction)	57. Except for short-term receivables and payables within the scope of paragraph 60, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Application Guidance	Expand principles (generally with reference to transactions to clarify)	<p>AG123. As concessionary loans are granted or received at below market terms, the transaction price on initial recognition of the loan may not be its fair value. At initial recognition, an entity therefore analyzes the substance of the loan granted or received into its component parts, and accounts for those components using the principles in paragraphs AG124 and AG126 below.</p> <p>AG124. An entity firstly assesses whether the substance of the concessionary loan is in fact a loan, a non-exchange transaction, a contribution from owners or a combination thereof, by applying the principles in IPSAS 28 and paragraphs 42–58 of IPSAS 23. If an entity has determined that the transaction, or part of the transaction, is a loan, it assesses whether the transaction price represents the fair value of the loan on initial recognition. An entity determines the fair value of the loan by using the principles in paragraphs AG144–AG155. Where an entity cannot determine fair value by reference to an active market, it uses a valuation technique. Fair value using a valuation technique could be determined by discounting all future cash receipts using a market related rate of interest for a similar loan (see paragraph AG115).</p> <p>AG125. Any difference between the fair value of the loan and the transaction price (the loan proceeds) is treated as follows:</p> <ul style="list-style-type: none"> (a) Where the loan is received by an entity, the difference is accounted for in accordance with IPSAS 23. (b) Where the loan is granted by an entity, the difference is treated as an expense in surplus or deficit at initial recognition, except where the loan is a transaction with owners, in their capacity as owners. Where the loan is a transaction with owners in their capacity as owners, for example, where a controlling entity provides a concessionary loan to a controlled entity, the difference may represent a capital contribution, i.e., an investment in an entity, rather than an expense.
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Guidance Type	Format	Text
		<p>Illustrative Examples are provided in paragraph IG54 of IPSAS 23 as well as paragraphs IE153 to IE161 accompanying this Standard.</p>
Basis for Conclusions	Reflect IPSASB decisions	<p>BC5. In developing this Standard, the IPSASB agreed to retain the existing text of IFRS 9 wherever consistent with existing IPSASs, and provide examples and implementation guidance for certain public sector specific issues. In particular, the IPSASB noted the usefulness of the application guidance on concessionary loans and financial guarantees issued through a non-exchange transaction in IPSAS 29 and the continued need for such guidance in IPSAS 41. The IPSASB's view is that it is critical to provide non-authoritative material to support constituents in applying the principles in this Standard. Therefore, the IPSASB followed a rigorous process to develop the following additional public sector examples to help with application of this Standard:</p> <p>(a) Examples related to concessionary loans, including when to assess the classification (see examples 20 and 21 and implementation guidance G.1) and the impact of contingent repayment features (see implementation guidance G.2);</p> <p>...</p>

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Guidance Type	Format	Text
Illustrative Examples	Illustrate principles, generally individual principles, with case facts developed from practical examples	<p>IE153. A local authority receives loan funding to the value of CU5 million from an international development agency to build primary healthcare clinics over a period of 5 years. The agreement stipulates that the loan is to be repaid over the 5 year period as follows:</p> <p style="padding-left: 40px;">Year 1: no principal repayments</p> <p style="padding-left: 40px;">Year 2: 10 percent of the principal</p> <p style="padding-left: 40px;">Year 3: 20 percent of the principal</p> <p style="padding-left: 40px;">Year 4: 30 percent of the principal</p> <p style="padding-left: 40px;">Year 5: 40 percent of the principal</p> <p>Interest is paid annually in arrears, at a rate of 5 percent per annum on the outstanding balance of the loan. A market-related rate of interest for a similar transaction is 10 percent.</p> <p>IE154. The local authority has received a concessionary loan of CU5 million, which will be repaid at 5 percent below the current market interest rate. The difference between the proceeds of the loan and the present value of the contractual payments in terms of the loan agreement, discounted using the market-related rate of interest, is recognized in accordance with IPSAS 23</p> <p>IE155. The journal entries to account for the concessionary loan are as follows:</p> <p style="padding-left: 40px;">...</p>

Guidance Type	Format	Text
Implementation Guidance	Question / answer format	<p><i>G.1 Sequencing of “Solely Payments of Principal and Interest” Evaluation for a Concessionary Loan</i></p> <p>If an entity issues a concessionary loan (financial asset) when does it assess classification for subsequent measurement purposes?</p> <p>An entity firstly assesses whether the substance of the concessionary loan is in fact a loan, a grant, a contribution from owners or a combination thereof, by applying the principles in IPSAS 28 and paragraphs 42–58 of IPSAS 23. If an entity has determined that the transaction, or part of the transaction, is a loan, it assesses whether the transaction price represents the fair value of the loan on initial recognition. An entity determines the fair value of the loan by using the principles in paragraphs AG144–AG155.</p> <p>After initial recognition at fair value, an entity subsequently assesses the classification of concessionary loans in accordance with paragraphs 39–44 and measures concessionary loans in accordance with paragraphs 61–65.</p>

Supporting Documents 1 – ED 76

1. Guidance in [draft] IPSAS X, *Measurement* (ED 76) is based on three sources:
 - (a) **IPSAS 17.** ED 76 is based on text imported from IPSAS 17. Changes to IPSAS 17 text has been tracked and relates to:
 - (i) Generic measurement text extracted to ED 74; and
 - (ii) Specific measurement text inserted by the Measurement project.See table below for explanation of changes made related to the Measurement project.
 - (b) **Heritage Project.** Placeholders are inserted for all issues identified in [Agenda Item 8.2.1](#). Changes reflect Board decisions from previous meetings only. Placeholders will be replaced when the IPSASB approves text presented in agenda items.
 - (c) **Infrastructure Project.** Placeholders are inserted for all issues identified in [Agenda Item 8.2.1](#). Changes reflect Board decisions from previous meetings only. Placeholders will be replaced when the IPSASB approves text presented in agenda items.
2. The [draft] ED is included to allow members to review changes proposed to IPSAS 17 as a result of the proposals in the measurement project.

REVIEW INSTRUCTIONS:

1. IPSASB members, Technical Advisors, and Observers are asked to note the following when reviewing ED 76:
 - (a) Authoritative Text (Core Text, Application Guidance and Amendments to Other IPSAS):
 - (i) A significant portion of ED 76 is imported from IPSAS 17.
 - (ii) Changes made to IPSAS 17 are tracked and based on Board Decisions or Instructions to Staff provided in previous meetings.

These components are formatted as follows for easier reference:

Format	Format description
Text	Text imported from IPSAS 17, 2020 Handbook, is shaded grey
Track changes	Text changed resulting from <u>Board Decisions</u> or editorial updates is tracked
Placeholders	Placeholders have been inserted for issues to be discussed at June and September IPSASB meetings

Exposure Draft 76
[MONTH] [YEAR]
Comments due: [DATE]

IPSAS®

*Proposed International Public Sector Accounting
Standard®*

Property, Plant, and Equipment

IPSASB

International Public
Sector Accounting
Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

In meeting this objective the IPSASB sets IPSAS® and Recommended Practice Guidelines (RPGs) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS relate to the general purpose financial statements (financial statements) and are authoritative. RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS RPGs do not establish requirements. Currently all pronouncements relating to GPFRs that are not financial statements are RPGs. RPGs do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

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REQUEST FOR COMMENTS

This Exposure Draft, *Property, Plant, and Equipment* was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by [DATE].**

Respondents are asked to submit their comments electronically through the IPSASB website, using the [“Submit a Comment”](#) link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

Objective of the Exposure Draft

Exposure Draft (ED) 76, *Property, Plant, and Equipment*, deals with changes to the IPSAS that arose through comments received from stakeholders in response to the IPSASBs Consultation Paper, *Measurement*, Consultation Paper, *Heritage*, and issues identified as part of the IPSASBs Infrastructure project.

Based on stakeholder input, the IPSASB agreed to:

- Remove generic measurement guidance from IPSAS 17 and include it in IPSAS, *Measurement*;
- Develop Authoritative and Non-Authoritative guidance when accounting for infrastructure in the public sector; and
- Develop Non-Authoritative guidance when accounting for heritage items in the public sector.

Guide for Respondents

The IPSASB would welcome comments on all of the matters discussed in this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

The Specific Matters for Comment requested for the Exposure Draft are provided below.

Specific Matter for Comment 1:

Do you agree with the IPSASBs proposal to develop additional guidance for heritage items and infrastructure? If not, why not?

PROPERTY, PLANT, AND EQUIPMENT

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Objective

1. The objective of this Standard is to prescribe the accounting treatment for property, plant, and equipment so that users of financial statements can discern information about an entity's investment in its property, plant, and equipment and the changes in such investment. The principal issues in accounting for property, plant, and equipment are (a) the recognition of the assets, (b) the determination of their carrying amounts, and (c) the depreciation charges and impairment losses to be recognized in relation to them.

Scope

Existing IPSAS 17 Paragraph 2 is amended to reflect December 2019 IPSASB Decision:

2. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for property, plant, and equipment, except ~~÷~~
- 3.2. ~~When~~ a different accounting treatment has been adopted in accordance with another IPSAS, ~~and~~

~~In respect of heritage assets. However, the disclosure requirements of paragraphs 88, 89, and 92 apply to those heritage assets that are recognized.~~

Deleted paragraphs (3 and 4) of the existing IPSAS 17 are not replicated. The paragraph numbering hereafter is not the same as the numbering in IPSAS 17.

4. ~~[Deleted]~~

5. ~~[Deleted]~~

6. ~~This Standard applies to property, plant, and equipment including:~~

~~(a) Weapons systems;~~

~~(b) Infrastructure assets; and~~

~~(c) Service concession arrangement assets after initial recognition and measurement in accordance with IPSAS 32, *Service Concession Arrangements: Grantor*.~~

Existing IPSAS 17 Paragraph 5 is amended to reflect December 2019 IPSASB Decision:

3. This Standard applies to property, plant, and equipment including:

(a) Weapons systems;

(b) Infrastructure assets; ~~and~~

(c) Heritage assets; and

~~(e)(d)~~ Service concession arrangement assets after initial recognition and measurement in accordance with IPSAS 32, *Service Concession Arrangements: Grantor*.

4. This Standard does not apply to:

- (a) Biological assets related to agricultural activity other than bearer plants (see IPSAS 27, *Agriculture*). This Standard applies to bearer plants but does not apply to the produce on bearer plants;
- (b) Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources (see the relevant international or national accounting standard dealing with mineral rights, mineral reserves, and similar non-regenerative resources).

However, this Standard applies to property, plant, and equipment used to develop or maintain the assets described in 64(a) or 64(b).

5. Other IPSASs may require recognition of an item of property, plant, and equipment based on an approach different from that in this Standard. For example, IPSAS 13, *Leases*, requires an entity to evaluate its recognition of an item of leased property, plant, and equipment on the basis of the transfer of risks and rewards. IPSAS 32 requires an entity to evaluate the recognition of an item of property, plant, and equipment used in a service concession arrangement on the basis of control of the asset. However, in such cases other aspects of the accounting treatment for these assets, including depreciation, are prescribed by this Standard.
6. An entity using the cost model for investment property in accordance with IPSAS 16, *Investment Property* shall use the cost model in this Standard.

Existing IPSAS 17 paragraph 9 –(Heritage Assets) is deleted to reflect December 2019 Board Decision

Heritage Assets

- ~~7. This Standard does not require an entity to recognize heritage assets that would otherwise meet the definition of, and recognition criteria for, property, plant, and equipment. If an entity does recognize heritage assets, it must apply the disclosure requirements of this Standard and may, but is not required to, apply the measurement requirements of this Standard.~~

Existing IPSAS 17 paragraphs 10-12 moved to “Definitions” section (see paragraphs 9-11) to reflect March 2020 Board Instruction

- ~~8. Some assets are described as heritage assets because of their cultural, environmental, or historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art. Certain characteristics, including the following, are often displayed by heritage assets (although these characteristics are not exclusive to such assets):~~

- ~~(a) Their value in cultural, environmental, educational, and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;~~
- ~~(b) Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;~~

- ~~(c) They are often irreplaceable and their value may increase over time, even if their physical condition deteriorates; and~~
- ~~(d) It may be difficult to estimate their useful lives, which in some cases could be several hundred years.~~

~~Public sector entities may have large holdings of heritage assets that have been acquired over many years and by various means, including purchase, donation, bequest, and sequestration. These assets are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for such purposes.~~

- ~~9. Some heritage assets have future economic benefits or service potential other than their heritage value, for example, an historic building being used for office accommodation. In these cases, they may be recognized and measured on the same basis as other items of property, plant, and equipment. For other heritage assets, their future economic benefit or service potential is limited to their heritage characteristics, for example, monuments and ruins. The existence of both future economic benefits and service potential can affect the choice of measurement base.~~
- ~~10. The disclosure requirements in paragraphs 88–94 require entities to make disclosures about recognized assets. Therefore, entities that recognize heritage assets are required to disclose in respect of those assets such matters as, for example:~~

~~The measurement basis used;~~

- ~~(a) The depreciation method used, if any;~~
- ~~(b) The gross carrying amount;~~
- ~~(c) The accumulated depreciation at the end of the period, if any; and~~
- ~~(d) A reconciliation of the carrying amount at the beginning and end of the period showing certain components thereof.~~

Definitions

~~11.7.~~ The following terms are used in this Standard with the meanings specified:

A bearer plant is a living plant that:

- (a) Is used in the production or supply of agricultural produce:**
- (b) Is expected to bear produce for more than one period: and**
- (c) Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.**

(Paragraphs 9A–9C of IPSAS 27 elaborate on this definition of a bearer plant.)

Carrying amount (for the purpose of this Standard) is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

Class of property, plant and equipment means a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Entity-specific value is the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.

An **impairment loss of a cash-generating asset** is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An **impairment loss of a non-cash-generating asset** is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Property, plant, and equipment are tangible items that:

(a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) Are expected to be used during more than one reporting period.

[\[PLACEHOLDER - Control of an Asset \(SEE AGENDA ITEM 10.2.3\)\]](#)

Recoverable amount is the higher of a cash-generating asset's fair value less costs to sell and its value in use.

Recoverable service amount is the higher of a non cash-generating asset's fair value less costs to sell and its value in use.

The **residual value** of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful life is:

(a) The period over which an asset is expected to be available for use by an entity; or

(b) The number of production or similar units expected to be obtained from the asset by an entity.

Terms defined in other IPSASs are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

Moved from existing IPSAS 17 paragraphs 10-12 (“Scope” section > “Heritage Assets” subsection) to reflect March 2020 Board Instruction

Heritage Assets

8. [\[PLACEHOLDER – Develop draft text on Heritage item description, adopting same approach as for Infrastructure Assets. \(SEE AGENDA ITEM X.X\)\]](#)

[12.9.](#) Some assets are described as heritage assets because of their cultural, environmental, or historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art. Certain characteristics, including the following, are often displayed by heritage assets (although these characteristics are not exclusive to such assets):

- (a) Their value in cultural, environmental, educational, and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;
- (b) Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;
- (c) They are often irreplaceable and their value may increase over time, even if their physical condition deteriorates; and
- (d) It may be difficult to estimate their useful lives, which in some cases could be several hundred years.

Public sector entities may have large holdings of heritage assets that have been acquired over many years and by various means, including purchase, donation, bequest, and sequestration. These assets are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for such purposes.

[13.10.](#) Some heritage assets have future economic benefits or service potential other than their heritage value, for example, an historic building being used for office accommodation. In these cases, they may be recognized and measured on the same basis as other items of property, plant, and equipment. For other heritage assets, their future economic benefit or service potential is limited to their heritage characteristics, for example, monuments and ruins. The existence of both future economic benefits and service potential can affect the choice of measurement base.

[14.11.](#) The disclosure requirements in paragraphs 88–94 require entities to make disclosures about recognized assets. Therefore, entities that recognize heritage assets are required to disclose in respect of those assets such matters as, for example:

- a. The measurement basis used;
- b. The depreciation method used, if any;
- c. The gross carrying amount;
- d. The accumulated depreciation at the end of the period, if any; and
- e. A reconciliation of the carrying amount at the beginning and end of the period showing certain components thereof.

Moved from existing IPSAS 17 paragraph 21 (“Recognition” section > “Infrastructure Assets” subsection) to reflect March 2020 Board Decision

Infrastructure Assets

~~15.12.~~ Some assets are commonly described as infrastructure assets. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

- (a) They are part of a system or network;
- (b) They are specialized in nature and do not have alternative uses;
- (c) They are immovable; and
- (d) They may be subject to constraints on disposal.

Although ownership of infrastructure assets is not confined to entities in the public sector, significant infrastructure assets are frequently found in the public sector. Infrastructure assets meet the definition of property, plant, and equipment and should be accounted for in accordance with this Standard. Examples of infrastructure assets include road networks, sewer systems, water and power supply systems, and communication networks.

13. [PLACEHOLDER - REVISE CHARACTERISTICS AND EXAMPLES OF INFRASTRUCTURE ASSETS (SEE AGENDA ITEM 8.2.2)]

Recognition

~~16.14.~~ The cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:

- (a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and

Existing references to “fair value” throughout IPSAS 17 (excluding the definition of “Recoverable Amount”) may be replaced with another “current value model” measurement as part of the *Measurement* project. These potential changes are marked in [square brackets]. The “Revaluation Model” section is also renamed to “Current Value Model”.

- (b) The cost or ~~fair value~~[current value model] of the item can be measured reliably¹.

~~17.~~ [Deleted]

~~18.~~ [Deleted]

¹ Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC16 of IPSAS 1 discusses the transitional approach to the explanation of reliability.

~~19.~~15. Items such as spare parts, stand-by equipment and servicing equipment are recognized in accordance with this IPSAS when they meet the definition of property, plant, and equipment. Otherwise, such items are classified as inventory.

~~20.~~16. This standard does not prescribe the unit of measure for recognition, i.e., what constitutes an item of property, plant, and equipment. Thus, judgment is required in applying the recognition criteria to an entity's specific circumstances. It may be appropriate to aggregate individually insignificant items, such as library books, computer peripherals, and small items of equipment, and to apply the criteria to the aggregate value.

~~21.~~17. An entity evaluates under this recognition principle all its property, plant, and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant, and equipment and costs incurred subsequently to add to, replace part of, or service it.

~~22.~~18. Weapons systems will normally meet the definition of property, plant, and equipment, and should be recognized as an asset in accordance with this Standard. Weapons systems include vehicles and other equipment, such as warships, submarines, military aircraft, tanks, missile carriers and launchers that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. Some single-use items, such as certain types of ballistic missiles, may provide an ongoing service of deterrence against aggressors and, therefore, can be classified as weapons systems.

Existing IPSAS 17 paragraph 21 ("Recognition > Infrastructure Assets") moved above to "Definitions"

Existing IPSAS 17 paragraphs 22- 25 ("Recognition" section > "Initial Costs" and "Subsequent Costs" subsections) moved to "Application Guidance" section, as it is not a principle, but application. To reflect March 2020 Board Decision

Initial Costs

22. Items of property, plant, and equipment may be required for safety or environmental reasons. The acquisition of such property, plant, and equipment, although not directly increasing the future economic benefits or service potential of any particular existing item of property, plant, and equipment, may be necessary for an entity to obtain the future economic benefits or service potential from its other assets. Such items of property, plant, and equipment qualify for recognition as assets, because they enable an entity to derive future economic benefits or service potential from related assets in excess of what could be derived had those items not been acquired. For example, fire safety regulations may require a hospital to retro-fit new sprinkler systems. These enhancements are recognized as an asset because, without them, the entity is unable to operate the hospital in accordance with the regulations. However, the resulting carrying amount of such an asset and related assets is reviewed for impairment in accordance with IPSAS 21, *Impairment of Non-Cash-Generating Assets*.

Subsequent Costs

25. Under the recognition principle in paragraph 14, an entity does not recognize in the carrying amount of an item of property, plant, and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognized in surplus or deficit as incurred. Costs of day-to-day servicing are primarily the costs of labor and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the “repairs and maintenance” of the item of property, plant, and equipment.

26. Parts of some items of property, plant, and equipment may require replacement at regular intervals. For example, a road may need resurfacing every few years, a furnace may require relining after a specified number of hours of use, or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe. Items of property, plant, and equipment may also be required to make a less frequently recurring replacement, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle in paragraph 14, an entity recognizes in the carrying amount of an item of property, plant, and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of this Standard (see paragraphs 82–87).

27. A condition of continuing to operate an item of property, plant, and equipment (for example, an aircraft) may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant, and equipment as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of previous inspection (as distinct from physical parts) is derecognized. This occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired or constructed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired or constructed.

Addition to include Paragraph 19-22 to reflect December 2019 Board Decision (Agenda Item 8.2.2):

Classification

19. An entity shall classify all items of property, plant, and equipment as subsequently measured using the historical cost model in paragraph 30 or subsequently measured using the current value model in paragraph 32.
20. An entity's classification of property, plant, and equipment is an accounting policy, and an entity shall apply that policy to an entire class of property, plant, and equipment.
21. An entity may wish to classify an entire class of property, plant, and equipment as measured at [current cost] when:
- a. The class of property, plant, and equipment is held for its financial capacity; or
 - b. The information provided by a [current cost] measurement basis is more useful to financial statement users; and
 - c. The class of property, plant and equipment can be measured reliably. .
- ~~23-22.~~ When property, plant, and equipment is held to support the provision of services, or an entity's operating capacity, the cost incurred to provide those services can be a relevant metric. The cost incurred to provide those services is reflected in the depreciation of the property, plant, and equipment, which under the historical cost measurement is based on the price paid for the asset.

Measurement at Recognition

- ~~24.~~ An item of property, plant, and equipment that qualifies for recognition as an asset shall be measured at its [current] cost.
- ~~25-23.~~ Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.
- ~~26-24.~~ An item of property, plant, and equipment may be acquired through a nonexchange transaction. For example, land may be contributed to a local government by a developer at no or nominal consideration, to enable the local government to develop parks, roads, and paths in the development. An asset may also be acquired through a non-exchange transaction by the exercise of powers of sequestration. Under these circumstances, the cost of the item is its fair-value[current cost model] as at the date it is acquired.
- ~~27-25.~~ For the purposes of this Standard, the measurement at recognition of an item of property, plant, and equipment, acquired at no or nominal cost, at its fair-value[current cost model] consistent with the requirements of paragraph 27, does not constitute a revaluation. Accordingly, the revaluation requirements in paragraph 44, and the supporting commentary in paragraphs 45–50, only apply where an entity elects to revalue an item of property, plant, and equipment in subsequent reporting periods.

Elements of **[Current]** Cost

Existing IPSAS 17 paragraph 30-31 from “Measurement at Recognition” section > “Elements of Cost” subsection) is deleted and moved to IPSAS XX, *Measurement*, paragraph C15, to reflect [MM-YYY]
Board Decision

~~30. The cost of an item of property, plant, and equipment comprises:~~

- ~~a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.~~
- ~~b) Any costs directly attributable to bringing the asset 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 incurs 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.~~

~~31. Examples of directly attributable costs are:~~

- ~~d) Costs of employee benefits (as defined in IPSAS 39, *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant, and equipment;~~
- ~~e) Costs of site preparation;~~
- ~~f) Initial delivery and handling costs;~~
- ~~g) Installation and assembly costs;~~
- ~~h) Costs of testing whether the asset is functioning properly, 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~~
- ~~i) Professional fees.~~

26. When measuring the [current value model] of property, plant, and equipment, an entity applies the generic [current value model] measurement requirements in draft IPSAS [X], ED 75.

28-27. An entity applies IPSAS 12, *Inventories*, to the costs of obligations for dismantling, removing, and restoring the site on which an item is located that are incurred during a particular period as a consequence of having used the item to produce inventories during that period. The obligations for costs accounted for in accordance with IPSAS 12 and IPSAS 17 are recognized and measured in accordance with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.

29-28. Examples of costs that are not costs of an item of property, plant, and equipment are:

- (a) Costs of opening a new facility;
- (b) Costs of introducing a new product or service (including costs of advertising and promotional activities);
- (c) Costs of conducting business in a new location or with a new class of customers (including costs of staff training); and

(d) Administration and other general overhead costs.

Existing IPSAS 17 paragraph 34-35 from “Measurement at Recognition” section > “Elements of Cost” subsection) is deleted and moved to IPSAS XX, *Measurement*, paragraph C19, to reflect [MM-YYY] Board Decision

~~34. Recognition of costs in the carrying amount of an item of property, plant, and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an item are not included in the carrying amount of that item. For example, the following costs are not included in the carrying amount of an item of property, plant, and equipment:~~

~~(a) Costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than full capacity;~~

~~(b) Initial operating losses, such as those incurred while demand for the item's output builds up; and~~

~~(c) Costs of relocating or reorganizing part or all of the entity's operations.~~

~~35. Some operations occur in connection with the construction or development of an item of property, plant, and equipment, but are not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by management. These incidental operations may occur before or during the construction or development activities. For example, revenue may be earned through using a building site as a car park until construction starts. Because incidental operations are not necessary to bring an item to the location and condition necessary for it to be capable of operating in the manner intended by management, the revenue and related expenses of incidental operations are recognized in surplus or deficit, and included in their respective classifications of revenue and expense.~~

Existing IPSAS 17 paragraphs 36-36A (from “Measurement at Recognition” section > “Elements of Cost” subsection) is deleted and moved to Application Guidance, as it is not a principle, but application. This reflects March 2020 Board Decision

~~36. The cost of a self-constructed asset is determined using the same principles as for an acquired asset. If an entity makes similar assets for sale in the normal course of operations, the cost of the asset is usually the same as the cost of constructing an asset for sale (see IPSAS 12). Therefore, any internal surpluses are eliminated in arriving at such costs. Similarly, the cost of abnormal amounts of wasted material, labor, or other resources incurred in self-constructing an asset is not included in the cost of the asset. IPSAS 5, *Borrowing Costs*, establishes criteria for the recognition of interest as a component of the carrying amount of a self-constructed item of property, plant, and equipment.~~

~~36A. Bearer plants are accounted for in the same way as self-constructed items of property, plant, and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to ‘construction’ in this Standard should be read as covering activities that are necessary to cultivate bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.~~

Existing IPSAS 17 paragraph 37-41 (“Measurement at Recognition” section > “Measurement of Cost” subsection) is deleted and moved to IPSAS XX, *Measurement*, “*Current Cost*”, to reflect [MM-YYY] Board Decision

Measurement of Cost

~~37. The cost of an item of property, plant, and equipment is the cash price equivalent or, for an item referred to in paragraph 27, its fair value at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit, unless such interest is recognized in the carrying amount of the item in accordance with the allowed alternative treatment in IPSAS 5.~~

~~38. One or more items of property, plant, and equipment may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an item of property, plant, and equipment is measured at fair value unless (a) the exchange transaction lacks commercial substance, or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired item is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.~~

~~39. An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. An exchange transaction has commercial substance if:~~

- ~~(a) The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or~~
- ~~(b) The entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and~~
- ~~(c) The difference in (a) or (b) is significant relative to the fair value of the assets exchanged.~~

~~For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the entity's operations affected by the transaction shall reflect post-tax cash flows, if tax applies. The result of these analyses may be clear without an entity having to perform detailed calculations.~~

~~40. The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset, or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If an entity is able to determine reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.~~

~~41. The cost of an item of property, plant, and equipment held by a lessee under a finance lease is determined in accordance with IPSAS 13.~~

Measurement after Recognition

~~30-29.~~ An entity shall choose either the historical cost model in paragraph ~~43-30~~ or the revaluation-current value model in paragraph ~~44-31~~ as its accounting policy, and shall apply that policy to an entire class of property, plant, and equipment.

Historical Cost Model

~~30.~~ After recognition as an asset, an item of property, plant, and equipment shall be carried at its historical cost, less any accumulated depreciation and any accumulated impairment losses.

Addition to include new guidance in the “Historical Cost Model” subsection to reflect March 2020 March Decision:

31. When measuring the historical cost of property, plant, and equipment, an entity applies the generic historical cost measurement requirements in draft IPSAS [X], ED 75.

Revaluation-Current Value Model

~~32.~~ After recognition as an asset, an item of property, plant, and equipment whose fair value~~[current value model]~~ can be measured reliably shall be carried at ~~a revalued amount, being its fair value~~[current value model] 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~~[current value model] at the reporting date. The accounting treatment for revaluations is set out in paragraphs ~~5439-41-56.~~

Addition to include new guidance in the “Current Value Model” subsection to reflect March 2020 March Decision:

~~33.~~ When measuring the [current value model] of property, plant, and equipment, an entity applies the generic [current value model] measurement requirements in draft IPSAS [X], ED 75.

Existing IPSAS 17 paragraph 45-48 (“Measurement after Recognition” section > “Revaluation Model” subsection) is deleted and moved to IPSAS XX, *Measurement*, to reflect March 2020 Board Decision

~~45. The fair value of items of property is usually determined from market-based evidence by appraisal. The fair value of items of plant and equipment is usually their market value determined by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession, who holds a recognized and relevant professional qualification. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles, and many types of plant and equipment.~~

~~46. For some public sector assets, it may be difficult to establish their market value because of the absence of market transactions for these assets. Some public sector entities may have significant holdings of such assets.~~

~~47. If no evidence is available to determine the market value in an active and liquid market of an item of property, the fair value of the item may be established by reference to other items with similar characteristics, in similar circumstances and location. For example, the fair value of vacant government land that has been held for a long period during which time there have been few transactions may be estimated by reference to the market value of land with similar features and topography in a similar location for which market evidence is available. In the case of specialized buildings and other manmade structures, fair value may be estimated using depreciated replacement cost, or the restoration cost or service units approaches (see IPSAS 21). In many cases, the depreciated replacement cost of an asset can be established by reference to the buying price of a similar asset with similar remaining service potential in an active and liquid market. In some cases, an asset's reproduction cost will be the best indicator of its replacement cost. For example, in the event of loss, a parliament building may be reproduced rather than replaced with alternative accommodation, because of its significance to the community.~~

~~48. If there is no market-based evidence of fair value because of the specialized nature of the item of plant, and equipment, an entity may need to estimate fair value using, for example, reproduction cost, depreciated replacement cost, or the restoration cost or service units approaches (see IPSAS 21). The depreciated replacement cost of an item of plant or equipment may be established by reference to the market buying price of components used to produce the asset or the indexed price for the same or a similar asset based on a price for a previous period. When the indexed price method is used, judgment is required to determine whether production technology has changed significantly over the period, and whether the capacity of the reference asset is the same as that of the asset being valued.~~

Deleted existing IPSAS 17 paragraph 49-51 (from “Measurement after Recognition” section > “Revaluation Model” subsection) and moved to Implementation Guidance as it is not a principle, but implementation. This reflects March 2020 Board Decision

~~49. The frequency of revaluations depends upon the changes in the fair values of the items of property, plant, and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some items of property, plant, and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant, and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.~~

~~33-34.~~ Impairment losses and reversals of impairment losses of an asset under IPSAS 21 and IPSAS 26, *Impairment of Cash-Generating Assets*, do not necessarily give rise to the need to revalue the class of assets to which that asset, or group of assets, belongs.

Deleted existing IPSAS 17 paragraphs 52-53 (from “Measurement after Recognition” section > “Revaluation Model” subsection) and moved to Implementation Guidance as it is not a principle, but implementation. This reflects March 2020 Board Decision

~~52. A class of property, plant, and equipment is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate classes:~~

- ~~(a) Land;~~
- ~~(b) Operational buildings;~~
- ~~(c) Roads;~~
- ~~(d) Machinery;~~
- ~~(e) Electricity transmission networks;~~
- ~~(f) Ships;~~
- ~~(g) Aircraft;~~
- ~~(h) Weapons systems;~~
- ~~(i) Motor vehicles;~~
- ~~(j) Furniture and fixtures;~~
- ~~(k) Office equipment;~~
- ~~(l) Oil rigs; and~~
- ~~(m) Bearer plants.~~

~~53. The items within a class of property, plant, and equipment are revalued simultaneously in order to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.~~

~~34-35.~~ If the carrying amount of a class of assets is increased as a result of a revaluation, the increase shall be credited directly to revaluation surplus. However, the increase shall be recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized in surplus or deficit.

~~35-36.~~ If the carrying amount of a class of assets is decreased as a result of a revaluation, the decrease shall be recognized in surplus or deficit. However, the decrease shall be debited directly to revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that class of assets.

~~36-37.~~ Revaluation increases and decreases relating to individual assets within a class of property, plant, and equipment must be offset against one another within that class but must not be offset in respect of assets in different classes.

~~37-38.~~ Some or all of the revaluation surplus included in net assets/equity in respect of property, plant, and equipment may be transferred directly to accumulated surpluses or deficits when the assets are derecognized. This may involve transferring some or the whole of the surplus when the assets within the class of property, plant, and equipment to which the surplus relates are retired or disposed of. However, some of the surplus may be transferred as the assets are used by the entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the assets and depreciation, based on the assets' original cost. Transfers from revaluation surplus to accumulated surpluses or deficits are not made through surplus or deficit.

~~38-39.~~ Guidance on the effects on taxes on surpluses, if any, resulting from the revaluation of property, plant, and equipment can be found in the relevant international or national accounting standard dealing with income taxes.

Depreciation

~~40.~~ Each part of an item of property, plant, and equipment with a ~~cost-value~~ that is significant in relation to the total ~~cost-value~~ of the item shall be depreciated separately.

Addition to include new guidance on Depreciation to reflect March 2020 Board Instruction:

41. When determining the depreciation of property, plant, and equipment, an entity applies the generic depreciation requirements in draft IPSAS [X], ED 75.

Application of Depreciation

~~39-42.~~ An entity allocates the amount initially recognized in respect of an item of property, plant, and equipment to its significant parts and depreciates separately each such part. For example, in most cases, it would be required to depreciate separately the pavements, formation, curbs and channels, footpaths, bridges, and lighting within a road system. Similarly, it may be appropriate to depreciate separately the airframe and engines of an aircraft, whether owned or subject to a finance lease. If an entity acquires property, plant and equipment subject to an operating lease in which it is the lessor, it may also be appropriate to depreciate separately amounts reflected in the cost of that item that are attributable to favorable or unfavorable lease terms relative to market terms.

~~40-43.~~ A significant part of an item of property, plant, and equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge.

~~41-44.~~ To the extent that an entity depreciates separately some parts of an item of property, plant, and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts of the item that are individually not significant. If an entity has varying expectations for these

parts, approximation techniques may be necessary to depreciate the remainder in a manner that faithfully represents the consumption pattern and/or useful life of its parts.

~~42.45.~~ An entity may choose to depreciate separately the parts of an item that do not have a cost that is significant in relation to the total cost of the item.

~~43.46.~~ **The depreciation charge for each period shall be recognized in surplus or deficit, unless it is included in the carrying amount of another asset.**

~~44.47.~~ The depreciation charge for a period is usually recognized in surplus or deficit. However, sometimes, the future economic benefits or service potential embodied in an asset is absorbed in producing other assets. In this case, the depreciation charge constitutes part of the cost of the other asset, and is included in its carrying amount. For example, the depreciation of manufacturing plant and equipment is included in the costs of conversion of inventories (see IPSAS 12). Similarly, depreciation of property, plant, and equipment used for development activities may be included in the cost of an intangible asset recognized in accordance with IPSAS 31, *Intangible Assets*.

Depreciable Amount and Depreciation Period

Existing IPSAS 17 paragraph 66-67 (from “Depreciation” section > “Depreciable Amount and Depreciation Period” subsection) is deleted and moved to IPSAS XX, *Measurement*, “Historical Cost”, to reflect March 2020 Board Decision

~~66. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.~~

~~67. The residual value and the useful life of an asset shall be reviewed at least at each annual reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.~~

~~48.~~ Depreciation is recognized even if the ~~fair value~~ current value model of the asset exceeds its carrying amount, as long as the asset's residual value does not exceed its carrying amount. Repair and maintenance of an asset does not negate the need to depreciate it. Conversely, some assets may be poorly maintained or maintenance may be deferred indefinitely because of budgetary constraints. Where asset management policies exacerbate the wear and tear of an asset, its useful life should be reassessed and adjusted accordingly.

Existing IPSAS 17 paragraphs 69-73 (from “Depreciation” section > “Depreciable Amount and Depreciation Period” subsection) is deleted and moved to IPSAS XX, *Measurement*, Historical Cost AGs, to reflect March 2020 Board Decision

~~69. The depreciable amount of an asset is determined after deducting its residual value. In practice, the residual value of an asset is often insignificant, and therefore immaterial in the calculation of the depreciable amount.~~

70. The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

71. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation, the depreciation charge can be zero while there is no production.

72. The future economic benefits or service potential embodied in an item of property, plant, and equipment are consumed by the entity principally through the use of the asset. However, other factors such as technical or commercial obsolescence and wear and tear while an asset remains idle often result in the diminution of the economic benefits or service potential that might have been obtained from the asset. Consequently, all the following factors are considered in determining the useful life of an asset:

(a) Expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.

(b) Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance program, and the care and maintenance of the asset while idle.

(c) Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset. Expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

(d) Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

73. The useful life of an asset is defined in terms of the asset's expected utility to the entity. The asset management policy of an entity may involve the disposal of assets after a specified time, or after consumption of a specified proportion of the future economic benefits or service potential embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgment based on the experience of the entity with similar assets.

Addition to include subheading to differentiate depreciation core text for PP&E with limited versus unlimited useful lives, based on March 2020 Board Instruction:

Limited and Unlimited Useful Lives

45.49. Land and buildings are separable assets and are accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.

Addition to existing IPSAS 17 to reflect March 2020 Board Instruction:

50. [PLACEHOLDER – TO INCLUDE GUIDANCE THAT NOT ALL LAND HAS AN UNLIMITED USEFUL LIFE (SEE AGENDA ITEM X.X)]

51. [PLACEHOLDER – TO INCLUDE GUIDANCE THAT SOME ITEMS (E.G. SOME TYPES OF HERITAGE IN SOME CIRCUMSTANCES) IN ADDITION TO LAND HAVE AN UNLIMITED USEFUL LIFE (SEE AGENDA ITEM X.X)]

46-52. If the carrying value of land includes the cost of site dismantlement, removal, and restoration, that portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits or service potential to be derived from it.

Existing IPSAS 17 paragraphs 76-78A (from “Depreciation” section > “Depreciation Method” subsection) is deleted and moved to IPSAS XX, *Measurement*, “Historical Cost”, to reflect March 2020 Board Decision

Depreciation Method

~~76. The depreciation method shall reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity.~~

~~77. The depreciation method applied to an asset shall be reviewed at least at each annual reporting date and, if there has been a significant change in the expected pattern of the consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with IPSAS 3.~~

~~78. A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing-balance method, and the units-of-production method. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change. The diminishing-balance method results in a decreasing charge over the useful life. The units-of-production method results in a charge based on the expected use or output. The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.~~

~~78A. A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits or service potential of the asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed.~~

Impairment

~~47-53.~~ To determine whether an item of property, plant, and equipment is impaired, an entity applies IPSAS 21 or IPSAS 26, *Impairment of Cash-Generating Assets*, as appropriate. These Standards explain how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount or recoverable amount of an asset, and when it recognizes, or reverses the recognition of, an impairment loss.

Compensation for Impairment

~~48-54.~~ Compensation from third parties for items of property, plant, and equipment that were impaired, lost, or given up shall be included in surplus or deficit when the compensation becomes receivable.

~~49-55.~~ Impairments or losses of items of property, plant, and equipment, related claims for or payments of compensation from third parties, and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately as follows:

- (a) Impairments of items of property, plant, and equipment are recognized in accordance with IPSAS 21 or IPSAS 26, as appropriate;
- (b) Derecognition of items of property, plant, and equipment retired or disposed of is determined in accordance with this Standard;
- (c) Compensation from third parties for items of property, plant, and equipment that were impaired, lost, or given up is included in determining surplus or deficit when it becomes receivable; and
- (d) The cost of items of property, plant, and equipment restored, purchased, or constructed as replacement is determined in accordance with this Standard.

Derecognition

50-56. The carrying amount of an item of property, plant, and equipment shall be derecognized:

- (a) On disposal; or
- (b) When no future economic benefits or service potential is expected from its use or disposal.

51-57. The gain or loss arising from the derecognition of an item of property, plant, and equipment shall be included in surplus or deficit when the item is derecognized (unless IPSAS 13 requires otherwise on a sale and leaseback).

52-58. However, an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognized as revenue in accordance with IPSAS 9, *Revenue from Exchange Transactions* [\[PLACEHOLDER – UPDATE FOR NEW REVENUE EDs\]](#).

53-59. The disposal of an item of property, plant and equipment may occur in a variety of ways (e.g., by sale, by entering into a finance lease or by donation). In determining the date of disposal of an item, an entity applies the criteria in IPSAS 9 [\[PLACEHOLDER – UPDATE FOR NEW REVENUE EDs\]](#) for recognizing revenue from the sale of goods. IPSAS 13 applies to disposal by a sale and leaseback.

54-60. If, under the recognition principle in paragraph 14, an entity recognizes in the carrying amount of an item of property, plant, and equipment the cost of a replacement for part of the item, then it derecognizes the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

55-61. The gain or loss arising from the derecognition of an item of property, plant, and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

56-62. The consideration receivable on disposal of an item of property, plant, and equipment is recognized initially at its [fair value](#)[\[current cost\]](#). If payment for the item is deferred, the consideration received is recognized initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognized as interest revenue in accordance with IPSAS 9, reflecting the effective yield on the receivable.

Disclosure

Addition to include subheading to differentiate disclosure requirements for PP&E items to reflect March 2020 Board Instruction:

General Property, Plant, and Equipment

57-63. The financial statements shall disclose, for each class of property, plant, and equipment recognized in the financial statements:

- (a) The measurement bases used for determining the gross carrying amount;
- (b) The depreciation methods used;
- (c) The useful lives or the depreciation rates used;
- (d) The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and
- (e) A reconciliation of the carrying amount at the beginning and end of the period showing:
 - (i) Additions;
 - (ii) Disposals;
 - (iii) Acquisitions through public sector combinations;
 - (iv) Increases or decreases resulting from revaluations under paragraphs 44, 54, and 55 and from impairment losses (if any) recognized or reversed directly in net assets/equity in accordance with IPSAS 21 or IPSAS 26, as appropriate;
 - (v) Impairment losses recognized in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate;
 - (vi) Impairment losses reversed in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate;
 - (vii) Depreciation;
 - (viii) The net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and
 - (ix) Other changes.

58-64. The financial statements shall also disclose for each class of property, plant, and equipment recognized in the financial statements:

- (a) The existence and amounts of restrictions on title, and property, plant, and equipment pledged as securities for liabilities;
- (b) The amount of expenditures recognized in the carrying amount of an item of property, plant, and equipment in the course of its construction;

- (c) **The amount of contractual commitments for the acquisition of property, plant, and equipment; and**
- (d) **If it is not disclosed separately on the face of the statement of financial performance, 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 surplus or deficit.**

59.65. Selection of the depreciation method and the estimation of the useful life of the assets are matters of judgment. Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation rates provides users of financial statements with information that allows them to review the policies selected by management, and enables comparisons to be made with other entities. For similar reasons, it is necessary to disclose:

- (a) Depreciation, whether recognized in surplus or deficit or as a part of the cost of other assets, during a period; and
- (b) Accumulated depreciation at the end of the period.

60.66. In accordance with IPSAS 3, an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant, and equipment, such disclosure may arise from changes in estimates with respect to:

- (a) Residual values;
- (b) The estimated costs of dismantling, removing, or restoring items of property, plant and equipment;
- (c) Useful lives; and
- (d) Depreciation methods.

61.67. If a class of property, plant, and equipment is stated at revalued amounts, the following shall be disclosed:

- (a) **The effective date of the revaluation;**
- (b) **Whether an independent valuer was involved;**
- (c) **The methods and significant assumptions applied in estimating the assets' fair-[current value model]-values;**
- (d) **The extent to which the assets' fair-[current value model] values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms, or were estimated using other valuation measurement techniques;**
- (e) **The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders or other equity holders;**
- (f) **The sum of all revaluation surpluses for individual items of property, plant, and equipment within that class; and**
- (g) **The sum of all revaluation deficits for individual items of property, plant, and equipment within that class.**

62-68. In accordance with IPSAS 21 and IPSAS 26, an entity discloses information on impaired property, plant, and equipment in addition to the information required by paragraph 88(e)(iv)–(vi).

63-69. Users of financial statements may also find the following information relevant to their needs:

- (a) The carrying amount of temporarily idle property, plant, and equipment;
- (b) The gross carrying amount of any fully depreciated property, plant, and equipment that is still in use;
- (c) The carrying amount of property, plant, and equipment retired from active use and held for disposal; and
- (d) When the historical cost model is used, the fair-[current value model] value of property, plant, and equipment when this is materially different from the carrying amount.

Therefore, entities are encouraged to disclose these amounts.

Addition to include disclosure requirements to reflect March 2020 Board Instruction:

Heritage Assets

70. An entity shall disclose:

- (a) A description of the heritage assets held by the entity that have not been recognized in the financial statements, including the significance and nature of such assets; and
- (b) Where current information is available, an estimate of the value of those unrecognized assets, such as a recent insurance value.

71. The disclosures in paragraph 95A relating to unrecognized heritage assets that do not meet the criteria for recognition shall aim to ensure that, when read in the context of information about recognized assets, the financial statements provide useful and relevant information about the entity's overall holding of heritage assets.

Infrastructure Assets

72. [PLACEHOLDER – CONSIDER DISCLOSURE REQUIREMENTS AND HOW THEY RELATE TO LAND (SEE AGENDA ITEM X.X)]

64.73. [PLACEHOLDER - CONSIDER IMPACT OF CHARACTERISTICS AND EXAMPLES OF INFRASTRUCTURE ASSETS ON DISCLOSURE (SEE AGENDA ITEM X.X)]

Transitional Provisions

65.—[Deleted]

66.—[Deleted]

67.—[Deleted]

68.—[Deleted]

69.—[Deleted]

70. ~~[Deleted]~~

71. ~~[Deleted]~~

72. ~~[Deleted]~~

73. ~~[Deleted]~~

74. ~~[Deleted]~~

75. For entities that have previously applied IPSAS 17 (2001), the requirements of paragraphs 38–40 regarding the initial measurement of an item of property, plant, and equipment acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.

74.

~~76.~~75. Paragraph 50 was amended by Improvements to IPSASs 2014 issued in January 2015. An entity shall apply those amendments to all revaluations recognized in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period.

Effective Date

~~77.~~76. An entity shall apply this Standard for annual financial statements covering periods beginning on or after January 1, 2008. Earlier application is encouraged. If an entity applies this Standard for a period beginning before January 1, 2008, it shall disclose that fact.

Existing IPSAS 17 paragraph modified for simplicity of ED76 documentation:

77. ~~107.~~ An entity shall apply this Standard for annual financial statements covering periods beginning on or after ~~January 1, 2008~~MM DD, YYYY. Earlier application is encouraged. If an entity applies this Standard for a period beginning before ~~January 1, 2008~~MM DD, YYYY, it shall disclose that fact.

~~78. 107A. Paragraph 83A was added and paragraph 84 was amended by Improvements to IPSASs issued in January 2010. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2011, it shall disclose that fact and at the same time apply the related amendment to IPSAS 2, Cash Flow Statements.~~

~~79. 107B. Paragraph 8 was amended by Improvements to IPSASs issued in January 2010. An entity shall apply that amendment prospectively for annual financial statements covering periods beginning on or after January 1, 2011. Earlier application is encouraged if an entity also applies the amendments to paragraphs 12, 13, 29, 40, 57, 59, 62, 62A, 62B, 63, 66, and 101A of IPSAS 16 at the same time. If an entity applies the amendment for a period beginning before January 1, 2011, it shall disclose that fact.~~

~~80. 107C. Paragraphs 5 and 7 were amended by IPSAS 32, Service Concession Arrangements: Grantor issued in October 2011. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2014. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2014, it shall disclose that fact and at the same time apply IPSAS 32, the amendments to paragraphs 6 and 42A of IPSAS 5, the~~

amendments to paragraphs 25–27 and 85B of IPSAS 13, the amendments to paragraphs 2 and 125A of IPSAS 29 and the amendments to paragraphs 6 and 132A of IPSAS 31.

81. ~~107D. Paragraphs 79, 81, 83, 88 and 93 were amended by Improvements to IPSASs 2011 issued in October 2011. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2013. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2013, it shall disclose that fact.~~
82. ~~107E. Paragraphs 17, 50 and 72 were amended and paragraphs 78A and 106A added by Improvements to IPSASs 2014 issued in January 2015. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after January 1, 2015. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2015, it shall disclose that fact.~~
83. ~~107F. Paragraphs 95, 96, 97, 98, 99, 100, 101, 102, 103, 104 and 108 were amended by IPSAS 33, First time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) issued in January 2015. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is permitted. If an entity applies IPSAS 33 for a period beginning before January 1, 2017, the amendments shall also be applied for that earlier period.~~
84. ~~107G. Paragraphs 5, 20 and 52 were amended by Improvements to IPSASs 2015, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2017, it shall disclose that fact.~~
85. ~~107H. Paragraphs 6, 13 and 52 were amended and paragraph 36A added by Improvements to IPSASs 2015 issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2017, it shall disclose that fact. An entity shall apply those amendments retrospectively, in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors, except as specified in paragraph 107I.~~
86. ~~107I. In the reporting period when the amendments to IPSAS 17 and IPSAS 27 from part IV of Improvements to IPSASs 2015 is first applied an entity need not disclose the quantitative information required by paragraph 33(f) of IPSAS 3 for the current period. However, an entity shall present the quantitative information required by paragraph 33(f) of IPSAS 3 for each prior period presented.~~
87. ~~107J. An entity may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies the amendments to IPSAS 17 and IPSAS 27 from part IV of Improvements to IPSASs 2015 and use that fair value as its deemed cost at that date. Any differences between the previous carrying amount and fair value shall be recognized in opening accumulated surpluses/deficits at the beginning of the earliest period presented.~~
88. ~~107K. Paragraphs 3 and 4 were deleted by The Applicability of IPSASs, issued in April 2016. An entity shall apply those amendments for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2018, it shall disclose that fact.~~

- ~~89. 107L. Impairment of Revalued Assets (Amendments to IPSASs 21 and 26) added paragraph 51A. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies that amendment for a period beginning before January 1, 2018, it shall disclose that fact.~~
- ~~90. 107M. Paragraph 31 was amended by IPSAS 39, Employee Benefits, issued in July 2016. An entity shall apply that amendment for annual financial statements covering periods beginning on or after January 1, 2018. Earlier application is encouraged. If an entity applies the amendment for a period beginning before January 1, 2018 it shall disclose that fact and apply IPSAS 39 at the same time.~~
- ~~91. 107N. Paragraphs 60 and 88 were amended by IPSAS 40, Public Sector Combinations, issued in January 2017. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is encouraged. If an entity applies these amendments for a period beginning before January 1, 2019 it shall disclose that fact and apply IPSAS 40 at the same time.~~
- ~~92. 107O. Paragraph 106 was amended by Improvements to IPSAS, 2018, issued in October 2018. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2019. Earlier application is permitted. 107P. Paragraph 5 was amended and paragraph 106 was deleted by Improvements to IPSAS, 2019, issued in January 2020. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2021. Earlier application is permitted.~~
- ~~93-78.~~ When an entity adopts the accrual basis IPSASs of accounting as defined in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)* for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSASs.

Withdrawal of IPSAS 17 (2001~~X~~)

- ~~94-79.~~ This Standard supersedes IPSAS 17, Property, Plant, and Equipment, issued in 2001~~X~~.

Application Guidance

This Appendix is an integral part of the [draft] (ED 76).

AG1. This application guidance is organized into the following categories:

- (a) Guidance on Scope (paragraphs AGX-AGX);
- (b) Guidance on Definitions (paragraphs AGX);
- (c) Guidance on Resource (paragraphs AGX-AGX)
- (d) Guidance on Control (paragraphs AGX);

Definition

AG2. [PLACEHOLDER - FOR CONTROL CRITERIA (SEE AGENDA ITEM X.X)]

Recognition

AG3. [PLACEHOLDER - FOR RESOURCE CRITERIA (SEE AGENDA ITEM X.X)]

Moved from existing IPSAS 17 paragraphs XX-YY (from “Recognition” section > “Initial Costs” and “Subsequent Costs” subsections) as it is not a principle, but application. This reflects March 2020 Board Decision

Initial Costs

AG4. Items of property, plant, and equipment may be required for safety or environmental reasons. The acquisition of such property, plant, and equipment, although not directly increasing the future economic benefits or service potential of any particular existing item of property, plant, and equipment, may be necessary for an entity to obtain the future economic benefits or service potential from its other assets. Such items of property, plant, and equipment qualify for recognition as assets, because they enable an entity to derive future economic benefits or service potential from related assets in excess of what could be derived had those items not been acquired. For example, fire safety regulations may require a hospital to retro-fit new sprinkler systems. These enhancements are recognized as an asset because, without them, the entity is unable to operate the hospital in accordance with the regulations. However, the resulting carrying amount of such an asset and related assets is reviewed for impairment in accordance with IPSAS 21, *Impairment of Non-Cash-Generating Assets*.

Subsequent Costs

AG5. Under the recognition principle in paragraph 14, an entity does not recognize in the carrying amount of an item of property, plant, and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognized in surplus or deficit as incurred. Costs of day-to-day servicing are primarily the

costs of labor and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the “repairs and maintenance” of the item of property, plant, and equipment.

AG6. Parts of some items of property, plant, and equipment may require replacement at regular intervals. For example, a road may need resurfacing every few years, a furnace may require relining after a specified number of hours of use, or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe. Items of property, plant, and equipment may also be required to make a less frequently recurring replacement, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle in paragraph 14, an entity recognizes in the carrying amount of an item of property, plant, and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of this Standard (see paragraphs 82–87).

AG7. A condition of continuing to operate an item of property, plant, and equipment (for example, an aircraft) may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant, and equipment as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of previous inspection (as distinct from physical parts) is derecognized. This occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired or constructed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired or constructed.

Measurement

Classification of Property, Plant, and Equipment

AG8. After initial recognition an entity elects to classify an entire class of property, plant, and equipment as measured at historical cost or as measured at [current value model]. When considering whether to measure property, plant, and equipment at historical cost or current value an entity should consider the needs of financial statement users and the information available to the entity to be able to update the measurement bases at each measurement date.

Historical Cost

AG9. Measuring property, plant, and equipment at historical cost provides monetary information about the asset using information derived from the cost at the transaction date. This is applicable when an entity provides financial information reflecting the historical cost to provide the services. This is reflected through depreciation which, when applied under the historical cost model, reflects the consumption of the asset in historical terms.

AG10. Selecting a historical cost measurement may be appropriate when:

- a) An item of property, plant, and equipment is held for its capacity to support the provision of services in future periods – its operational capacity. For example, a road network is held to deliver commuting services to citizens of a jurisdiction.
- b) An entity provides financial information on the costs of services provided in historical terms.

Current Value

AG117. Measuring property, plant, and equipment at current value provides monetary information about the asset using information updated to reflect conditions at the measurement date. This is applicable when an entity provides financial information reflecting the cost required to provide the services in the current period. This is reflected through depreciation which, when applied under the current value model, reflects the consumption of the asset in current terms.

AG812. Selecting the current value model may be appropriate when:

- a) The class of property, plant, and equipment is held for its financial capacity; or
—The information provided by a current cost measurement is more useful to financial statement users.
- b) _____

Addition of new Appendix for Application Guidance:

Moved from existing IPSAS 17 paragraphs 36-36A (from “Measurement at Recognition” section > “Elements of Cost” subsection) as it is not a principle, but application. This reflects March 2020 Board Decision

Elements of Cost

AG7913. The cost of a self-constructed asset is determined using the same principles as for an acquired asset. If an entity makes similar assets for sale in the normal course of operations, the cost of the asset is usually the same as the cost of constructing an asset for sale (see IPSAS 12). Therefore, any internal surpluses are eliminated in arriving at such costs. Similarly, the cost of abnormal amounts of wasted material, labor, or other resources incurred in self-constructing an asset is not included in the cost of the asset. IPSAS 5, *Borrowing Costs*, establishes criteria for the recognition of interest as a component of the carrying amount of a self-constructed item of property, plant, and equipment.

AG81014. Bearer plants are accounted for in the same way as self-constructed items of property, plant, and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to ‘construction’ in this Standard should be read as covering activities that are necessary to cultivate bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.

Addition of new Appendix for Application Guidance:

Addition of new Application Guidance:

Depreciation

AG15. [PLACEHOLDER - FOR RENEWAL ACCOUNTING (SEE AGENDA ITEM X.X)]



|

Amendments to Other IPSASs

[Deleted]

Addition of Amendments:

[Amendments to IPSAS 1, *Presentation of Financial Statements*](#)

[Amendments to IPSAS 21, *Impairment of Non-Cash Generating Assets*](#)

[Amendments to IPSAS 26, *Impairment of Cash Generating Assets*](#)

[Amendments to IPSAS 33, *First Time of Accruals IPSASs*](#)

[\[PLACEHOLDER – to insert any other amendments\]](#)

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, [draft] (ED 76)

[PLACEHOLDER - Replace the previous text. New text should first explain the IPSASB's overarching decisions to (a) replace IPSAS 17, (a) move guidance on measurement bases and their derivation into another IPSAS, (b) apply the same requirements to heritage assets as those applied to other items of PP&E, and (c) include other revisions arising from the IPSASB's Heritage, Infrastructure, and Measurement projects.]

Then there will need to be new text to explain the IPSASB's reasons for reaching topic-specific conclusions. For example:

Measurement bases and their derivation: Explain reasons for any other changes to IPSAS XX, PP&E, that are in addition to the over-arching decision to remove measurement-related text from IPSAS XX.

Heritage and Infrastructure: For example, explain the IPSASB decisions on:

- (1) Definition/description for heritage; for infrastructure
- (2) Recognition in terms of resource and control (generally and as this applies to heritage and to infrastructure)
- (3) Unit of account
- (4) Depreciation and renewals
- (5) Presentation - display and disclosure.
- (6) Need for application guidance.
- (7) Need for implementation guidance (heritage guidance and infrastructure

(SEE AGENDA ITEM X.X)]

Revision of IPSAS 17 as a result of the IASB's General Improvements Project 2003

Background

- BC1. The IPSASB's IFRS Convergence Program is an important element in the IPSASB's work program. The IPSASB's policy is to converge the accrual basis IPSASs with IFRSs issued by the IASB where appropriate for public sector entities.
- BC2. Accrual basis IPSASs that are converged with IFRSs maintain the requirements, structure, and text of the IFRSs, unless there is a public sector specific reason for a departure. Departure from the equivalent IFRS occurs when requirements or terminology in the IFRS are not appropriate for the public sector, or when inclusion of additional commentary or examples is necessary to illustrate certain requirements in the public sector context. Differences between IPSASs and their equivalent IFRSs are identified in the *Comparison with IFRS* included in each IPSAS.

- BC3. In May 2002, the IASB issued an exposure draft of proposed amendments to 13 International Accounting Standards (IASs)² as part of its General Improvements Project. The objectives of the IASB's General Improvements Project were "to reduce or eliminate alternatives, redundancies and conflicts within the Standards, to deal with some convergence issues and to make other improvements. "The final IASs were issued in December 2003.
- BC4. IPSAS 17, issued in December 2001, was based on IAS 16 (Revised 1998), *Property, Plant, and Equipment*, which was reissued in December 2003. In late 2003, the IPSASB's predecessor, the Public Sector Committee (PSC),³ actioned an IPSAS improvements project to converge, where appropriate, IPSASs with the improved IASs issued in December 2003.
- BC5. The IPSASB reviewed the improved IAS 16 and generally concurred with the IASB's reasons for revising the IAS and with the amendments made with the exception noted in paragraph BC6. (The IASB's Bases for Conclusions are not reproduced here. Subscribers to the IASB's Comprehensive Subscription Service can view the Bases for Conclusions on the IASB's website at <http://www.iasb.org>). In those cases where the IPSAS departs from its related IAS, this Basis for Conclusions explains the public sector-specific reasons for the departure.
- BC6. IAS 16, *Property, Plant and Equipment*, defines recoverable amount as "the higher of an asset's net selling price and its value in use." IPSAS 17 defines recoverable amount as "the higher of a cash-generating asset's fair value [current value model] less costs to sell and its value in use." The definition in IPSAS 17 is the same as in IPSAS 26, *Impairment of Cash-Generating Assets*, but not IAS 16. The IPSASB is of the view that the definition in IPSAS 17 is appropriate because:

- (a) IPSAS 17 requires an entity to determine the recoverable service amount in accordance with IPSAS 21, *Impairment of Non-Cash-Generating Assets*.
- (b) IPSAS 21 requires an entity to determine the recoverable amount in accordance with IPSAS 26.

- BC7. IAS 16 has been further amended as a consequence of IFRSs issued after December 2003. IPSAS 17 does not include the consequential amendments arising from IFRSs issued after December 2003. This is because the IPSASB has not yet reviewed and formed a view on the applicability of the requirements in those IFRSs to public sector entities.

Revision of IPSAS 17 as a result of the IASB's Improvements to IFRSs issued in 2008

- ~~BC8. The IPSASB reviewed the revisions to IAS 16 included in the *Improvements to IFRSs* issued by the IASB in May 2008 and generally concurred with the IASB's reasons for revising the standard. The IPSASB concluded that there was no public sector specific reason for not adopting the amendments.~~

² The International Accounting Standards (IASs) were issued by the IASB's predecessor, the International Accounting Standards Committee. The Standards issued by the IASB are entitled International Financial Reporting Standards (IFRSs). The IASB has defined IFRSs to consist of IFRSs, IASs, and Interpretations of the Standards. In some cases, the IASB has amended, rather than replaced, the IASs, in which case the old IAS number remains.

³ The PSC became the IPSASB when the IFAC Board changed the PSC's mandate to become an independent standard-setting board in November 2004.

~~Revision of IPSAS 17 as a result of IASB's *Improvements to IFRSs* and *Narrow Scope Amendments* issued in May 2012, December 2013 and May 2014~~

~~BC9. The IPSASB reviewed the revisions to IAS 16 included in the *Improvements to IFRSs* and *Clarification of Acceptable Methods of Depreciation and Amortisation* issued by the IASB in May 2012, December 2013 and May 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.~~

~~Revision of IPSAS 17 as a result of Part III of *Improvements to IPSASs 2015*: issues raised by stakeholders~~

~~BC10. Government Finance Statistics (GFS) reporting guidelines use the term “weapons systems” to comprise items that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. The IPSASB concluded that replacing the IPSAS term “specialist military equipment” with the GFS term “weapons systems” and including a description would clarify the applicability of IPSAS 17, *Property, Plant, and Equipment*, while increasing consistency with GFS reporting guidelines.~~

~~BC11. A respondent suggested that the proposed definition of weapons systems may be unnecessarily narrow and, therefore, may exclude some assets, such as specialist military vehicles that do not carry weapons or directly provide defense capability. The IPSASB is of the view that the definition of weapons systems includes such vehicles with or without weapons, provided that they fulfill their specialist function.~~

~~Revision of IPSAS 17 as a result of IASB's *Narrow Scope Amendments* issued in June 2014~~

~~BC12. The IPSASB reviewed the revisions to IAS 16 included in the narrow scope amendments titled *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41) issued by the IASB in June 2014 and generally concurred that there was no public sector specific reason for not adopting the amendments.~~

~~Revision of IPSAS 17 as a result of the IPSASB's *The Applicability of IPSASs*, issued in April 2016~~

~~BC13. The IPSASB issued *The Applicability of IPSASs* in April 2016. This pronouncement amends references in all IPSASs as follows:~~

- ~~(a) Removes the standard paragraphs about the applicability of IPSASs to “public sector entities other than GBEs” from the scope section of each Standard;~~
- ~~(b) Replaces the term “GBE” with the term “commercial public sector entities”, where appropriate; and~~
- ~~(c) Amends paragraph 10 of the *Preface to International Public Sector Accounting Standards* by providing a positive description of public sector entities for which IPSASs are designed.~~

~~The reasons for these changes are set out in the Basis for Conclusions to IPSAS 1.~~

~~Impairment of Revalued Assets (Amendments to IPSAS 21 and IPSAS 26)~~

~~BC14. As a consequence of amendments to IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, the IPSASB decided to add paragraph 51A to clarify that the recognition of impairment losses and reversals of impairment losses of an asset, or~~

group of assets, do not give rise to the need to revalue the entire class of assets to which that asset, or group of assets, belongs.

Revision of IPSAS 17 as a result of *Improvements to IPSAS, 2018*

BC15. Paragraph 106 includes transitional provisions for those entities that were already taking advantage of the five-year transitional period previously included in IPSAS 17. These provisions have been restated following the deletion of other transitional provisions (to which paragraph 106 previously referred) as a result of the issuance of IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

Revision of IPSAS 17 as a result of *Improvements to IPSAS, 2019*

BC16. Paragraphs 5 and 106 include transitional provisions for entities to recognize property, plant, and equipment over a period of five years. These transitional provisions have been deleted as a result of the issuance of IPSAS 33, *First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*.

Additions to Basis for Conclusions to reflect Board Decisions and Instructions:

Revision of IPSAS 17 as a result of *Heritage, Infrastructure and Measurement Projects, 202X*

Scope

Application of IPSAS 17 to Heritage Assets

BC8. The IPSASB considered financial reporting for heritage from 2015–202X. It published its preliminary views in a consultation paper (CP), which included the IPSAB's views that:

- a. The special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.
- b. Heritage assets should be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework.
- c. In many cases it will be possible to assign a monetary value to heritage assets.
- d. Subsequent measurement of heritage assets: Can be approached in broadly the same way as subsequent measurement for other, non-heritage assets.

BC9. After reviewing responses to the CP and discussing the issues raised, the IPSASB concluded that (a) heritage assets should be recognized where they meet the Conceptual Framework's recognition criteria, and (b) many heritage items are assets for financial reporting purposes and can achieve the recognition criteria. Applying this reasoning specifically to heritage items that satisfy the definition of PP&E, the IPSASB concluded that these should be recognized as assets when they meet IPSAS 17's recognition criteria.

No separate IPSAS for Heritage

—During its Heritage Project the IPSASB reached its view that the heritage nature of an item is not, by itself, a reason for special, heritage-related financial reporting requirements. On this basis, the IPSASB decided that there is no need for a separate, heritage-focused IPSAS. The IPSASB concluded instead that, where heritage items are within the scope of an IPSAS, the requirements of that IPSAS should apply. For example, where heritage items satisfy IPSAS 17's definition of property, plant and

equipment (PPE), IPSAS 17's requirements apply. Therefore, heritage items that satisfy the definition of PPE should be recognized as assets when they meet IPSAS 17's recognition criteria.

BC10. [PLACEHOLDER: No separate heritage standard. (SEE AGENDA ITEM X.X)]

Remove IPSAS 17's Heritage Scope Exclusion Clause

BC11. The IPSASB then considered whether additional guidance is needed in IPSAS to address the issue of accounting for heritage assets that are items of PP&E. It found that this issue is prevalent in the public sector, where there are many heritage assets that would fall within the scope of IPSAS 17 if not for its scope exclusion for heritage assets. The scope exclusion clause in IPSAS 17 meant that its guidance only applied to the extent that entities chose to apply it. Given this situation, the IPSASB decided to remove IPSAS 17's scope exclusion for heritage assets and remove other paragraphs that made IPSAS 17's requirements optional for heritage assets, so that IPSAS 17's requirements apply fully to heritage assets that are property, plant and equipment.

Heritage issues are concerned with measurement and not recognition.

During development of CP, *Heritage*, the IPSASB considered views arising from various national jurisdictions to the effect that heritage assets should not be recognized. Applying the Conceptual Framework's definition of an asset the IPSASB reached a preliminary view that many heritage items will be assets for financial reporting purposes and should be recognized if they can be measured. The IPSASB was not convinced by reasons for non-recognition that were submitted by some respondents to CP, *Heritage*. A frequently put forward reason for non-recognition of heritage assets was measurement difficulties. The IPSASB noted that several national jurisdictions are able to measure and recognize heritage assets despite the difficulty. On this basis the IPSASB decided that heritage issues are concerned with measurement and not recognition. [Placeholder: Heritage issues are concerned with measurement and not recognition. (SEE AGENDA ITEM X.X)]

BC12.

Definition

Control of an Asset

BC13. [PLACEHOLDER - Control of an Asset (SEE AGENDA ITEM X.X)]

Definition of Heritage Assets

BC14. The IPSASB decided that there is no need for a definition of heritage assets, after it reached the conclusion that IPSAS 17's guidance should apply to heritage assets in the same way that it applies to other items of property, plant and equipment. Applying a similar approach to heritage and non-heritage PP&E reduces the need for a strong, compelling definition for preparers' and others' identification of heritage items. The IPSASB decided that a description of heritage assets would be sufficient for providing additional guidance on how to implement IPSAS 17's requirements when dealing with heritage assets. [PLACEHOLDER: No definition of heritage assets. (SEE AGENDA ITEM X.X)]

Definition of Infrastructure Assets

BC15. Stakeholders questioned whether infrastructure assets should be separately defined because they are distinct from property, plant, and equipment and may require a different accounting treatment and the current lists of characteristics and examples that describe infrastructure assets in IPSAS 17 are not exhaustive and may not capture all the relevant attributes of infrastructure assets. For example, infrastructure assets are characterized as immovable whilst there are global infrastructure satellite networks that are movable.

BC16. The IPSASB agreed there is no universally accepted definition of infrastructure assets. However, a separate definition for infrastructure assets was not necessary because infrastructure assets are property, plant, and equipment and the general principles of IPSAS 17 should be applied when accounting for infrastructure assets. Private sector entities apply guidance in IAS 16, *Property, Plant, and Equipment* to account for infrastructure assets. IPSAS 17 is drawn primarily from IAS 16. In determining whether to define infrastructure assets, the IPSASB had regard to the Government Finance Statistics (GFS) in order to increase consistency with the GFS and the International Infrastructure Management Manual (IIMM 2015). The GFS and IIMM both state that infrastructure assets are property, plant, and equipment.

Characteristics of Infrastructure Assets

BC17. Stakeholders noted that the list of characteristics and examples of infrastructure in IPSAS 17 did not capture all the attributes of infrastructure assets. For example, infrastructure assets are characterized as immovable in IPSAS 17 whilst there are global infrastructure satellite networks that are movable.

BC18. The IPSASB noted that the existing characteristics of infrastructure assets capture the specific attributes that distinguish infrastructure assets from general property, plant, and equipment, and give rise to particular accounting issues. Therefore the IPSASB, agreed that it was important to develop the characteristics of infrastructure assets to articulate the specific attributes that distinguish infrastructure assets from general property, plant, and equipment, and give rise to particular accounting issues. The IPSASB considered the characteristics and examples in the Government Finance Statistics (GFS) and the International Infrastructure Management Manual (IIMM 2015).

BC19. [PLACEHOLDER - TO CLARIFY THE CHARACTERISTICS FOR INFRASTRUCTURE ASSETS (SEE AGENDA ITEM X.X).]

Examples of Infrastructure Assets

BC20. [PLACEHOLDER - TO CLARIFY THE EXAMPLES FOR INFRASTRUCTURE ASSETS (SEE AGENDA ITEM X.X).]

Recognition

Heritage assets –the operational/non-operational distinction and their uses

BC17.—The IPSASB considered whether only those heritage assets that are used for non-heritage purposes should be recognized. It noted that some national jurisdictions use the term “operational” to identify heritage assets that are used for non-heritage purposes. Heritage buildings used for office space are an example of operational heritage assets. Those jurisdictions only require recognition of operational heritage assets. Non-operational heritage assets include museum collections held purely for public appreciation and heritage-related research.

BC21.

BC18. The IPSASB decided that both operational and non-operational heritage items can be assets for financial reporting purposes, because both can meet the Conceptual Framework's definition of an asset (resource, control, past event). The distinction between operational and non-operational heritage assets is not helpful for identifying whether or not particular heritage items are assets and whether they should be recognized. However, the IPSASB noted that how an entity uses its heritage assets could have implications for measuring those assets. For example, when assessing useful lives for depreciation, those heritage assets that are used purely for heritage purposes (e.g. a heritage painting on display in a museum) may have less daily wear and tear and longer useful lives compared to heritage assets used for other, non-heritage purposes. ~~[Placeholder – Operational/non-operational approach not to be taken forward. But heritage purposes” and “non-heritage purposes” approach should be further explored (SEE AGENDA ITEM X.X)]~~

BC22.

Clarification of recognition criteria

Control over Heritage Items

BC23. ~~[Placeholder - for control (heritage) BCs. (SEE AGENDA ITEM X.X)]~~

Control of Land Under or Over Infrastructure Assets

BC24. The IPSASB agreed that the issue of control of land under or over infrastructure assets is a cross cutting issue that also impacts the Heritage and Measurement projects and future projects such as Natural Resources.

BC25. ~~[PLACEHOLDER - TO CLARIFY THE CONTROL OF LAND UNDER OR OVER INFRASTRUCTURE ASSETS (SEE AGENDA ITEM X.X).]~~

Control of Infrastructure Assets that cross more than one jurisdiction

BC26. ~~[PLACEHOLDER - TO CLARIFY THE CONTROL OF INFRASTRUCTURE ASSETS THAT CROSS MORE THAN ONE JURISDICTION (SEE AGENDA ITEM X.X).]~~

Land Easements

BC27. ~~[PLACEHOLDER - TO CLARIFY THE ACCOUNTING FOR LAND EASEMENTS (SEE AGENDA ITEM X.X).]~~

Accounting for Infrastructure Assets Spare Parts

BC28. Stakeholders noted there are challenges to assess whether spare parts required to maintain or repair the infrastructure assets should be included as part of the asset itself, or, whether these spare parts comprise inventory as they are consumed in the rendering of services because IPSAS 17 did not provide sufficient guidance whether spare parts of infrastructure assets are capital or inventory in nature. This distinction is important because spare parts that are capital in nature will be capitalized to the carrying amount of infrastructure assets in terms of IPSAS 17. Spare parts that are inventory in nature are accounted in terms of IPSAS 12, Inventories where there will be expensed when consumed.

BC29. The IPSASB agreed that the issue for infrastructure assets spare parts is not a specific infrastructure assets issue but rather a generic issue. No additional guidance is necessary because there is sufficient authoritative guidance on how to account for spare parts in IPSAS 12 and IPSAS 17.

Accounting for Land Under or Over infrastructure Assets

BC30. The IPSASB agreed that land under or over infrastructure assets is not a specific infrastructure assets issue but rather a generic issue.

Separating Land Under or Over Infrastructure Assets

BC31. [PLACEHOLDER - TO CLARIFY THE SEPARATION FOR LAND UNDER OR OVER INFRASTRUCTURE ASSETS. (SEE AGENDA ITEM X.X)]

Measurement

Measurement Bases

BC32. After completing the Conceptual Framework, the IPSASB recognized a need to address measurement requirements in IPSAS. In their responses to the IPSASB's 2014 Strategy and Work Plan consultation, constituents supported a public sector Measurement project.

BC33. In MM YYYY, IPSAS XX, *Measurement*, was issued. This Standard identifies the most commonly used measurement bases for measuring assets and liabilities in the public sector. The Standard provides definitions and explanatory text for those measurement bases. The appendices to IPSAS XX, *Measurement*, include application guidance on how to calculate those measurement bases.

BC34. Draft ED76 IPSAS [X], *Property, Plant, and Equipment* continues to address the choice of a measurement basis. However, guidance on how to calculate those bases has been removed as it now resides in IPSAS XX, *Measurement*.

Valuing Land Under or Over infrastructure Assets

BC35. [PLACEHOLDER - TO CLARIFY THE VALUING OF LAND UNDER OR OVER INFRASTRUCTURE ASSETS. (SEE AGENDA ITEM X.X)]

Accounting for costs to dismantle Infrastructure Assets

BC36. Stakeholders noted that IPSAS provided insufficient guidance for accounting for costs to dismantle infrastructure assets. Stakeholders are of the opinion that there is a need to highlight the impact of the future environmental or decommissioning costs on the value of property, plant, and equipment or infrastructure assets acquired.

BC37. The IPSASB agreed that the issue for accounting for costs to dismantle infrastructure assets is not a specific infrastructure assets issue but rather a generic issue. No additional guidance is necessary for accounting for costs to dismantle infrastructure assets because sufficient authoritative guidance exists in IPSAS 17 and IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. IPSAS 17 is clear that the cost of an item of property, plant, and equipment includes 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 incurs 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.

IPSAS 19 elaborates that, a public sector entity would recognize a provision for the decommissioning costs to the extent that the public sector entity is obliged to rectify damage already caused.

Depreciation

Depreciation of heritage assets

BC38. Responses to the Heritage CP showed support from stakeholders for applying the same depreciation requirements to heritages asset as those applied to other types of PP&E. Where respondents raised issues with that approach, some argued against depreciation per se, while others stated that guidance is needed because depreciation is difficult to apply to heritage assets. Respondents stated that guidance is needed on how to estimate heritage assets' useful lives and identification of heritage assets for which there is no depreciation expense. The IPSASB decided that heritage assets generally are depreciable assets. Some heritage assets may have unlimited useful lives, due to their nature and/or the circumstances in which they are held, in which case depreciation will be zero.

~~— [Placeholder – IPSAS 17's depreciation requirements apply to heritage assets, although in certain circumstances due to the nature of a heritage asset or the preservation approach adopted, depreciation could be zero. If this approach was adopted, it would need to be subject to regular impairment reviews. (SEE AGENDA ITEM X.X)]~~

Renewal Accounting

BC39. [PLACEHOLDER - FOR RENEWAL ACCOUNTING (SEE AGENDA ITEM X.X)]

Land

BC40. [PLACEHOLDER - THAT NOT ALL LAND HAS UNLIMITED USEFUL LIFE (SEE AGENDA ITEM X.X)]

Liabilities related to Heritage assets

No liabilities for future preservation/or maintenance of heritage

BC41. The IPSASB considered whether an entity's intention to preserve and/or maintain heritage and infrastructure items could give rise to liabilities. For a liability to exist the entity must have an unavoidable obligation (i.e. little or no realistic alternative to avoid). An obligation must be to an external party. An entity cannot be obligated to itself. While acknowledging that entities who hold heritage and infrastructure assets often intend to preserve and/or maintain them and there may be expectations on the entity to do so, the IPSASB concluded that neither intentions nor expectations are sufficient to establish a present obligation.

~~— [PLACEHOLDER – Draft Basis for Conclusions text to explain that heritage items do not result in a liability (for future preservation and/or maintenance) and consider location (in IPSAS 17 or IPSAS 19) (SEE AGENDA ITEM X.X).]~~

Impairment of Heritage Assets

BC49. The IPSASB considered situations in which heritage assets have been impaired, noting that heritage assets can suffer from events such as fires, earthquakes, and floods. On this basis the IPSASB concluded that IPSAS impairment requirements should apply to heritage assets. [PLACEHOLDER – Heritage assets can be impaired and should be subject to normal impairment reviews. (SEE AGENDA ITEM X.X)]

BC42.

Presentation – Display and Disclosure

Focus on information in the financial statements

BC43. The IPSASB noted that one approach to heritage reporting is to disclose supplementary information about heritage assets as a substitute for recognising heritage assets in the financial statements. Supplementary disclosures may include qualitative information that is not commonly included in the financial statements, but could be useful for broader accountability purposes such as reporting on an entity's heritage-related service performance. After reaching its conclusion that heritage items can be assets and should be recognized when they meet the applicable recognition criteria, the IPSASB decided that its consideration of heritage-related issues should focus on information in the financial statements. The IPSASB considered that the Recommended Practice Guidelines (RPGs) that the IPSASB has already issued provide sufficient guidance for reporting further, supplementary information about heritage assets outside of the financial statements. The RPGs also provide scope for entities to align the information that they reporting to the specific information needs of their heritage holdings and heritage-related objectives.

~~[PLACEHOLDER – Focus on information in the financial statements; recognition and measurement specific to heritage assets. (SEE AGENDA ITEM X.X)]~~

Implementation Guidance

This guidance accompanies, but is not part of, [draft] (ED 76)

What is the Frequency of Revaluation of Property, Plant, and Equipment?

- IG1. Paragraph 44 of IPSAS 17 requires entities that adopt the ~~revaluation-current value~~ model to measure assets at a revalued amount that does not differ significantly from that which would be determined using ~~fair-value~~current value model at the reporting date. Paragraph 49 of IPSAS 17 specifies that the frequency of revaluations depends upon the changes in the ~~fair-values-current value model~~ of the items of property, plant, and equipment being revalued. When the ~~fair-value~~current value model of a revalued asset differs materially from its carrying amount, a further ~~revaluation-current value~~ is necessary. The purpose of this guidance is to assist entities that adopt the ~~revaluation-current value~~ model to determine whether carrying amounts differ materially from the ~~fair-value~~current value model as at reporting date.
- IG2. An entity assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, the entity determines the asset's ~~fair value~~current value model and revalues the asset to that amount.
- IG3. In assessing whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date, an entity considers, as a minimum, the following indications:

External sources of information

- (a) Significant changes affecting the entity have taken place during the period, or will take place in the near future, in the technological, market, economic, or legal environment in which the entity operates or in the market to which the asset is dedicated;
- (b) Where a market exists for the assets of the entity, market values are different from their carrying amounts;
- (c) During the period, a price index relevant to the asset has undergone a material change;

Internal sources of information

- (d) Evidence is available of obsolescence or physical damage of an asset;
- (e) Significant changes affecting the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. Adverse changes include the asset becoming idle, or plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite. Favorable changes include capital expenditure incurred during the period to improve or enhance an asset in excess of its standard of performance assessed immediately before the expenditure is made; and
- (f) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse or better than expected.

- IG4. The list in paragraph IG3 is not exhaustive. An entity may identify other indications that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were

revalued at the reporting date. The existence of these additional indicators would also indicate that the entity should revalue the asset to its current ~~fair value~~[\[current value model\]](#) as at the reporting date.

Additions to Implementation Guidance to reflect Board Decisions and Instructions:

Definition

Control of an Asset

IG5. [PLACEHOLDER - Control of an Asset (SEE AGENDA ITEM X.X)]

Recognition

IG6. [PLACEHOLDER - TO CLARIFY RESOURCE – HERITAGE ITEMS. (SEE AGENDA ITEM X.X)]

Control of Land Under or Over Infrastructure Assets

IG7. [PLACEHOLDER - TO CLARIFY THE CONTROL OF LAND UNDER OR OVER INFRASTRUCTURE ASSETS (SEE AGENDA ITEM X.X)]

IG8. [PLACEHOLDER - RELATIONSHIP LEASES GUIDANCE CONTROL WHEN ANALYSING CONTROL ISSUE (SEE AGENDA ITEM X.X)]

Control of Infrastructure Assets that cross more than one jurisdiction

IG9. [PLACEHOLDER FOR CONTROL - INFRASTRUCTURE ASSETS THAT CROSS MORE THAN ONE JURISDICTION (SEE AGENDA ITEM X.X)]

Land Easements

IG10. [PLACEHOLDER FOR CONTROL - ACCOUNTING FOR LAND EASEMENTS (SEE AGENDA ITEM X.X)]

Measurement

Selection of Measurement Basis

What factors should an entity consider when selecting a basis to measure its property, plant and equipment?

IG11. Paragraph 38, provides an entity to choose the cost model or the current value model as an accounting policy choice when measuring an entire class of property plant and equipment. In selecting the most appropriate measurement basis, entities consider the informational needs of their financial statement users.

IG12. The informational needs of the financial statement users often depend on the purpose for holding the item of property, plant, and equipment. In many circumstances the item is held for its service capacity. Users may consider the cost of providing the service most relevant, and therefore may consider measuring the item at historical cost most relevant as that cost will be amortized over the service period. Alternatively, users may consider the [\[current cost\]](#) of providing the service more relevant, and as such, a [\[current cost\]](#) may be more useful.

Applying the Measurement Requirements to Heritage Items

Financial information is often limited for property, plant, and equipment held for heritage purposes. This presents significant challenges when applying the historical cost model in practice. How does an entity apply the historical cost model when financial information is unavailable?

IG13. Historical cost is the consideration given to acquire or develop an asset, which is the cash or cash equivalents at the time of the acquisition or development. When this information is unavailable and an entity is applying IPSAS for the first time, an entity applies the requirements of IPSAS 33, *First-Time Adoption of Accrual Basis IPSASs*. When this information is unavailable, and an entity is measuring a heritage item for the first time determining historical cost is appropriate by also applying a deemed cost technique.

IG14. Deemed cost assumes that the entity had initially recognized the heritage item at the acquisition date. Subsequent depreciation is based on that deemed cost on the premise that the acquisition cost is equal to the deemed cost. For example, an entity may elect to measure a heritage at deemed cost at the measurement date because cost information about the heritage item was not available on that date.

IG15. In determining the [current cost] in accordance with paragraph xx of IPSAS XX, Measurement, the [current cost] shall reflect conditions that existed at the date on which it was determined.

IG16. The use of deemed cost is not considered an application of the current value model for subsequent measurement in accordance with paragraph xx.

Market information used to determine the [current cost] of property, plant, and equipment held for heritage purposes may not exist because of a lack of an active market. How does an entity apply the current value model when financial information is unavailable?

IG17. The [current cost] of assets is usually determined from market-based evidence, or a market value technique. For some heritage, the market value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, and many types of plant and equipment. However, for some heritage items, it may be difficult to establish their market value because of the absence of market transactions for these assets.

IG18. If no evidence is available to determine the market value in an active and liquid market of a heritage item, the [current cost] of the item may be established by reference to another estimation technique. Most commonly a replacement cost technique is applied. Replacement cost estimates the most economic cost required for the entity to replace the service potential of an asset (including the amount that the entity will receive from its disposal at the end of its useful life) at the reporting date. Applying this technique, consistently with the requirements in paragraphs XX-YY in [draft] IPSAS X, Measurement, ED75, is an indirect method of applying the [current cost] basis.

Applying the Measurement Requirements to Infrastructure

Infrastructure assets such as road (highway networks), water/sewer systems and railway systems, which by their nature are not repeatable, not replaceable or likely to have a long if not infinite life present unique measurement challenges when applying the current value model. How does an entity apply the current value model when measuring these complex networks?

~~IG19.~~ The [current cost] basis is applied when using the current value model. The [current cost] of assets is usually determined from market-based evidence, or a market value technique. For complex infrastructure asset, the market value is unavailable as there is no active and liquid market for the item. For example, frequent sales of road networks that span a country do not exist in sufficient depth in order to determine a [current cost] using a market value.

~~IG5;IG20.~~ If no evidence is available to determine the market value in an active and liquid market, the [current cost] of the network is established by reference to another estimation technique. Most commonly, a replacement cost technique as described in paragraphs XX-YY in [draft] IPSAS X, *Measurement, ED75* is applied. Replacement cost estimates the most economic cost required for the entity to replace the service potential of an asset (including the amount that the entity will receive from its disposal at the end of its useful life) at the reporting date.

Moved from existing IPSAS 17 paragraphs 49-51 and 52 (from “Measurement after Recognition” section > “Revaluation Model” subsection) as it is not a principle, but implementation. This reflects March 2020 Board Decision

Measurement after Recognition

How often should I revalue my property, plant, and equipment?

~~IG6;IG21.~~ The frequency of revaluations depends upon the changes in the fair-[current] value of the items of property, plant, and equipment being revalued. When the fair-[current] value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some items of property, plant, and equipment experience significant and volatile changes in fair-[current value model]-value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant, and equipment with only insignificant changes in fair-[current value model]-value. Instead, it may be necessary to revalue the item only every three or five years.

~~IG7;IG22.~~ When an item of property, plant, and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

- (a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- (b) The accumulated depreciation is eliminated against the gross carrying amount of the asset. The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 54 and 55.

~~IG8~~IG23. If an item of property, plant, and equipment is revalued, the entire class of property, plant, and equipment to which that asset belongs shall be revalued.

When items of property plant and equipment are revalued, the entire class must be revalued.
What are examples of classes of property, plant, and equipment?

~~IG9~~IG24. A class of property, plant, and equipment is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate classes:

- (a) Land;
- (b) Operational buildings;
- (c) Roads;
- (d) Machinery;
- (e) Electricity transmission networks;
- (f) Ships;
- (g) Aircraft;
- (h) Weapons systems;
- (i) Motor vehicles;
- (j) Furniture and fixtures;
- (k) Office equipment;
- (l) Oil rigs; and
- (m) Bearer plants.

Addition to existing IPSAS 17 paragraph 52 (new IG paragraph 29 above) to reflect March 2020 Board Instruction:

- (n) [PLACEHOLDER – CONSIDER INCLUDING LAND UNDER OR OVER INFRASTRUCTURE ASSETS AS A SEPARATE EXAMPLE (AGENDA ITEM X.X)]

Moved from existing IPSAS 17 paragraph 53 (from “Measurement after Recognition” section > “Revaluation Model” subsection) as it is not a principle, but implementation. This reflects March 2020 Board Decision

Can items of property, plant, and equipment be revalued independently of the class?

~~IG10~~IG25. The items within a class of property, plant, and equipment are revalued simultaneously in order to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

Illustrative Examples

These examples accompany, but are not part of, [draft] (ED XX).

Disclosures

IE1. The Department of the Interior is a public sector entity that controls a wide range of property, plant, and equipment, and is responsible for replacement and maintenance of the property. The following are extracts from the notes to its Statement of Financial Position for the year ended 31 December 20X1 and illustrate the principal disclosures required in accordance with this Standard.

Notes

1. Land

(a) Land consists of twenty thousand hectares at various locations. Land is valued at ~~fair value~~ current value model as at 31 December 20X1, as determined by the Office of the National Valuer, an independent valuer.

(b) Restrictions on Titles:

Five hundred hectares of land (carried at 62,500 currency units) is designated as national interest land and may not be sold without the approval of the legislature. Two hundred hectares (carried at 25,000 currency units) of the national interest land and a further two thousand hectares (carried at 250,000 currency units) of other land are subject to title claims by former owners in an international court of human rights and the Court has ordered that the land may not be disposed of until the claim is decided; the Department recognizes the jurisdiction of the Court to hear these cases.

2. Buildings

(a) Buildings consist of office buildings and industrial facilities at various locations.

(b) Buildings are initially recognized at cost, but are subject to revaluation to ~~fair value~~ current value model on an ongoing basis. The Office of the National Valuer determines ~~fair value~~ current value model on a rolling basis within a short period of time. Revaluations are kept up to date.

(c) Depreciation is calculated on a straight-line basis over the useful life of the building. Office buildings have a useful life of twenty-five years, and industrial facilities have a useful life of fifteen years.

(d) The Department has entered into five contracts for the construction of new buildings; total contract costs are 250,000 currency units.

3. Machinery

(a) Machinery is measured at cost less depreciation.

(b) Depreciation is calculated on a straight-line basis over the useful life of the machine.

(c) The machinery has various useful lives:

Tractors: 10 years

Washing Equipment: 4 years

Cranes: 15 years

- (d) The Department has entered into a contract to replace the cranes it uses to clean and maintain the buildings – the contracted cost is 100,000 currency units.

4. Furniture and Fixtures

- (a) Furniture and fixtures are measured at cost less depreciation.
- (b) Depreciation is calculated on a straight-line basis over the useful life of the furniture and fixtures.
- (c) All items within this class have a useful life of five years.

PROPERTY, PLANT, AND EQUIPMENT

Reconciliations (in '000 of currency units)								
	Land		Buildings		Machinery		Furniture and Fixtures	
Reporting Period	20X1	20X0	20X1	20X0	20X1	20X0	20X1	20X0
Opening Balance	2,250	2,025	2,090	2,260	1,085	1,100	200	150
Additions	–	–	250	100	120	200	20	100
Disposals	–	–	150	40	60	80	20	–
Depreciation (As per Statement of Financial Performance)	–	–	160	180	145	135	50	50
Revaluations (net)	250	225	–30	–50	–	–	–	–
Closing Balance (As per Statement of Financial Position)	2,500	2,250	2,000	2,090	1,000	1,085	150	200
Sum of Revaluation Surpluses (Paragraph 92(f))	750	500	250	250	–	–	–	–
Sum of Revaluation Deficits (Paragraph 92(g))	25	25	380	350	–	–	–	–
Gross Carrying Amount	2,500	2,250	2,500	2,430	1,500	1,440	250	250
Accumulated Depreciation	–	–	500	340	500	355	100	50
Net Carrying Amount	2,500	2,250	2,000	2,090	1,000	1,085	150	200

Additions to Illustrative Example to reflect Board Decisions and Instructions:

Definition

Control of an Asset

IE2. [PLACEHOLDER - Control of an Asset (SEE AGENDA ITEM X.X)]

Recognition

Heritage Items as Resources

IE3. [PLACEHOLDER - FOR RESOURCE CRITERIA (SEE AGENDA ITEM X.X)]

Control of Land Under or Over Infrastructure Assets

IE4. [PLACEHOLDER - TO CLARIFY THE CONTROL OF LAND UNDER OR OVER INFRASTRUCTURE ASSETS (SEE AGENDA ITEM X.X).]

IE5. [PLACEHOLDER - RELATIONSHIP LEASES GUIDANCE CONTROL WHEN ANALYSING CONTROL ISSUE (SEE AGENDA ITEM X.X)]

Control of Infrastructure Assets that cross more than one jurisdiction

IE6. PLACEHOLDER - TO CLARIFY THE CONTROL OF INFRASTRUCTURE ASSETS THAT CROSS MORE THAN ONE JURISDICTION (SEE AGENDA ITEM X.X).

Land Easements

IE7. [PLACEHOLDER - TO CLARIFY THE ACCOUNTING FOR LAND EASEMENTS (SEE AGENDA ITEM X.X).]

Measurement

Complex network measured using the current value model

IE8. The Department of Infrastructure selects the current value model when measuring its newly built rail network. The national rail network was under construction for 10 years and cost over CU100 million.

IE9. The Department of Infrastructure measures all its property, plant, and equipment using the current value model in order to present the [current value model] of its non-current assets to its financial statement users.

IE10. In determining the [current value model] of the rail network, the Department of Infrastructure, concludes applying the market value technique is not appropriate because there is no active and liquid market for similar assets. In order to determine the [current cost] of the rail network the Department of Infrastructure concludes it will apply the replacement cost technique. In doing so, the Department of Infrastructure estimates the most economic cost required for the entity to replace the service potential of an asset for each component of the rail network.

IE11. The Department of Defense identifies the following components and estimates the following replacement values:

(a) Rail _____ CU45

(b) Trains _____ CU20

(c) Stations _____ CU40

(d) Total _____

IE12. The Department of Defense calculates the replacement cost of the rail network to be CU150 million. In presenting this information in its financial statements the entity applies the remaining requirements in paragraphs XX-YY (depreciation, loss/gain, etc.).

Depreciation

Renewal Accounting

IE13. [PLACEHOLDER - FOR RENEWAL ACCOUNTING (SEE AGENDA ITEM X.X)]

Supporting Documents 2 - IPSASB approved list of issues identified accounting for Infrastructure Assets and Heritage Assets

Category of Issues	Infrastructure Assets	Heritage Assets	Type of Guidance	Timing
Issue 1 - Characteristics	There is no definition for infrastructure assets and the list of characteristics and examples of infrastructure assets in IPSAS may not be relevant and not capture all the essential characteristics of infrastructure assets.	Identified as a cross-cutting issue as part of the Infrastructure Task Force's analysis. Agreed with Heritage Project Team.	Core / AGs / IEs / IGs / BCs	Agenda Item 9.2.2
Issue 2 - Separating land under or over infrastructure assets	There is insufficient IPSAS guidance for accounting for separation of land under or over infrastructure assets.	Identified as a cross-cutting issue as part of the Infrastructure Task Force's analysis. Agreed with Heritage Project Team.	-	Q3 2020
Issue 3 - Accounting for spare parts	There is insufficient IPSAS guidance whether spare parts of infrastructure assets are capital or inventory in nature.	Identified as a cross-cutting issue as part of the Infrastructure Task Force's analysis. Agreed with Measurement Project Team.	BC28 – BC 29	Decided at March 2020 Meeting
Issue 4 - Control - land under or over infrastructure assets	Stakeholders noted the control requirements of land under or over infrastructure assets are complex in the public sector because: <ul style="list-style-type: none"> i. Land and infrastructure assets that are legally owned by other entities may be managed or operated by another public sector entity; and ii. Access rights, right-of-way, or easements are granted over the land for transportation purposes, electrical transmission lines and oil and gas 	Identified as a cross-cutting issue as part of the Infrastructure Task Force's analysis. Agreed with Heritage Project Team.	-	Q3 2020

Agenda Item 8.3.2

Category of Issues	Infrastructure Assets	Heritage Assets	Type of Guidance	Timing
	pipelines which may or may not revert to its original owners.			
Issue 5 - Control - Criteria	<p>Stakeholders noted the control requirements of other infrastructure assets are complex in the public sector because:</p> <ul style="list-style-type: none"> i. Infrastructure assets that are legally owned by other entities may be managed or operated by another public sector entity (for example, a water system may have many different public sector entities and various levels of government operating different parts of the same network. Assessing control and which entity should account for the infrastructure network is a big challenge). ii. Infrastructure assets may be jointly controlled by two (2) or more public sector entities. iii. Infrastructure assets may cross more than one jurisdiction. iv. It may be difficult to identify the grantor or operator in a service concession arrangement. This distinction is important because the grantor owns and recognizes the infrastructure asset in the financial statements. The operator does not recognize the asset 	<p>Some CP respondents argued that natural heritage assets should not be recognized, because natural heritage cannot be controlled; cannot be measured reliably; and measurement cannot be done within the constraints and/or to achieve the qualitative characteristics. CP respondents raised the issue of determining whether or not there is control when natural heritage crosses over public/private boundaries and when living heritage moves around (e.g. animals that migrate). CP respondents stated that guidance would be needed on how to measure natural heritage assets. One respondent stated that depreciation, impairment, replacement, and revaluation are not applicable. CP respondents raised specific issues about what to value when dealing with natural heritage areas, with some supporting valuation of the land only, others treating the land as non-heritage and considering living natural heritage separately, and others supporting a valuation that captures both the land and its living organisms, although noting that this would be difficult to measure.</p>	Core	Agenda Item 10.2.3

Agenda Item 8.3.2

Category of Issues	Infrastructure Assets	Heritage Assets	Type of Guidance	Timing
	because it maintains and operates the infrastructure asset on behalf of the grantor.			
Issue 6 – Control - Ownership/stewardship/held in trust	-	CP respondents stated that the IPSASB should consider concepts involving stewardship, custodianship, ownership, and duties of care, as these relate to control. Heritage assets may be held in trust rather than owned. Guidance should clarify that, in assessing the entity's ability to access or deny or restrict access, the entity should assess whether it can decide how, and by whom the resource can be used. This demonstrates the entity's ability to direct the future economic benefits or service potential associated with the resource. CP respondents stated that control could be indicated either by purchase or through long term/indefinite loans from another party. Address situations where the entity has custody but not ownership and may not have control. Some CP respondents stated that control over heritage is difficult to satisfy, since entities manage heritage items from a stewardship/custodial perspective. Some stated that the IPSASB should consider whether heritage assets should be recognized where there are restrictions. Instead a separate statement should be presented. Additional guidance should be provided for disclosures on unrecognized stewardship heritage assets.	-	Q3 2020

Agenda Item 8.3.2

Category of Issues	Infrastructure Assets	Heritage Assets	Type of Guidance	Timing
Issue 7 - Measurement bases may be difficult to apply	<p><u>Cross-cutting with Measurement</u></p> <p>Stakeholders note that it may be difficult to initially measure infrastructure assets because:</p> <ul style="list-style-type: none"> There may be minimal records of the historical cost information. There is no active market for infrastructure assets. <p>Stakeholders note that measurement requirements for infrastructure assets in the Conceptual Framework, <i>Public Sector Measurement</i> and IPSAS 17 need to be considered.</p>	<p><u>Cross-cutting with Measurement</u></p> <p>Monetary values do not provide relevant information about heritage assets</p> <p>Some CP respondents considered that recognition of heritage assets does not provide relevant and useful information to GPFR users. They argued against recognition of heritage assets in the financial statements and/or in favor of using symbolic value (a nominal value of 1 currency unit), on the basis that monetary values such as historical cost, replacement cost, and market value do not provide relevant information about heritage assets.</p>	-	Q3 2020
Issue 8 - Measurement of land under or over infrastructure assets	IPSAS does not provide sufficient guidance on whether land under or over infrastructure should be valued separately from infrastructure assets or valued in total as infrastructure assets.	<p>Identified as a cross-cutting issue as part of the Infrastructure Task Force's analysis.</p> <p>Agreed with Heritage Project Team.</p>	-	Q3 2020
Issue 9 - Threshold of initial costs to capitalize or expense	Determining the threshold of the costs of infrastructure assets to capitalize or expense could be complex. The threshold is important because it determines the point where material items above a certain threshold are capitalized to infrastructure assets whilst the immaterial expenses below a threshold are expensed when incurred.	<p>Identified as a cross-cutting issue as part of the Infrastructure Task Force's analysis.</p> <p>Agreed with Heritage Project Team.</p>	-	Q3 2020
Issue 10 - Costs to dismantle infrastructure assets	<u>Cross-cutting with Measurement</u>	<u>Cross-cutting with Measurement</u>	-	Q3 2020

Agenda Item 8.3.2

Category of Issues	Infrastructure Assets	Heritage Assets	Type of Guidance	Timing
	Costs to dismantle infrastructure assets such as nuclear plants are an element of the cost of the infrastructure asset. Accounting for such decommissioning costs on infrastructure assets could be complex.	Identified as a cross-cutting issue as part of the Infrastructure Task Force's analysis. Agreed with Heritage Project Team.		
Issue 11 - Valuing network assets may be complex	<u>Cross-cutting with Measurement</u> It may be difficult to value network assets such as road (highway networks), water/sewer systems and railway systems which by their nature are not repeatable, not replaceable or likely to have a long if not infinite life.	-	-	Q3 2020
Issue 12 - Appropriate measurement bases to subsequently measure	Stakeholders note that there is insufficient guidance for the appropriate measurement bases for subsequently measuring infrastructure assets.	CP respondents said that guidance is needed on techniques for revaluations to current value and that that exit values are inappropriate. For example, can sector benchmarks be used when measuring heritage assets and what types of inputs (e.g. directly observable market inputs, unobservable inputs, etc.) will be acceptable to determine a market value for a heritage asset in the absence of an active market? One respondent suggested a new heritage asset valuation technique—the “value of use.” This is the value that the asset has because it is seen, visited, enjoyed), measured based on the financial flows generated by its use, and by a non-use value (the value that people attribute to the cultural asset even without using it) which may be measured with complicated ad hoc techniques (e.g. contingency evaluation). CP respondents said that guidance is needed on techniques to value heritage collections, which	-	Q3 2020

Agenda Item 8.3.2

Category of Issues	Infrastructure Assets	Heritage Assets	Type of Guidance	Timing
		often have the unusual characteristic of being worth more than the sum of their individual parts. CP respondents said that guidance is needed on techniques to measure increases/decreases in service potential as increases/decreases in monetary value. CP respondents said that guidance is needed on what sources of information represent expert knowledge for identification of heritage—specifically whether jurisdiction listings of heritage items represent expert knowledge.		
Issue 13 - Reliability/measurability	-	Many CP respondents stated that there are particular types of heritage assets or particular situations in which it may not be possible to recognize heritage assets because they cannot be measured. CP respondents said that guidance is needed on how to measure heritage assets reliably and what constitutes reliable measurement for heritage. One respondent stated that valuation should be tailored to the use of the HA, with consideration of reliability, cost and relevance.	-	Q3 2020
Issue 14 - Threshold of subsequent costs to capitalize or expense	Determine the threshold of the subsequent costs of infrastructure assets to capitalize or expense could be complex in practice.	Identified as a cross-cutting issue as part of the Infrastructure Task Force's analysis. Agreed with Heritage Project Team.	-	Q3 2020
Issue 15 - Subsequent expenditure as capital or expense	Distinguishing repairs and maintenance expenditure (expenses) with expenses of a capital nature that enhances the infrastructure asset could be complex in practice.	Some CP respondents stated that there is a need for guidance on when subsequent expenditure [on heritage assets] should be capitalized and when expensed. Some CP respondents stated that all subsequent	-	Q3 2020

Agenda Item 8.3.2

Category of Issues	Infrastructure Assets	Heritage Assets	Type of Guidance	Timing
		expenditure on heritage assets should be expensed. Some CP respondents stated that there is a need for guidance on subsequent expenditure for off balance sheet items when assets are fair valued. Some CP respondents stated that there is a need for guidance on heritage assets that must be restored on a regular basis, which could be similar to major maintenance or periodic inspections, as per IPSAS 17.		
Issue 16 - Planned/backlog/deferred maintenance costs	Infrastructure assets have long useful lives and require constant maintenance and renewal to maintain its operating capacity to continue delivering services.	Identified as a cross-cutting issue as part of the Infrastructure Task Force's analysis. Agreed with Heritage Project Team.	-	Q3 2020
Issue 17 - Depreciation	Some stakeholders are of the opinion that the conventional depreciation methods in IPSAS 17 may not be suitable for infrastructure assets that have long useful lives and are constantly maintained and renewed because it may be difficult to reliably estimate their useful lives.	Some CP respondents stated that guidance is needed on determination of heritage assets' useful lives. Some CP respondents stated that guidance is needed on (i) types of heritage assets that should be depreciated, (ii) whether some or all heritage assets should be treated as having an indefinite useful life; and (iii) depreciation/amortization when the asset's value is increasing. Some CP respondents stated that the value of assets should not change subsequent to initial measurement, with no depreciation or impairment.	-	Q3 2020

Agenda Item 8.3.2

Category of Issues	Infrastructure Assets	Heritage Assets	Type of Guidance	Timing
Issue 18 - Componentization	<p>IPSAS 17 requires separate identification of significant parts of an asset. However, other stakeholders note that infrastructure assets should not be componentized because they are single networks and are not individual assets. For example, road surface assets are recognized as a single asset in some jurisdictions.</p> <p>The componentization approach of infrastructure assets may be complex to apply in practice. More guidance/clarification on how separate elements of infrastructure assets should be componentized may be needed.</p>	<p>Identified as a cross-cutting issue as part of the Infrastructure Task Force's analysis.</p> <p>Agreed with Heritage Project Team.</p>	-	Q3 2020
Issue 19 - Impairment	<p>Specific impairment indicators of infrastructure assets could be required which may not be provided in IPSAS.</p> <p>Impairment of components of infrastructure assets could be complex (For example, if a portion of an infrastructure asset is impaired, should the whole infrastructure asset be impaired?).</p>	<p>Some CP respondents stated that guidance is needed on impairment indicators and impairment when the value of heritage assets is increasing, even as their physical condition deteriorates. Some CP respondents stated that impairment losses should not be recognized and instead impairments should be disclosed in the notes.</p>	-	Q3 2020
Issue 20 - Derecognition	<p>More guidance on derecognition of infrastructure assets should be provided in IPSAS. For example, infrastructure assets that are replaced, should be derecognized to avoid double counting as the infrastructure assets that are acquired are capitalized.</p>	-	-	Q3 2020

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Issue 21 - Disclosure	<p>Since there is no specific standard for infrastructure asset disclosure, asset reporting of has been mainly guided by the accounting principles of IPSAS 17.</p> <p>As a result, stakeholders note that there is insufficient guidance on the presentation and disclosure of the physical condition, planned and deferred/backlog maintenance, long-term nature and valuation of infrastructure assets.</p>	<p>Many CP respondents identified heritage-specific presentation needs; line items, note disclosures, and supplementary schedules. The most frequently raised issue was the need to disclose information about heritage assets that are not visible in the financial statements, either because not recognized or already at zero value when the entity begins to recognize its heritage assets. CP respondents stated that information about heritage's assets preservation, for example disclosure of deferred maintenance, should be presented. The main items that CP respondents recommended for display on the face of the statement of financial position were (a) a separate line for heritage assets, (b) distinguish between dual use and pure use heritage assets, (c) a link to heritage disclosures, and/or (d) a reserve within net equity reserves with value of inalienable state property and heritage assets.</p> <p>Some CP respondents stated that the statement of financial performance should have a line item for heritage-related expenses, both from a stewardship perspective and because such expenses are generally higher than those for non-heritage assets.</p> <p>Most CP respondents identified a need for heritage-specific note disclosures. Recommendations ranged from a few related to the financial statements (e.g. measurement bases) to extensive amounts of non-financial information. Views depended on positions on recognition, with additional non-financial</p>	-	Q3 2020

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		information either replacing asset recognition or augmenting it to reflect the significance of preserving heritage assets. Views also depended on positions on subsequent measurement. For example, where a CP respondent stated that heritage assets should not be depreciated, the same respondent would generally also state that information on undepreciated heritage assets should be disclosed in the notes.		
Issue 22 - Heritage use/ non-heritage use	-	CP respondents stated that only heritage assets used for non-heritage purposes (i.e. operational heritage assets) or those used for financial capacity should be measured at something other than symbolic value. Non-operational heritage assets should only be disclosed in the notes. Some CP respondents stated that guidance should be developed for heritage assets with a dual purpose, clarifying that the asset should only be recognized when an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Non-operational heritage assets should not be depreciated.	-	Q3 2020