

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Virtual Meeting

Meeting Date: July 28, 2020

Agenda Item 2

For:

- ☐ Approval
☒ Discussion
☐ Information

ED 78, PROPERTY, PLANT AND EQUIPMENT

Project summary	Revise IPSAS 17, <i>Property, Plant, and Equipment</i> , for decisions arising from the Heritage, Infrastructure, and Measurement Projects	
Task Force members*	<ul style="list-style-type: none"> • Ian Carruthers, IPSASB Chair • Bernhard Schatz, IPSASB Member and Heritage Task Force Chair • Marc Wermuth, IPSASB Member and Infrastructure Task Force Chair • David Watkins, IPSASB Technical Advisor and Measurement Task Force Chair <p><i>*Note: This is the ED 78 Task Force, which has been involved of the development of this Agenda Item. The Measurement, Heritage and Infrastructure projects all have Task Forces that are engaged on issues specific to those topics when needed.</i></p>	
Meeting objectives	Topic	Agenda Item
Project management	Project Roadmap	2.1.1
	Instructions up to Previous Meeting	2.1.2
	Decisions up to Previous Meeting	2.1.3
Decisions required at this meeting	Coordinators Report of Cross-Cutting Issues	2.2.1
	Overview of Changes to ED 78	2.2.2
	Control – Land Under or Over Infrastructure Assets	2.2.3
	Depreciation – Useful Lives	2.2.4
Other supporting items	[Draft] ED 78, Property, Plant, and Equipment	2.3.1

ED 78, PROPERTY, PLANT, AND EQUIPMENT: PROJECT ROADMAP

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
Earlier meetings (2015 - 2019)	1. The IPSASB developed its views on heritage, infrastructure, and measurement, and issued two consultation papers (CP, <i>Financial Reporting for Heritage in the Public Sector</i> , and CP, Measurement)
March 2020	1. Decisions and instructions on heritage, infrastructure, and measurement issues 2. Instructions on revisions to IPSAS 17, <i>Property, Plant and Equipment</i> , to include in a draft ED for review in June, 2020
June 2020	1. Review draft ED, <i>Property, Plant, and Equipment</i> , 2. Decisions and instructions on heritage, infrastructure, and measurement issues 3. Provide instructions on further revisions to ED, <i>Property, Plant and Equipment</i>
Mid-July	1. Review draft ED, <i>Property, Plant, and Equipment</i> , which reflects revisions arising from the IPSASB's June instructions and decisions
September 2020	1. Decisions and instructions on remaining heritage, infrastructure, and measurement issues impacting ED, <i>Property, Plant, and Equipment</i> 2. Review and approve text for inclusion in the ED
Mid-October	1. Review draft ED, <i>Property, Plant, and Equipment</i> , which reflects revisions arising from the IPSASB's September instructions and decisions
December 2020	1. Approve ED 78 / IPSAS 17, <i>Property, Plant and Equipment</i>

INSTRUCTIONS UP TO PREVIOUS MEETING

Note: Instructions are grouped by project; Heritage, then Infrastructure, then Measurement.

Meeting	Instruction	Actioned
	Heritage	
June 2020	1. Include agreed revisions (to remove heritage assets scope exclusion and related paragraphs) in the version of the ED circulated for mid-period review.	Actioned. See ED 78, paragraph 2
June 2020	2. Subject to a check for the unintended consequences elsewhere in the Standard, consider replacing the term “tangible items” with the term “tangible assets” to the definition of property, plant, and equipment because it would imply an entity controls the asset instead of adding the term “controlled by an entity” to the definition of property, plant, and equipment.	Actioned. See ED 78, paragraphs 6 (Core text); AG8-AG15; and BC12-BC21
June 2020	3. Revise the Application Guidance (AGs) paragraphs as follows: (a) Clarify the introduction to paragraph AG3 to state, “an item of property, plant, and equipment is an asset if it satisfies the following characteristics ...”; (b) Clarify paragraph AG3 to state “uncertainty about the entity that owns or controls the asset” and remove the phrase “uncertainty about the existence of the asset”; and (c) Add commentary on “resource” in or after paragraphs AG3(a)-(c) because paragraph A3 only focuses on control. There is both an uncertainty of a resource and uncertainty of control in the public sector.	Actioned. See ED 78, paragraphs 6 (Core text); AG8-AG15; and BC12-BC21
June 2020	4. Revise the Basis for Conclusions (BCs) paragraphs as follows: (a) Clarify paragraph BC14 to indicate there is both an uncertainty of a resource and uncertainty of control in the public sector; and (b) Consider developing Illustrative Examples (IEs) to demonstrate the judgement required in deciding which entity should recognize an asset, by applying the indicators identified in paragraph	Actioned. See ED 78, paragraphs 6 (Core text); AG8-AG15; and BC12-BC21

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Meeting	Instruction	Actioned
	AG5 to the challenges identified in paragraph BC18. (c) The proposed changes above need to be marked up in Draft ED XX, Property, Plant, and Equipment ready for the mid period review by the IPSASB.	
March 2020	1. Update the Heritage Roadmap in mark-up for approval by the Board.	Actioned (10.3.1 June 2020)
March 2020	2. Provide joint paper (heritage and infrastructure) on the definition/description issue, which includes whether it should be in core text or other authoritative guidance, and potential need for entities to disclose how they identify their heritage/infrastructure assets.	Actioned (9.2.2 & 9.2.3 June 2020)
March 2020	3. Provide recommended text for IPSASB to approve to remove IPSAS 17's heritage scope exclusion clause.	Actioned (10.2.2 June 2020)
March 2020	4. The issue of holding assets for "heritage purposes" and "non-heritage purposes" should be further explored; and, heritage issues are concerned with measurement and not recognition.	In progress
March 2020	5. Draft IPSAS 17 <i>Basis for Conclusions</i> text to explain the IPSASB's decision that heritage items are a subset of PP&E and therefore are assets, as well as all the other decisions above.	Actioned. See ED 78, paragraph BC3
March 2020	6. Develop illustrative examples on whether heritage items are resources when: (a) not on display to the public; (b) do not contribute to entity's objectives; and/or (c) not an asset, because not a resource from entity's perspective.	In progress
March 2020	7. Draft <i>Basis for Conclusions</i> 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).	Actioned. See ED 78, paragraphs BC27-BC28
March 2020	8. Develop generic core text and application guidance to address control in IPSAS 17.	Actioned (10.2.3 June 2020)
March 2020	9. Revise illustrative examples on control and develop further examples, including examples that address	In progress

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Meeting	Instruction	Actioned
	existence of restrictions and different situations related to whether the entity can dispose of the heritage item.	
March 2020	10. Revise text to address criteria to identify the situations when particular heritage assets could have zero depreciation (IPSAS 17's core text and related guidance).	Actioned (See agenda item 2.2.4)
March 2020	11. Provide specific proposals on impairment guidance, including impact on IPSAS 17 and/or the Impairment IPSASs (21 and 26).	In progress
March 2020	12. Develop draft text on heritage item criteria, adopting same approach as for infrastructure assets.	Actioned (June agenda item 9.2.3)
	Infrastructure	
June 2020	1. Continue using the term, "characteristics of infrastructure assets", and explain the usage of the term in the BCs in terms of 'accounting challenges'.	Actioned. See ED 78 paragraphs AG4-AG6 and BC24-BC26
June 2020	2. Follow an approach similar to heritage, prepare authoritative text that describes infrastructure assets and links the description to the characteristics of infrastructure assets included in the Standard of "networks or systems" and "long useful lives". This could be helpful for presentational and disclosure purposes.	Actioned. See ED 78 paragraphs AG4-AG6 and BC24-BC26
June 2020	3. Consider whether the characteristics included in the Standard of "networks or systems" and "long useful lives" might lead to additional presentation requirements.	In progress. See ED 78 for placeholder paragraphs inserted AG31 and BC47
June 2020	4. Add Basis for Conclusions to summarize the Board's discussion on this topic that guidance should follow standardized format by first describing the asset type, followed by the list of specific characteristics that give rise to accounting challenges.	Actioned. See ED 78 paragraph BC2

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Meeting	Instruction	Actioned
June 2020	5. Follow the IPSAS 41, <i>Financial Instruments</i> format to draft non-authoritative guidance in the form of Illustrative Examples (IEs) or Implementation Guidance (IGs) to clarify the complexities presented by the “networks or systems” and “long useful lives” characteristics. The non-authoritative guidance should also link to the authoritative guidance drafted.	No BCs. No direct impact on ED 78 text
June 2020	6. Assess whether the complexities of impairment and subsequent costs also impact the “long useful lives” characteristic. Consider a need to draft non-authoritative guidance in the form of Illustrative Examples (IEs) or Implementation Guidance (IGs) to clarify the complexities of impairment and subsequent costs pertaining to the “long useful lives” characteristic.	In progress to be discussed in September 2020
June 2020	7. Draft BCs paragraphs that point toward accounting challenges and do not give the impression of covering all characteristics of infrastructure assets, and: <ul style="list-style-type: none"> Clarifies the characteristics of infrastructure assets of “networks or systems” and “long useful lives” included in the Standard are not the definition of infrastructure assets; Clarifies the characteristics of infrastructure assets of “networks or systems” and “long useful lives” included in the Standard are not exhaustive; and Explains the IPSASB’s rationale for the characteristics included and not included in the Standard. 	Actioned. See ED 78 paragraphs AG4-AG6 and BC24-BC26
March 2020	1. Revise IPSAS 17 guidance on land under or over Infrastructure: <ul style="list-style-type: none"> Since not all land has an unlimited useful life because climate change, for example, may result in land disappearing or being damaged. The IPSASB asked for guidance to be developed based on regular impairment reviews; Consider the disclosure requirements in IPSAS 17 and how those relate to land 	In progress. To be discussed in September 2020

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Meeting	Instruction	Actioned
	<p>(should there be additional requirements for land under or over Infrastructure?);</p> <ul style="list-style-type: none"> Consider including land under or over Infrastructure as an example of a separate class of property, plant, and equipment in paragraph 52 of the core text in IPSAS 17; and Consider the relationship with Leases guidance, when analyzing the issue of control of land under or over Infrastructure. 	
March 2020	2. Consider the appropriate location of revised guidance - possibly in the form of illustrative examples.	Actioned see June 2020 (see Agenda Item 10.2.3)
March 2020	3. Revise the Basis for Conclusions paragraphs to clarify Infrastructure Assets are property, plant, and equipment and the characteristics capture the specific attributes that distinguish Infrastructure from general property, plant, and equipment, and give rise to particular accounting issues.	Actioned. See ED 78 paragraphs AG4-AG6 and BC24-BC26
March 2020	4. Remove the proposed additional characteristics of Infrastructure of 'long useful lives' and 'held for service delivery to the community at large' proposed by the Task Force because they do not capture the unique attributes of Infrastructure;	Actioned see June 2020 (see Agenda Item 9.2.2)
March 2020	<p>5. In further developing the characteristics of Infrastructure, consider the following:</p> <ul style="list-style-type: none"> Existing financial reporting guidance of National Standard Setters, guidance included in the Government Finance Statistics Manual and the System of National Accounts and any other relevant literature; Whether the only characteristic which makes Infrastructure unique is that they are a system or network, for example a road network; Whether the guidance related to accounting for components requires any changes or clarifications for Infrastructure; and 	Actioned June 2020 (see Agenda Item 9.2.2)

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Meeting	Instruction	Actioned
	<ul style="list-style-type: none"> Whether the current Infrastructure characteristics of specialization, immovability and constraints on disposal should be retained? 	
March 2020	6. Consider the appropriate location of the proposed guidance on characteristics and examples of Infrastructure in IPSAS 17, consistent with the guidance on Heritage characteristics and examples.	Actioned in June 2020 (see Agenda Item 9.2.2) and BC2
March 2020	7. Update the examples of Infrastructure and link them to the revised characteristics.	Actioned. See ED 78 paragraphs AG4-AG6 and BC24-BC26
March 2020	8. Consider the impact of the revised characteristics and examples of Infrastructure on the disclosure requirements in IPSAS 17.	In progress. See ED 78 for placeholder paragraphs inserted AG31 and BC48
March 2020	9. Based on IPSAS 41 'template' reconsider whether additional guidance proposed should be in the form of illustrative examples as they show the application of the principles better than implementation guidance.	No BCs. No direct impact on ED 78 text
March 2020	10. Revisit the characteristics of Infrastructure, as well as the examples, after analyzing the remaining Infrastructure issues.	Actioned. See ED 78 paragraphs AG4-AG6 and BC24-BC26
March 2020	11. Consider appointing further Task Force members to provide additional support to staff.	ED 78 Task Force developed to consider cross-cutting issues
March 2020	12. The IPSASB acknowledged that renewals accounting may be appropriate in limited circumstances, for example when Infrastructure	In progress. To be discussed in September 2020

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Meeting	Instruction	Actioned
	with long useful lives (and measured using a current value model) and the condition and service potential is constantly renewed through maintenance (in accordance with a detailed maintenance plan). Therefore, further consideration of the renewals accounting approach should be undertaken, including whether IPSAS 17 guidance should be modified or added. To be undertaken with input from IPSASB Chair.	
March 2020	13. Draft Basis for Conclusions paragraphs for IPSASB review at the June meeting to indicate that no additional guidance is necessary for treatment of Infrastructure spare parts because sufficient authoritative guidance exists and it is therefore not a specific Infrastructure issue but rather a generic issue.	Actioned. See ED 78, paragraphs BC29-BC30
March 2020	14. Draft Basis for Conclusions paragraphs for sign-off at the June meeting to indicate that no additional guidance is necessary for treatment of costs to dismantle Infrastructure because sufficient authoritative guidance exists in IPSAS 17 and IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> and that this is not a specific Infrastructure issue but rather a generic issue.	Actioned. See ED 78, paragraphs BC33-BC34
December 2019	1. Amend the Flowchart as follows: <ul style="list-style-type: none"> Change the question in Decision 2 from “<i>Is there sufficient IPSAS guidance that already addresses this issue in the public sector?</i>” to “<i>Is there sufficient authoritative IPSAS guidance that already addresses this issue in the public sector?</i>” 	
December 2019	2. Consider whether the guidance to separately account for land and buildings also applies to separate disclosure of land and infrastructure assets	In progress. To be discussed in September 2020
December 2019	3. Prepare guidance on control for land and infrastructure assets to address these issues:	General control guidance was discussed in June 2020 (see

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Meeting	Instruction	Actioned
	<p>4. Is control lost when land and infrastructure assets owned by central government is operated by different parties such as local government?</p> <p>5. Is control lost when land and infrastructure assets owned by central government is operated by a different party for long periods (99-year term)? and</p> <p>6. At what point is control lost/gained when land and infrastructure assets are transferred to another level of government?</p>	<p>Agenda 10.2.3). Specific control guidance on control of land under or over infrastructure is in Agenda Item 2.2.3</p>
December 2019	<p>7. Align guidance on control for land and infrastructure assets with the Measurement and Heritage projects.</p>	<p>General control guidance was discussed in June 2020 (see Agenda 10.2.3). Specific control guidance on control of land under or over infrastructure is in Agenda Item 2.2.3</p>
December 2019	<p>8. Make editorial changes to the draft guidance on the separation of land under or over infrastructure assets, the control of such land and its valuation.</p>	<p>Agenda Item 2.2.3 addresses the guidance of control of land under or over infrastructure. Guidance on separation and valuation of land under or over infrastructure is in progress. To be discussed in September 2020</p>
September 2019	<p>1. Amend the Flowchart as follows:</p> <ul style="list-style-type: none"> Change the question in Decision 3 from <i>“Does the issue impair the ability of financial statements to provide useful information?”</i> to <i>“Is this issue related to general purpose financial statements?”</i>; 	

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Meeting	Instruction	Actioned
	<ul style="list-style-type: none"> Change the question in Decision 4 from “<i>Would additional non-authoritative guidance help constituents with the identified issue?</i>” to “<i>Is additional non-authoritative guidance necessary to enhance consistency of application?</i>”; Incorporate the development of the Basis for Conclusions in “No further guidance necessary” boxes; Add Decision 5 which evaluates whether the issue identified is relevant to other projects; and Specify the type of guidance to be developed as either authoritative or non-authoritative. 	
September 2019	2. Reperform the analysis of the issue of accounting for land under or over infrastructure assets using the amended Flowchart (this comprise of separating, control and valuing land under or over infrastructure assets).	
September 2019	3. Reperform the analysis of the following issues presented using the amended Flowchart: <ul style="list-style-type: none"> Application of control requirements to complex infrastructure assets; and Disclosure requirements of infrastructure assets. 	
September 2019	4. Where appropriate, prepare draft guidance for the issues analyzed for the IPSASB’s consideration at the December 2019 meeting.	
September 2019	5. Consider the optimal location of additional guidance in its development. These discussions should be coordinated with the Measurement and Heritage projects and the revision/re-presentation of Study 14 material.	
June 2019	1. Develop a list of generic issues for review at the September 2019 meeting, consolidating issues raised at the 2016 and 2017 Public Sector Standard Setters’ Forums.	

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Meeting	Instruction	Actioned
June 2019	2. Develop a proposed plan for addressing the issues in accordance with the project roadmap.	
December 2017	1. Continue research – Project put on hold December 2017.	
September 2017	1. Undertake research on existing practices and guidance to identify issues.	
September 2015 – December 2015	1. Project await start. First discussion in September 2017.	
June 2015	1. Revise project brief	
	Measurement (Specific to ED 78)	
June 2020	1. The term “fair value” should be replaced with the placeholder “[current value]” while staff evaluates the appropriate Measurement Basis to apply.	Updated Throughout ED 78 (See Agenda Item 2.3.1)
June 2020	2. Recognition – para. 20 (IPSAS 17) Paragraph 20 supports the definition principle (weapons systems is PP&E). Consider consistency of guidance with conclusion reached for heritage/infrastructure.	See ED 78 – para. AG1 (See Agenda Item 2.3.1)
June 2020	3. Recognition (initial costs) – para. 22 (IPSAS 17) Retain existing text in IPSAS 17 (No Change For ED).	See ED 78 – para. 11 (See Agenda Item 2.3.1)
June 2020	4. Recognition (initial costs) – para. 23-25 (IPSAS 17) Consider changes to repairs and maintenance guidance in the context of infrastructure and heritage projects.	See ED 78 – para. AG16-AG18 (See Agenda Item 2.3.1)
June 2020	5. Classification – New text Update terminology focusing on “accounting policy choice” as opposed to “classification”.	See ED 78 – para. 18-22 (See Agenda Item 2.3.1)

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Meeting	Instruction	Actioned
	Consider moving insertion to “Measurement after Initial Recognition”. Consider renaming “Decision after Recognition”.	
June 2020	6. Measurement at Recognition (elements of cost) – para. 30-31 (IPSAS 17) Paragraphs 30-31 are generic measurement guidance and should be relocated to ED Measurement.	See ED 78 – moved to ED, Measurement (See Agenda Item 2.3.1)
June 2020	7. Measurement at Recognition (elements of cost) – New text Include reference to IPSAS Measurement for generic measurement text relocated to ED Measurement.	See ED 78 – para. 22 (See Agenda Item 2.3.1)
June 2020	8. Measurement at Recognition (elements of cost) – para. 34-35 (IPSAS 17) Paragraphs 34-35 are generic measurement guidance and should be relocated to ED Measurement.	See ED 78 – moved to ED, Measurement (See Agenda Item 2.3.1)
June 2020	9. Measurement at Recognition (elements of cost) – para. 36-36A (IPSAS 17) Paragraphs 36-36A support the principle PP&E is initially measured at cost. Paragraphs should be relocated to AGs.	See ED 78 – para. AG19-AG20 (See Agenda Item 2.3.1)
June 2020	10. Measurement at Recognition (elements of cost) – para. 37-41 (IPSAS 17) Paragraphs 37-41 are generic measurement guidance and should be relocated to ED Measurement.	See ED 78 – moved to ED, Measurement (See Agenda Item 2.3.1)
June 2020	11. Measurement after Recognition (cost model) – para. 29-31 and 32-33 (IPSAS 17) Existing terminology – cost model and revaluation model – in IPSAS 17 should be updated for terminology proposed in ED Measurement – historical cost and current value model.	Updated Throughout ED 78 (See Agenda Item 2.3.1)

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Meeting	Instruction	Actioned
June 2020	<p>12. Measurement after Recognition (cost model) – para. 45-48 (IPSAS 17)</p> <p>Paragraphs 45-48 are generic measurement guidance and should be relocated to ED Measurement.</p>	<p>See ED 78 – moved to ED, Measurement</p> <p>(See Agenda Item 2.3.1)</p>
June 2020	<p>13. Measurement after Recognition (cost model) – para. 49-51 and 52-53 (IPSAS 17)</p> <p>Retain existing text in IPSAS 17 (No Change For ED).</p>	<p>See ED 78 – para. 25-26</p> <p>(See Agenda Item 2.3.1)</p>
June 2020	<p>14. Depreciation – para. 66-67, 69-73 and 76-78A (IPSAS 17)</p> <p>Consider changes more broadly in the context of ED Conceptual Framework and ED Measurement. Measurement team to develop recommendation for the IPSASB in September 2020.</p>	<p>See ED 78 – para. AG21-AG30</p> <p>(See Agenda Item 2.3.1)</p>

DECISIONS UP TO PREVIOUS MEETING

Note: Decisions are grouped by project; Heritage, then Infrastructure, then Measurement.

Meeting	Decision	BC Reference (ED78)
	Heritage	
June 2020	1. Revise IPSAS 17 to remove its heritage assets scope exclusion and related paragraphs, including deletion of paragraphs 10 and 11.	BC3 and BC8
June 2020	2. IPSAS 17's paragraph 5 should be (a) revised (for consistency and alphabetical order), and (b) moved to application guidance.	BC9
June 2020	3. Remove the staff proposed term, "controlled by" from the definition of property, plant, and equipment in the core text of the Standard.	BC13-BC23
June 2020	4. Supported that the control guidance added in the Application Guidance and Basis for Conclusions subject to Staff making the changes requested/instructed by the IPSASB.	BC13-BC23
March 2020	<ol style="list-style-type: none"> Heritage items that satisfy the definition of PP&E should be recognized as assets when they meet the IPSAS 17 recognition criteria. June 2019's previously tentative decisions are confirmed. 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. Heritage assets can be impaired and should be subject to normal impairment reviews. 	BC3 [See June 2019 row.] BC23 - BC24 BC29
December 2019	No decisions	Not applicable.
September 2019	No decisions	Not applicable.

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Meeting	Decision	BC Reference (ED78)
June 2019	Tentative (then confirmed in March 2020): <ol style="list-style-type: none"> 1. No separate heritage standard. 2. No definition of heritage assets. 3. Operational/non-operational approach not to be taken forward, but “heritage purposes” and “non-heritage purposes” approach should be further explored. 4. Heritage issues are concerned with measurement and not recognition. 	BC3(d) BC13 BC16-BC17 BC2
March 2019	<ol style="list-style-type: none"> 1. Focus on information in the financial statements; recognition and measurement specific to heritage assets. 	BC31-32
	Infrastructure	
June 2020	<ol style="list-style-type: none"> 1. Characteristics of infrastructure assets that should be included in the Standard are “networks or systems” and “long useful lives” because they distinguish infrastructure assets from general property, plant, and equipment; and present complexities in the application and implementation of existing principles in IPSAS 17, <i>Property, Plant and Equipment</i>. 	BC24-BC26
June 2020	<ol style="list-style-type: none"> 2. Infrastructure and Heritage characteristics guidance will be located in Application Guidance. 	BC2
March 2020	<ol style="list-style-type: none"> 1. The IPSASB decided that land under or over Infrastructure is not a specific Infrastructure issue but rather a generic issue. 	BC31
March 2020	<ol style="list-style-type: none"> 2. The IPSASB decided that the issue of control of land under or over Infrastructure is a cross-cutting issue that impacts the Heritage and Infrastructure projects, and future projects such as Natural Resources. 	In progress
March 2020	<ol style="list-style-type: none"> 3. The IPSASB decided that infrastructure assets are property, plant, and equipment and the general principles of IPSAS 17, <i>Property, Plant, and Equipment</i> should be applied when accounting for Infrastructure. 	BC24-BC26
March 2020	<ol style="list-style-type: none"> 4. The IPSASB decided that a separate definition for Infrastructure was not necessary. 	BC24-BC26

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Meeting	Decision	BC Reference (ED78)
March 2020	5. The IPSASB decided that it was important to develop the characteristics of Infrastructure to articulate the specific attributes that distinguish Infrastructure Assets from general property, plant, and equipment, and give rise to particular accounting issues.	BC24-BC26
March 2020	6. The IPSASB decided that no additional guidance is necessary for treatment of Infrastructure spare parts because sufficient authoritative IPSAS 17 guidance exists and that this is not a specific Infrastructure issue but rather a generic issue.	BC29-BC30
March 2020	7. The IPSASB decided that no additional guidance is necessary for treatment of costs to dismantle Infrastructure because sufficient authoritative IPSAS 17 guidance exists and that this is not a specific Infrastructure issue but rather a generic issue.	BC33-BC34
December 2019	1. The IPSASB decided to approve the Amended Flowchart (subject to the change instructed above) and the analysis of the infrastructure assets issues related to the separation of land under or over infrastructure assets, the control of such land and valuation.	No BCs. (No direct impact on ED 78 text)
September 2019	1. The IPSASB decided to approve the comprehensive list and categorization of the issues identified by stakeholders for accounting for infrastructure assets.	No BCs. (No direct impact on ED 78 text)
September 2019	2. The IPSASB decided to approve the Flowchart approach because it is helpful to analyze infrastructure assets issues, but that the Flowchart should be amended to reflect IPSASB input.	No BCs. (No direct impact on ED 78 text)
June 2019	1. The IPSASB decided to approve the revised project brief after staff had made a number of amendments identified by the IPSASB.	No BCs. (No direct impact on ED 78 text)
September 2015 – March 2019	1. No decisions were made.	No BCs. (No direct impact on ED 78 text)

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Meeting	Decision	BC Reference (ED78)
June 2015	1. Approved the initial 'Infrastructure Assets' project brief.	No BCs. (No direct impact on ED 78 text)
	Measurement (Specific to ED 78)	
	No Decisions Specific to ED 78	

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 June 2020 meeting, the IPSASB reviewed a draft of ED 78 and took a stock-take of infrastructure and heritage issues. For its July virtual meeting, the IPSASB instructed staff to update:
 - (a) ED 78 for Board decisions on:
 - (i) Movement of material to ED, *Measurement*;
 - (ii) Deletion of Heritage scope exclusion, including AG material on Heritage and Infrastructure; and
 - (iii) Placeholders for specific AG and IG/IE material to be provided to the Board for September 2020.
 - (b) The Issues Log for all IPSASB decisions and instructions so it can be used as a project control tool going forward. Provide updated version with specific outputs in terms of IG/IEs identified to accompany midperiod mailout of draft ED Update to PP&E

Analysis

Update to [Draft] ED 78 (see [Agenda Item 2.3.1](#))

3. ED 78 has been updated to reflect the IPSASB instructions in paragraph 2(a)(i) and (ii). These changes are reflected in a new template illustrating:
 - (a) The ED 78 text with changes tracked and paragraphs shaded;
 - (b) The source of the text; and
 - (c) An explanation for changes to the text.
4. Placeholders for specific IG/IEs were excluded from IPSASB version of ED 78. In determining placeholders, staff must apply the “cascading table analysis” to each issue. Without this analysis, the IPSASB would not be able to discuss fully formed views. See [Agenda Item 2.2.3](#) for the proposed cascading table template.

Update to Issues Log - IPSASB approved list of issues identified in accounting for Infrastructure Assets and Heritage Assets

5. The Issues Log¹ has been:
 - (a) Updated to reflect all decisions and instructions and is being used by staff as a project control tool;
 - (b) Reviewed by the ED 78 Task Force; and

¹ An issues log was included in the June meeting materials. See [June Agenda Item 8.3.2](#).

- (c) Excluded from the IPSASB July material.
6. The Task Force agreed with staff's recommendation that the detail incorporated into the Issues Log would take away from the IPSASB's limited agenda time to discuss more pressing issues. The Task Force concluded because they had reviewed the document, and concluded it was appropriate for staff to use as a tool to track issues, the IPSASB did not need to allocate agenda time to this aspect of the project's management.

Application of Cascading Table to Infrastructure Issue (see [Agenda Item 2.2.3](#))

7. Staff developed a template to be applied in the analysis of infrastructure and heritage issues in Q3 2020. As the template was completed in advance of the July virtual meeting, Staff has applied the template to the infrastructure control issue, land over / under infrastructure. This illustrates the application of the template to the IPSASB.
8. The template evaluates:
- (a) Whether the issue identified relates to one of the characteristics of infrastructure or heritage that present complexities in the application and implementation of IPSAS 17's principles; and if so
 - (b) What guidance is necessary to clarify accounting for the issue in practice. This guidance is illustrated in the cascading table to demonstrate what guidance is necessary based on guidance that exists in IPSAS 17.

Depreciation Issue – Finite and Indefinite Useful lives (see [Agenda Item 2.2.4](#))

9. Staff completed an analysis on how to augment existing depreciation guidance in IPSAS 17 to apply to heritage items, that because of their nature, may have no depreciation. As this is a complex issue, the issue has been developed for the July meeting for the IPSASB's consideration.

Decision Required

10. No decision required.

Overview of Changes to ED 78

Question

1. Does the IPSASB agree the June decisions and instructions related to the July virtual meeting have been reflected in [draft] ED 78?

Recommendation

2. Staff recommend actioning the IPSASB's decisions and instructions as noted in ED 78 (see paragraph 5 and [Agenda Item 2.3.1](#)).

Background

3. During its June 2020 meeting, the IPSASB reviewed a draft of ED 78. For its July virtual meeting, the IPSASB instructed staff to update ED 78 for Board decisions and instructions on:
 - (a) Movement of material to ED Measurement; and
 - (b) Deletion of Heritage scope exclusion, including AG material on Heritage and Infrastructure.

Analysis

ED 78 Template ([Agenda Item 2.3.1](#))

4. To clearly track the development of ED 78, a new template has been developed. This template includes relevant information on why changes were made and the source of the guidance. An extract of the template is as follows:

NOTES	DRAFT IPSAS XX, Property, Plant, and Equipment	IAS 16?
Paragraph 1 is IPSAS 17.1	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.	IAS 16.1
Paragraph 2 is IPSAS 17.2 amended for IPSASB decision in December 2019 to remove the scope exclusion re heritage assets. This change was reviewed by Board in June 2020.	Scope 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, (see paragraphs AG1-AG7 in Appendix A of this Standard), except when a different accounting treatment has been adopted in accordance with another IPSAS.	IAS 16.2 (amended)

Overview of changes

5. Staff has actioned the relevant decision and instructions from the June meeting. The following table summarizes these changes:

ED 78 section	ED 78 paragraph	Change	Decision / Instruction
Terminology Change	Throughout	Updated measurement terminology for consistency with measurement hierarchy	<p>8.2.2 - Maintain consistency throughout all guidance when applying the concepts of “historical cost model” and “historical cost basis”.</p> <p>8.2.2 - Terminology change – throughout</p> <p><i>The term “fair value” should be replaced with the placeholder “[current value]” while staff evaluates the appropriate Measurement Basis to apply.</i></p> <p>8.2.2 - Measurement after Recognition (cost model) – para. 29-31 and 32-33 (IPSAS 17)</p> <p><i>Existing terminology – cost model and revaluation model – in IPSAS 17 should be updated for terminology proposed in ED Measurement – historical cost and current value model.</i></p>
Scope	2, AG1	Removal of Heritage Scope Exclusion	<p>10.2.2 - Revise IPSAS 17 to remove its heritage assets scope exclusion and related paragraphs, including deletion of paragraphs 10 and 11.</p> <p>10.2.2 - IPSAS 17's paragraph 5 should be (a) revised (for consistency and alphabetical order), and (b) moved to application guidance.</p> <p>10.2.2 - Include agreed revisions (to remove heritage assets scope exclusion and related paragraphs) in the version of ED 78 circulated for mid-period review.</p> <p>8.2.2 - Recognition – para. 20 (IPSAS 17)</p> <p>Paragraph 20 supports the definition principle (weapons systems is PP&E). Consider consistency of guidance with conclusion reached for heritage/infrastructure.</p>

ED 78 section	ED 78 paragraph	Change	Decision / Instruction
Definitions	3, AG8-AG15	Inclusion of control guidance in ED 78	<p>10.2.3 - Subject to a check for the unintended consequences elsewhere in the Standard, consider replacing the term “tangible items” with the term “tangible assets” to the definition of property, plant, and equipment because it would imply an entity controls the asset instead of adding the term “controlled by an entity” to the definition of property, plant, and equipment.</p> <p>10.2.3 - Revise the Application Guidance (AGs) paragraphs as follows:</p> <ul style="list-style-type: none"> -- Clarify the introduction to paragraph AG3 to state, “an item of property, plant, and equipment is an asset if it satisfies the following characteristics ...”; -- Clarify paragraph AG3 to state “uncertainty about the entity that owns or controls the asset” and remove the phrase “uncertainty about the existence of the asset”; and -- Add commentary on “resource” in or after paragraphs AG3(a)-(c) because paragraph A3 only focuses on control. There is both an uncertainty of a resource and uncertainty of control in the public sector. <p>10.2.3 - Remove the staff proposed term, “controlled by” from the definition of property, plant, and equipment in the core text of the Standard.</p> <p>10.2.3 - Supported that the control guidance added in the Application Guidance and Basis for Conclusions subject to Staff making the changes requested/instructed by the IPSASB.</p>
Initial Costs	11	Retain Text in core standard	<p>8.2.2 - Recognition (initial costs) – para. 22 (IPSAS 17) Retain existing text in IPSAS 17 (NO CHANGE FOR ED 76).</p>
Measurement after Recognition	18	Guidance to help determine measurement using historical cost model or current cost model	<p>8.2.2 - Classification – New text</p> <p>Consider moving insertion to “Measurement after Initial Recognition”. Consider renaming “Decision after Recognition”.</p> <p>8.2.2 - Classification – New text</p> <p>Update terminology focusing on “accounting policy choice” as opposed to “classification”.</p>

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ED 78 section	ED 78 paragraph	Change	Decision / Instruction
Measurement after Recognition	22	Reference to generic measurement guidance in ED, <i>Measurement</i>	<p>8.2.2 - Measurement at Recognition (elements of cost) – New text</p> <p>Include reference to IPSAS Measurement for generic measurement text relocated to ED Measurement.</p>
Current Value Model	25-26	Retain Text in core standard	<p>8.2.2 - Measurement after Recognition (cost model) – para. 49-51 and 52-53 (IPSAS 17)</p> <p>Retain existing text in IPSAS 17 (NO CHANGE FOR ED 76).</p>
Application Guidance - Scope	AG2-AG6	Guidance on characteristics of infrastructure and heritage items is added	<p>9.2.2 - Characteristics of Infrastructure Assets that should be included in the Standard are “networks or systems” and “long useful lives” because they distinguish infrastructure assets from general property, plant, and equipment; and present complexities in the application and implementation of existing principles in IPSAS 17</p> <p>9.2.3 - Characteristics of Heritage Assets that should be included in the Standard are “restrictions”, “irreplaceable”, and “long and sometimes unspecified useful lives” because they distinguish heritage assets from general property, plant, and equipment; and present complexities in the application and implementation of existing principles in IPSAS 17</p> <p>9.2.3 - Draft characteristics in a way that they point toward accounting challenges and do not give the impression of covering all characteristics of heritage</p> <p>9.2.3 - Make minor revisions to the text leading into the three characteristics of heritage assets to address IPSASB members’ comments then include in draft ED Update to PP&E</p> <p>9.2.2 - Continue using the term, “characteristics of infrastructure assets, and explain the usage of the term in the Basis for Conclusions in terms of ‘accounting challenges’.</p> <p>9.2.2 - Following an approach similar to heritage, prepare authoritative text that describes infrastructure assets and links the description to the characteristics of infrastructure assets included in the Standard of “networks or systems” and “long useful lives”. This could be helpful for presentational and disclosure purposes.</p>

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ED 78 section	ED 78 paragraph	Change	Decision / Instruction
Application Guidance - Recognition	AG16-AG18	Moved to AGs – still under staff consideration on best way forward	8.2.2 - Recognition (initial costs) – para. 23-25 (IPSAS 17) Consider changes to repairs and maintenance guidance in the context of infrastructure and heritage projects.
Elements of Cost	AG19-AG20	Core text relocated to AGs	8.2.2 - Measurement at Recognition (elements of cost) – para. 36-36A (IPSAS 17) Paragraphs 36-36A support the principle PP&E is initially measured at cost. Paragraphs should be relocated to AGs.
Application Guidance – Depreciation Amount and Period	AG21-AG30	Moved to AGs – still under staff consideration on best way forward	8.2.2 - Depreciation – para. 66-67, 69-73 and 76-78A (IPSAS 17) Consider changes more broadly in the context of ED Conceptual Framework and ED Measurement. Measurement team to develop recommendation for the IPSASB in September 2020.
BC	BCs	Newly developed to reflect IPSASB decisions	Drafted to reflect IPSASB decisions in June 2020.
Elements of Cost	No reference	Moved to ED, <i>Measurement</i>	8.2.2 - Measurement at Recognition (elements of cost) – para. 30-31 (IPSAS 17) Paragraphs 30-31 are generic measurement guidance and should be relocated to ED Measurement.
Elements of Cost	No reference	Moved to ED, <i>Measurement</i>	8.2.2 - Measurement at Recognition (elements of cost) – para. 34-35 (IPSAS 17) Paragraphs 34-35 are generic measurement guidance and should be relocated to ED Measurement.
Elements of Cost	No reference	Moved to ED, <i>Measurement</i>	8.2.2 - Measurement at Recognition (elements of cost) – para. 37-41 (IPSAS 17) Paragraphs 37-41 are generic measurement guidance and should be relocated to ED Measurement.
Elements of Cost	No reference	Moved to ED, <i>Measurement</i>	Measurement after Recognition (cost model) – para. 45-48 (IPSAS 17) Paragraphs 45-48 are generic measurement guidance and should be relocated to ED Measurement.

Decision Required

6. Does the IPSASB agree with Staff's recommendation?

Control – Land Under or Over Infrastructure Assets (Issue 5)

Question

1. Does the IPSASB agree with the recommended guidance to support the application of Exposure Draft (ED) 78's principles on control of infrastructure assets?

Recommendation

2. The Task Force recommends implementation guidance and supporting illustrative examples be developed to support the specific issue related to identifying the reporting entity that controls land under or over infrastructure assets.

Background

3. In the public sector, it may be challenging to identify the reporting entity that controls land under or over infrastructure assets because an entity may have legal ownership of the land under or over infrastructure assets and another entity may be granted the right to use the land to build/construct/develop infrastructure above the land such as roads, or, underneath the land such as power networks and water networks.
4. At its June 2020 meeting, the IPSASB instructed issues raised by constituents relating to infrastructure assets be analyzed in the context of the agreed characteristics of:
 - (a) Networks or Systems; and
 - (b) Long useful lives.

Analysis

Is Guidance Necessary (Characteristics Analysis)

5. One of the characteristics of an infrastructure asset is it is a “network or system”. A “network or system” is a group of assets that provide a service. For example, a water system which comprises dams, pipelines, tunnels, canals, terminal reservoirs, tanks, wells, pumps and treatment plants is used to supply water to purchasers.
6. Since a “network or system” is composed of different assets or components, determining the reporting entity that controls the infrastructure assets, including the land that is under or over them, may be challenging because the land that is under or above these components of infrastructure assets may be legally owned by another entity.
7. Since complex networks are a characteristic of infrastructure assets that drives an accounting challenge, additional guidance should be developed to support constituents in accounting for the control of the infrastructure assets including the land that is under or over them.

What Guidance should be Developed (Cascading Table Analysis)

8. Authoritative control principles have been developed² for property, plant, and equipment including heritage assets and infrastructure assets (see paragraphs AG8-AG15 in [Appendix A](#)). Therefore, the additional guidance referred to in paragraph 7 will be non-authoritative guidance.
9. The Task Force recommends additional non-authoritative control guidance should be developed as follows (see [Appendix A](#)) for insertion into draft ED 78, *Property, Plant, and Equipment* sections:
 - (a) Basis for Conclusions - to reflect IPSASB decision to add non-authoritative guidance in the form of implementation guidance and illustrative examples (see paragraphs BC1-BC4);
 - (b) Implementation Guidance – to augment the application of the authoritative control principles that were developed (see paragraphs IG1-IG4); and
 - (c) Illustrative Examples - to illustrate principles, generally individual principles, with case facts developed from practical examples (see paragraphs IE1-IE5).

In reviewing the IEs, the Task Force discussed the usefulness of the example. The Task Force discussed whether the IEs:

- (i) Provide clarity when applying the principles to the practical issues faced by constituents;
and
- (ii) Were needed and if supplementing the IG would better help constituents.

Decision Required

10. Does the IPSASB agree with the Task Force recommendation?

² The IPSASB approved these control principles at the June 2020 meeting, subject to Staff making the changes instructed by the IPSASB. See [draft] Exposure Draft (ED) 78 in [Agenda Item 2.3.1](#) for the revised control guidance to reflect the IPSASB's instructions.

Appendix A – Format of Guidance

1. The following table proposes the text/guidance to be included in Exposure Draft (ED) 78, *Property, Plant, and Equipment*.
2. Consistent with the [draft] ED 78 in [Agenda Item 2.3.1](#):
 - (a) Text imported from IPSAS 17 is shaded grey.
 - (b) New text/guidance that is **proposed** is underlined. Deleted text is struck through (The IPSASB should focus on the review on the new text/guidance proposed).
 - (c) Text previously **reviewed** by the IPSASB or that will be reviewed in another agenda paper relating to ED 78 (see [Agenda Item 2.3.1](#)) is shaded green.

Guidance Type	Format / [Analysis]	Guidance
Core Text	Generic principles (not specific to a transaction) [A control principle exists in the core text of ED 78. As PP&E are tangible assets, they must be controlled.]	Definitions Property, plant, and equipment are tangible items assets 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.
Application Guidance	Expand principles (generally with reference to transactions to clarify) [Application guidance exists in ED 78 that expands on the core principle. The IPSASB agreed with the additional guidance in June 2020.]	Definitions Property, Plant, and Equipment AG8. In the public sector, there may be uncertainty whether certain items of property, plant, and equipment meet the definition of an asset. An item of property, plant and equipment meets the definition of an asset if it satisfies all the following characteristics: (a) Resource. A resource provides benefits to an entity in the form of service potential or the ability to generate economic benefits. The service potential or ability to generate economic benefits can arise directly from the resource itself or from the rights to use the resource (see paragraphs AG10-AG12);

Guidance Type	Format / [Analysis]	Guidance
Application Guidance	Expand principles (generally with reference to transactions to clarify) [Application guidance exists in ED 78 that expands on the core principle. The IPSASB agreed with the additional guidance in June 2020.]	<p>Definitions (continued)</p> <p>Property, Plant, and Equipment (continued)</p> <p>(b) Control. An entity must have control of the resource (see paragraphs AG13-AG15); and</p> <p>(c) Past Event. The definition of an asset requires that a resource that an entity presently controls must have arisen from a past transaction or other past event. Past events that could indicate that an entity controls an asset include purchase from an external party, receipt through a transaction at no or nominal cost such as donation, passing of legislation and construction or development.</p> <p>AG9. An item of property, plant, and equipment is recognized as an asset when it meets the definition of an asset and satisfies the recognition criteria. To satisfy the recognition criteria, it should be probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or [current value] of the item can be measured reliably.</p> <p>Resource</p> <p>AG10. In the public sector there may be uncertainty as to whether items of property, plant, and equipment are resources because it may appear that they do not provide benefits to the reporting entity in the form of service potential and/or the economic benefits. For example, an entity may hold heritage items for the purpose of providing access to the public to view heritage items, and some may view this as providing services to the public rather than contributing to the reporting entity's achievement of its objectives.</p>

Guidance Type	Format / [Analysis]	Guidance
Application Guidance	Expand principles (generally with reference to transactions to clarify) [Application guidance exists in ED 78 that expands on the core principle. The IPSASB agreed with the additional guidance in June 2020.]	<p>Definitions (continued)</p> <p>Property, Plant, and Equipment (continued)</p> <p>Resource (continued)</p> <p>AG11. A resource is an item with service potential or the ability to generate economic benefits. Economic benefits reflect the ability of an asset to generate net cash inflows. Most public sector entities hold assets primarily to deliver services rather than generate economic benefits. Service potential is the capacity of an asset to provide services that contribute to achieving an entity's service delivery and other objectives without necessarily generating net cash inflows.</p> <p>AG12. Items that a reporting entity uses to deliver services to the public will be resources from the reporting entity's perspective, when those services contribute to achieving the entity's service delivery and other objectives. For example heritage items that are used purely for the benefit of the public (sometimes described as "for heritage purposes") can have service potential and be resources because the entity has the objective of making heritage accessible to the public. Similarly, infrastructure assets that are used to deliver public services (e.g. road networks or water systems) will be resources to an entity that holds them if those services contribute to achieving the entity's service delivery and other objectives.</p> <p>Control of an Asset</p> <p>AG13. An entity controls the resource if it has the ability to use the resource or direct other parties on its use or prevent other parties from using the resource so as to derive service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives.</p>

Guidance Type	Format / [Analysis]	Guidance
Application Guidance	Expand principles (generally with reference to transactions to clarify) [Application guidance exists in ED 78 that expands on the core principle. The IPSASB agreed with the additional guidance in June 2020.]	<p>Definitions (continued)</p> <p>Property, Plant, and Equipment (continued)</p> <p>Control of an Asset (continued)</p> <p>AG14. In assessing whether it presently controls a resource, an entity assesses whether one or more of the following indicators of control exists:</p> <ul style="list-style-type: none"> (d) Legal ownership; (e) Access to the resource, or the ability to deny or restrict others to access the resource; (f) The means to ensure that the resource is used to achieve its objectives; or (g) The existence of enforceable right to service potential or the ability to generate economic benefits arising from the resource. <p>An entity is more likely to demonstrate control if it satisfies most of these indicators.</p> <p>AG15. No one indicator is more important than another indicator. Legal ownership is only one indicator of demonstrating control of a resource. An entity may demonstrate that it controls the resource even when there is no legal ownership because it has the ability to direct the use of the resource and obtain the economic benefits or service potential that may flow from it. Conversely, an entity may have legal ownership but no rights to service potential or ability to generate future economic benefits. In such circumstances an entity considers substance over form in determining whether it controls an asset.</p>

Guidance Type	Format / [Analysis]	Guidance
Basis for Conclusions	Reflect IPSASB decisions [BCs should be developed to reflect all IPSAS decisions]	<p>Basis for Conclusions</p> <p>Assessment of Control</p> <p>BC1. <u>Constituents identified several issues that present complexities when applying control principles in this standard to account for heritage assets and infrastructure assets.</u></p> <p>BC2. <u>The IPSASB acknowledged that there are instances where there is uncertainty about the entity that controls property, plant, and equipment.</u></p> <p>BC3. <u>The IPSASB developed implementation guidance and/or illustrative examples to clarify how the principles in this standard should be applied to the following issues:</u></p> <p>(a) <u>...</u></p> <p>(b) <u>Control of land under or over infrastructure assets (see paragraphs IG1-IG4 and IE1-IE5);</u></p> <p>(c) <u>...</u></p>

Guidance Type	Format / [Analysis]	Guidance
Implementation Guidance	<p>Question / answer format</p> <p>[The IPSASB agreed the control principle should be clarified in the core text in June 2020. However, specific issues were identified related to assessing control as it relates to land under infrastructure – specifically which entity controls the land under a road network. Illustrative Examples and Implementation Guidance were developed to illustrate the specific issue in practice.]</p>	<p>Implementation Guidance</p> <p>Assessment of Control</p> <p><u>Control of land under or over Property, Plant and Equipment³</u></p> <p><u>Property, Plant, and Equipment can be built on land that is fundamental to the operation of the item, but is owned by another entity. For example, State or Municipal Governments may construct road networks on land that is owned by another level of government. Should the entity that controls the property, plant and equipment also recognize the land?</u></p> <p>IG1. <u>When assessing whether land under or over an item of Property, Plant, and Equipment is recognized by an entity, the same criteria are applied as when determining whether the item of Property, Plant, and Equipment is recognized by the entity.</u></p> <p>IG2. <u>The entity assesses whether it presently controls the land. Indicators of control include:</u></p> <ul style="list-style-type: none"> (a) <u>Legal ownership;</u> (b) <u>Access to the resource, or the ability to deny or restrict others to access the resource;</u> (c) <u>The means to ensure that the resource is used to achieve its objectives; or</u> (d) <u>The existence of enforceable right to service potential or the ability to generate economic benefits arising from the resource.</u> <p>IG3. <u>Where an item of Property, Plant, and Equipment is built on land owned by another level of government, legal ownership of that land will not be present for the entity constructing the property, plant, and equipment. However, legal ownership is only one indicator of demonstrating control of a resource. An entity may demonstrate that it controls the resource even when there is no legal ownership because it has the ability to direct the use of the resource and obtain the economic benefits or service potential that may flow from it.</u></p>

³ Task Force recommends developing a generic control Implementation Guidance (IGs) for infrastructure and heritage items. As the same indicators of control are assessed in each “control issue”, individual IGs are repetitive.

Guidance Type	Format / [Analysis]	Guidance
Implementation Guidance	<p>Question / answer format</p> <p>[The IPSASB agreed the control principle should be clarified in the core text in June 2020. However, specific issues were identified related to assessing control as it relates to land under infrastructure – specifically which entity controls the land under a road network. Illustrative Examples and Implementation Guidance were developed to illustrate the specific issue in practice.]</p>	<p>Implementation Guidance (continued)</p> <p><u>Assessment of Control (continued)</u></p> <p>IG4. <u>When assessing whether land, owned by another level of government, under an item of Property, Plant, and Equipment is controlled by the entity, the entity considers the rights it has to continue to operate the item. If the ongoing operation of the item is dependent on the other level of government continuing to grant the entity access to the land, it is unlikely the entity controls the land.</u></p>

Guidance Type	Format / [Analysis]	Guidance
Illustrative Examples	<p>Illustrate principles, generally individual principles, with case facts developed from practical examples [The IPSASB agreed the control principle should be clarified in the core text in June 2020. However, specific issues were identified related to assessing control as it relates to land under infrastructure – specifically which entity controls the land under a road network. Illustrative Examples and Implementation Guidance were developed to illustrate the specific issue in practice.]</p>	<p>Illustrative Examples</p> <p>Assessment of Control</p> <p><u>Control of Property, Plant, and Equipment</u></p> <p><u>Example 1-Case A (see paragraphs IE1-IE3)) illustrates the principle to identify the reporting entity that controls the land under a road network where an entity has legal ownership of the land and the right to direct access to land and to restrict or deny access of others to land.</u></p> <p>IE1. <u>Provincial (State) Government enters into a long-term binding arrangement with the National Government to construct a road that passes through a National Park. The land is legally owned by the National Government and it has the title deeds of the land. The Provincial Government constructs a 200 miles road which connects two of its largest cities, City X and City Y. The road carries buses, cars and goods vehicles between these cities and has significantly shortened travel time between the cities.</u></p> <p>IE2. <u>The Provincial Government concludes that the National Government controls the land, because the National Government:</u></p> <ul style="list-style-type: none"> (a) <u>Legally owns the land;</u> (b) <u>Retains all the rights to the land as it can cancel the binding arrangement at any point in time;</u> (c) <u>Retains the ability to generate economic benefits arising from selling the land. The National Government has the right to sell the land at any time and can decide to whom the land can be sold, and at what price; and</u> (d) <u>Retains the right to direct access to the land or to restrict or deny access of external parties. The National Government may close the road or put roadblocks if the Provincial Government does not adhere to the terms of the binding arrangement or if the National Government is of the opinion that there is an environmental need for vehicles to no longer pass through the National Park.</u>

Guidance Type	Format / [Analysis]	Guidance
Illustrative Examples	<p>Illustrate principles, generally individual principles, with case facts developed from practical examples</p> <p>[The IPSASB agreed the control principle should be clarified in the core text in June 2020. However, specific issues were identified related to assessing control as it relates to land under infrastructure – specifically which entity controls the land under a road network. Illustrative Examples and Implementation Guidance were developed to illustrate the specific issue in practice.]</p>	<p>Illustrative Examples (continued)</p> <p><u>Assessment of Control (continued)</u></p> <p><u>Control of Property, Plant and Equipment (continued)</u></p> <p>IE3. <u>While the province has the ability to ensure that the land immediately below the road is used to achieve its objectives, i.e., the national government is not receiving any service potential or economic benefit from the land while the road is in use, the entity concludes this is insufficient to support it controls the land as other indicators support control being retained by the national government.</u></p> <p><u>Example 1-Case B (see paragraphs IE4-IE5) illustrates the principle to identify the reporting entity that controls the land under a road network where an entity has transferred the land and the recipient of the land has right to direct access to the land and to restrict or deny access of others to land.</u></p> <p>IE4. <u>The facts and circumstances remain the same except the land is transferred to the Provincial Government and the latter has unlimited and unrestricted use of the land.</u></p> <p>IE5. <u>The Provincial Government concludes it controls the land because it:</u></p> <p>(a) <u>It holds legal title of the land;</u></p> <p>(b) <u>Ensures the land is used to achieve the Provincial Governments' service potential objective whereby the land will allow the Provincial Government to build a road that will transport vehicles and goods between the two cities.</u></p>

3. Does the IPSASB agree with the additional guidance recommended by the Task Force?

Depreciation—Useful lives

Question

1. Does the IPSASB agree with the recommended authoritative guidance on finite and indefinite useful lives for inclusion in ED 78?

Recommendation

2. Staff recommends that the authoritative guidance in [2.2.4A](#) be included in ED 78.

Background

3. At its 2020 March meeting the IPSASB considered whether heritage assets should be depreciated and, if so, whether IPSAS 17 needs additional guidance to address this issue. The IPSASB decided that IPSAS 17's depreciation requirements should 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 were adopted, it would need to be subject to regular impairment reviews. The IPSASB instructed IPSASB staff to:
 - (a) Revise IPSAS 17's core text and guidance to address criteria to identify situations when particular heritage assets could have zero depreciation; and
 - (b) Draft *Basis for Conclusions* text to explain this decision.
4. In March, the IPSASB instructed staff with the Infrastructure project to develop guidance on when land does not have an unlimited useful life, including the need for regular reviews for impairment. The Cross-Cutting Task Force directed staff to treat depreciation as a cross-cutting issue.
5. At its June 2020 meeting the IPSASB instructed staff to analyze heritage and infrastructure issues raised by constituents in the context of the characteristics agreed in June.

Analysis

Is Guidance Necessary? (Characteristics Analysis)

6. Both heritage and infrastructure have the characteristic of long useful lives, expressed as follows:
 - (a) Infrastructure - the characteristic is "long useful lives."
 - (b) Heritage - the characteristic is "long and sometimes unspecified useful lives."
7. Staff recommends that guidance is necessary to address useful lives given the:
 - (a) IPSASB's discussion and instructions in March 2020; and
 - (b) The IPSASB's June 2020 decision that long useful lives are a characteristic of both heritage and infrastructure assets because they distinguish these assets from general property, plant, and equipment; and present complexities in the application and implementation of existing principles in IPSAS 17, *Property, Plant and Equipment*.

What Guidance should be Developed (Cascading Table Analysis)

8. Staff recommends that additional authoritative and non-authoritative guidance on useful lives should be developed as follows (see [Appendix A](#)):
 - (a) *Principles (core text)*: As per the IPSASB's March 2020 instruction. (See paragraphs 45-50, Appendix A.)

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- (b) *Application guidance*: As per the IPSASB's March 2020 instruction on guidance with respect to criteria, and its June 2020 decision on the appropriate location of IPSAS text. (See paragraphs AG18-AG23, Appendix A.)
 - (c) *Bases for Conclusions*: As per the IPSASB's March 2020 instruction. (See BC37-BC38, Appendix A.)
 - (d) *Implementation Guidance*: To facilitate implementation of IPSAS 17. (Paragraphs to be developed for September 2020.)
 - (e) *Illustrative Examples*: To illustrate principles, generally individual principles, with case facts developed from practical examples. (Paragraphs to be developed for September 2020.)
9. The same approach used by the IPSASB to develop IPSAS 41, *Financial Instruments*, has been used here to determine whether additional guidance is needed. (The Cross-Cutting Task Force decided that Implementation Guidance should come before Illustrative Examples.)

Source for Recommended Authoritative Guidance: IPSAS 17 and IPSAS 31, Intangible Assets

10. Some IPSASB members commented that IPSAS 31's coverage of "finite" or "indefinite" useful lives (for amortization) could be a basis for new text. The recommended authoritative guidance is based on text in:
- (a) IPSAS 17, *Property, Plant and Equipment*, and
 - (b) IPSAS 31, *Intangible Assets*,
11. Staff noted that:
- (a) **Focus on criteria/factors rather than types of assets**: The IPSASB's March discussion indicated that, depending on factors/conditions, all types of PP&E assets could have a limited useful life or (possibly) an unlimited useful life. Logically then, IPSAS 17's present approach (which includes statements to the effect that "buildings" will have limited useful lives while "land" has an unlimited useful life) should be changed to a more nuanced approach.
 - (b) **Finite and indefinite**: IPSAS 31 states that assets may have either a "finite" or an "indefinite" useful life, while IPSAS 17 uses the terms "limited" or "unlimited." IPSAS 31 explains the meaning of "indefinite," while IPSAS 17 does not discuss the meaning of "unlimited." Staff has used the IPSAS 31 terms, which results in consistency across these Standards.
 - (c) **Application guidance**: Staff proposes moving some of the core text in IPSAS 17 into application guidance (and some of the text modelled on IPSAS 31's core text has been inserted as application guidance⁴). This aims to be consistent with the IPSASB's June 2020 decision on location.

Decision Required

12. Does the IPSASB agree with staff's recommendation?

⁴ This applies the IPSASB's decision on location of text to develop ED 78. IPSAS 31 is not being revised and there is no implication arising from using text from IPSAS 31 in this manner to then retrospectively revise IPSAS 31.

Appendix A – Recommended Guidance

1. The following table proposes the text/guidance to be included in ED 78, *Property, Plant, and Equipment*.
2. Consistent with the [draft] ED 78 in [Agenda Item 2.3.1](#):
 - (a) Text imported from IPSAS 17 is shaded grey.
 - (b) Proposed new text/guidance is underlined. Deleted text is struck through.

NOTES	DRAFT IPSAS XX, Property, Plant, and Equipment	IAS 16?
Core text (Generic principles)	Depreciation	
New heading	Finite and Indefinite Useful Lives	
<i>IPSAS 17.74 with revisions to address IPSASB instructions from March and June 2020</i>	45 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.	<i>IAS 16.58</i>
<i>IPSAS 31.87 with minor revisions (e.g. to refer to “PP&E” instead of “intangible.”)</i>	46 <u>An entity shall assess whether the useful life of a property, plant and equipment asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. A property, plant and equipment asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to provide service potential to, or be used operationally to generate net cash inflows for the entity.</u>	No
<i>IPSAS 31.88 with minor revisions.</i>	47 <u>A property, plant and equipment asset with a finite useful life is depreciated. A property, plant and equipment asset with an indefinite useful life is not depreciated.</u>	No
<i>IPSAS 31.90 revised to refer to property, plant and equipment.</i>	48 <u>The term “indefinite” does not mean “infinite.” The useful life of a property, plant and equipment asset reflects only that level of future maintenance expenditure required to maintain the asset at its standard of performance assessed at the time of estimating the asset’s useful life, and the entity’s ability and intention to reach such a level. A conclusion that the useful life of a property, plant and equipment asset is indefinite should not depend on planned future expenditure in excess of that required to maintain the asset at that standard of performance.</u>	No

NOTES	DRAFT IPSAS XX, Property, Plant, and Equipment	IAS 16?
<i>IPSAS 31.92 revised to refer to property, plant and equipment.</i>	49 <u>The useful life of a property, plant and equipment asset may be very long or even indefinite. Uncertainty about an asset's useful life when it is very long does not justify choosing a life that is unrealistically short.</u>	No
<i>IPSAS 17.75. revised to remove impression that land almost always has an unlimited useful life</i>	50 If the <u>carrying amount</u> 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. <u>In some cases Where land has 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.</u>	IAS 16.59 (amended)
<i>AGs expand principles</i>	Application Guidance	
<i>New heading</i>	<u>Depreciation – Useful life of an asset</u>	
<i>Paragraphs AG24 is IPSAS 17.72 with revisions to align with IPSAS 31.89</i>	<p>AG18. 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:</p> <ul style="list-style-type: none"> (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) The level of maintenance expenditure required to obtain the expected future economic benefits or service potential from the asset and the entity's ability and intention to reach such a level. (d) 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. (e) The period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases. (f) Typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way; (g) The stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset; (h) Expected actions by competitors or potential competitors. 	IAS 16.56

NOTES	DRAFT IPSAS XX, Property, Plant, and Equipment	IAS 16?
	(i) Whether the useful life of the asset is dependent on the useful life of other assets of the entity.	
<i>Paragraphs AG25 is IPSAS 17.73</i>	AG19. 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.	IAS 16.57
<i>IPSAS 31.94 revised to refer to property, plant and equipment.</i>	AG20. There may be economic, political, social, and legal factors influencing the useful life of a property, plant and equipment asset. Economic, political, or social factors determine the period over which future economic benefits or service potential will be received by the entity. Legal factors may restrict the period over which the entity controls access to such economic benefits or service potential. The useful life is the shorter of the periods determined by these factors.	
<i>IPSAS 31.91 revised to refer to property, plant and equipment.</i>	<i>Finite and Indefinite Useful Lives</i> AG21. Given the history of rapid changes in technology, computers and many other property, plant and equipment assets are susceptible to technological obsolescence. Therefore, it will often be the case that their useful life is short. Expected future reductions in the selling price of an item that was produced using a property, plant and equipment asset could indicate the expectation of technological 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.	
New – example of a non-land asset with an indefinite useful life	AG22. The useful lives of non-land property, plant and equipment assets, including buildings, are generally finite. However, there are circumstances in which a non-land property, plant and equipment asset could have an indefinite useful life. For example, a heritage painting or sculpture held in a protective environment that is carefully controlled to preserve the asset, could be considered to have an indefinite useful life, so long as those conditions continue to apply.	
IPSAS 17.74 sentence and new – sentence on land having a definite useful life	AG23. With some exceptions, such as quarries and sites used for landfill, land has an indefinite useful life and therefore is not depreciated ⁵ . Another example of land with a finite useful life is when land is being encroached by rising sea levels with the result that the entity expects that, within a finite period of time, the land will no longer be useable due either to a severe and continual risk of regular flooding or actual submersion beneath the water.	

NOTES	DRAFT IPSAS XX, Property, Plant, and Equipment	IAS 16?
	Implementation Guidance <i>This guidance accompanies, but is not part of, IPSAS XX</i>	
[Placeholder – September 2020]	<i>[To be developed after IPSASB decision on core text and application guidance.]</i>	
	Illustrative Examples <i>This guidance accompanies, but is not part of, IPSAS XX</i>	
[Placeholder – September 2020]	<i>[To be developed after IPSASB decision on core text and application guidance.]</i>	
	Basis for Conclusions	
New	Depreciation of heritage assets BC37. 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 <i>per se</i> , 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.	
New	Finite and infinite useful lives BC38. When considering accounting for land under or over infrastructure the IPSASB noted that there are circumstances when land does not have an unlimited useful life. For example, rising sea levels mean that there is coastal land that will be unusable within the foreseeable future. The IPSASB decided that IPSAS 17's discussion of useful lives should be revised to better address situations where land has a finite useful life and should be depreciated. The IPSASB decided that the revised core text and related application guidance should also provide guidance to address situations where non-land property, plant and equipment assets (e.g. heritage assets) could have indefinite useful lives and should not, therefore be depreciated.	

Supporting Documents 1 – [draft] ED 78, *Property, Plant and Equipment*

3. IPSASB members, Technical Advisors, and Observers are asked to note the following when reviewing ED 78:
- (a) Authoritative Text (Core Text, Application Guidance and Amendments to Other IPSAS):
 - (i) A significant portion of ED 78 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.
 - a. Deleted IPSAS 17 paragraphs are noted in the “Notes” column. Deleted paragraphs are not tracked to enhance readability.
4. These components are formatted as follows for easier reference:

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

NOTES	DRAFT IPSAS XX, <i>Property, Plant, and Equipment</i>	IAS 16?
<p>Paragraph 1 is IPSAS 17.1</p>	<p>Objective</p> <p>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.</p>	<p>IAS 16.1</p>
<p>Paragraph 2 is IPSAS 17.2 amended for IPSASB decision in December 2019 to remove the scope exclusion re heritage assets. This change was reviewed by Board in June 2020.</p> <p>IPSAS 17.3 and IPSAS 17.4 had been deleted.</p> <p>IPSAS 17.5 is moved to AG based on IPSASB instruction in June 2020.</p>	<p>Scope</p> <p>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, <u>(see paragraphs AG1-AG7 in Appendix A of this Standard), except when a different accounting treatment has been adopted in accordance with another IPSAS.:</u></p> <p>(a) when a different accounting treatment has been adopted in accordance with another IPSAS; and</p> <p>(b) In respect of heritage assets. However, the disclosure requirements of paragraphs 88, 89, and 92 apply to those heritage assets that are recognized.</p>	<p>IAS 16.2 (amended)</p>
<p>Paragraphs 3 to 5 are IPSAS 17.6 to IPSAS 17.8, amended for IPSASB decisions in June 2020 on measurement models and for cross-references.</p>	<p>3. This Standard does not apply to:</p> <p>(a) Biological assets related to agricultural activity other than bearer plants (see IPSAS 27, <i>Agriculture</i>). This Standard applies to bearer plants but does not apply to the produce on bearer plants;</p> <p>(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)-; <u>and</u></p> <p>(c) <u>Property, plant, and equipment classified as held for sale in accordance with [draft] IPSAS XX [ED77] <i>Non-current Assets Held for Sale and Discontinued Operations</i>;</u></p> <p>However, this Standard applies to property, plant, and equipment used to develop or maintain the assets described in 3(a) or 3(b).</p>	<p>IAS 16.3 (amended)</p>

NOTES	DRAFT IPSAS XX, <i>Property, Plant, and Equipment</i>	IAS 16?
	<p>4. 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, <i>Leases</i>¹, 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, <i>Service Concession Arrangements: Grantor</i>, 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.</p>	<p>IAS 16? No <i>(IAS 16.4 has been deleted)</i></p>
<p>IPSAS 17.9, IPSAS 17.11 and IPSAS 17.12 are deleted. IPSAS 17.10 is moved to AG.</p>	<p>5. An entity using the <u>historical</u> cost model for investment property in accordance with IPSAS 16, <i>Investment Property</i> shall use the <u>historical</u> cost model in this Standard.</p>	<p>IAS 16.5</p>
<p>Paragraph 6 is IPSAS 17.13</p>	<p>Definitions</p> <p>6. The following terms are used in this Standard with the meanings specified:</p> <p>A <u>bearer plant</u> is a living plant that:</p> <ul style="list-style-type: none"> (a) Is used in the production or supply of agricultural produce±₁ (b) Is expected to bear produce for more than one period±₁ and (c) Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. <p>(Paragraphs 9A–9C of IPSAS 27 elaborate on this definition of a bearer plant.)</p> <p><u>Carrying amount</u> (for the purpose of this Standard) is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.</p> <p><u>Class of property, plant, and equipment</u> 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.</p> <p><u>Depreciable amount</u> is the cost of an asset, or other amount substituted for cost, less its residual value.</p> <p><u>Depreciation</u> is the systematic allocation of the depreciable amount of an asset over its useful life.</p> <p><u>Entity-specific value</u> 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.</p> <p>An <u>impairment loss of a cash-generating asset</u> is the amount by which the carrying amount of an asset exceeds its recoverable amount.</p>	<p>IAS 16.6 <i>(amended)</i></p> <p><i>Class of PP&E is not a defined term in IAS 16.</i></p> <p><i>Impairment loss is not separately defined for CG asset vs non-CG</i></p>

¹ The IPSASB has a project to replace IPSAS 13, *Leases*. Refer to Exposure Draft 75, *Leases*.

NOTES	DRAFT IPSAS XX, <i>Property, Plant, and Equipment</i>	IAS 16?
<p><i>Definition amended by IPSASB decision in June 2020 (Agenda Item 10.2.3).</i></p>	<p>An <u>impairment loss of a non-cash-generating asset</u> is the amount by which the carrying amount of an asset exceeds its recoverable service amount.</p> <p><u>Property, plant, and equipment</u> are tangible items <u>assets</u> that:</p> <p>(a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and</p> <p>(b) Are expected to be used during more than one reporting period.</p> <p><u>Recoverable amount</u> is the higher of a cash-generating asset's fair value less costs to sell and its value in use.</p> <p><u>Recoverable service amount</u> is the higher of a non cash-generating asset's fair value less costs to sell and its value in use.</p> <p>The <u>residual value</u> 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.</p> <p><u>Useful life</u> is:</p> <p>(a) The period over which an asset is expected to be available for use by an entity; or</p> <p>(b) The number of production or similar units expected to be obtained from the asset by an entity.</p> <p>Terms defined in other IPSASs are used in this Standard with the same meaning as in those Standards, and are reproduced in the <i>Glossary of Defined Terms</i> published separately.</p>	<p>asset.</p> <p><i>Recoverable amount is not separately defined for CG asset vs non-CG asset.</i></p>
<p><i>Paragraph 7 is IPSASB 17.14, amended by IPSASB decision to change reference to Fair Value to [Current Value] in June 2020 (Agenda Item 8.2.2).</i></p> <p><i>IPSAS 17.15 and IPSAS 17.16 had been deleted.</i></p> <p><i>Paragraphs 8 to 10 are IPSAS 17.17 to IPSAS 17.19.</i></p>	<p>Recognition</p> <p>7. The cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:</p> <p>(a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and</p> <p>(b) The cost or fair <u>current</u> value of the item can be measured reliably².</p> <p>8. 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.</p>	<p>IAS 16.7</p> <p>IAS 16.8</p>

² 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.

NOTES	DRAFT IPSAS XX, <i>Property, Plant, and Equipment</i>	IAS 16?
	9. This standard <u>Standard</u> 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.	IAS 16.9
IPSAS 17.20 is moved to AG.	10. 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.	IAS 16.10
Paragraph 11 is IPSAS 17.22. Text retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2). IPSAS 17.22, and IPSAS 17.23 to 25 are moved to AG, by IPSASB decision in June 2020 (Agenda Item 8.2.2).	Initial Costs 11. 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, <i>Impairment of Non-Cash-Generating Assets</i> .	IAS 16.11
Paragraphs 12, 13 and 15 are IPSAS 17.26, IPSAS 17.27 and IPSAS 17.29 amended by IPSASB decisions. IPSAS 17.28 is moved to AG	Measurement at Recognition 12. An item of property, plant, and equipment that qualifies for recognition as an asset shall be measured at its cost. 13. Where an asset is acquired through a non-exchange transaction at no or nominal cost, its cost shall be measured at its current fair value as at the date of acquisition.	IAS 16.15 No
Paragraph 14 has no equivalent in IPSAS 17. It was seen, amended by the IPSASB in June 2020 (Agenda Item 8.2.2).	14. When measuring the item of property, plant, and equipment at recognition, an entity shall apply [draft] IPSAS [X], <u>Measurement [ED 75]</u> .	No
IPSAS 17.30 to IPSAS 17.31 are moved to IPSAS Measurement by IPSASB decision in June 2020 (Agenda Item 8.2.2).	15. 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 <u>current</u> value consistent with the requirements of paragraph 13, does not constitute a revaluation. Accordingly, the revaluation requirements in paragraph 24, and the supporting Application Guidance, only apply where an entity elects to revalue an item of property, plant, and equipment in subsequent reporting periods.	No

NOTES	DRAFT IPSAS XX, <i>Property, Plant, and Equipment</i>	IAS 16?
	Elements of Cost	
Paragraphs 16 and 17 are IPSAS 17.32 and IPSAS 17.33	16. An entity applies IPSAS 12, <i>Inventories</i> , 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 <u>this Standard</u> are recognized and measured in accordance with IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	IAS 16.18
IPSAS 17.34, IPSAS 17.35 and IPSAS 17.37 to IPSAS 17.41 are moved to IPSAS Measurement by IPSASB decision in June 2020 (Agenda Item 8.2.2). IPSAS 17.36 and IPSAS 17.36A are moved to AG by IPSASB decision in June 2020 (Agenda Item 8.2.2). Paragraph 17(e) is taken from IPSAS 17.23	17. 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; <u>and</u> (d)(e) <u>Costs of day-to-day servicing or repairs and maintenance.</u>	IAS 16.19
There is no equivalent in IPSAS 17 to paragraphs 18-21. Paragraph 18 and 19 are derived from IPSAS 17.42. Paragraphs 18 to 21 were added by the IPSASB in June 2020 (Agenda Item 8.2.2). The material was located before Measurement at Recognition and has been moved here and amended.	Measurement after Recognition <u>Classification-Measurement Model</u> 18. <u>An entity shall select the appropriate Measurement Model and associated Measurement Basis to measure all items of property, plant, and equipment after recognition.</u>	IAS 16.29 (amended)
	19. <u>An entity shall apply this accounting policy to an entire class of property, plant, and equipment.</u>	No
	20. <u>An entity may wish to classify an entire class of property, plant, and equipment as measured at [current value] when:</u> (a) <u>The class of property, plant, and equipment is held for its financial capacity; or</u> (b) <u>The information provided by a [current value] measurement basis is more useful to financial statement users; and</u> (c) <u>The class of property, plant, and equipment can be measured reliably.</u>	No
Paragraph 21 is based on paragraph 14 and replaces similar paragraphs under the historical cost model and current value model sections by the IPSASB in June	21. <u>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 basis is based on the price paid for the asset.</u>	No

NOTES	DRAFT IPSAS XX, <i>Property, Plant, and Equipment</i>	IAS 16?
2020 (Agenda Item 8.2.2).		
There is no equivalent in IPSAS 17 to paragraph 22. This paragraph was added by March 2020 Decision.	22. When measuring the item of property, plant, and equipment after recognition, an entity shall apply [draft] IPSAS [X] Measurement [ED 77].	No
	Historical Cost Model	
Paragraphs 23 and 24 are IPSAS 17.43 and IPSAS 17.44	23. After recognition as an asset, an item of property, plant, and equipment shall be carried at its <u>historical</u> cost, less any accumulated depreciation and any accumulated impairment losses.	IAS 16.30
IPSAS 17.45 to IPSAS 17.48 are moved to IPSAS Measurement by IPSASB decision in June 2020 (Agenda Item 8.2.2)..	Revaluation-Current Value Model	
	24. After recognition as an asset, an item of property, plant, and equipment whose <u>fair-[current value] value</u> can be measured reliably shall be carried at a revalued amount, being its <u>fair [current] value</u> 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 <u>fair-[current value]</u> at the reporting date. The accounting treatment for revaluations is set out in paragraphs 31-33.	IAS 16.31 (amended to add last two sentences)
Paragraph 25 and 26 are IPSAS 17.49 and 17.50. They are retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2).	25. The frequency of revaluations depends upon the changes in the <u>fair-[current] values</u> of the items of property, plant, and equipment being revalued. When the <u>fair-[current] value</u> 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 <u>fair-[current] value</u> , thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant, and equipment with only insignificant changes in <u>fair-[current] value</u> . Instead, it may be necessary to revalue the item only every three or five years.	IAS 16.34
	26. 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 31 and 32.	IAS 16.35

NOTES	DRAFT IPSAS XX, <i>Property, Plant, and Equipment</i>	IAS 16?
Paragraphs 27-30 are IPSAS 17.51-53.	27. 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.	IAS 16.36
	28. Impairment losses and reversals of impairment losses of an asset under IPSAS 21, <i>Impairment of Non-Cash Generating Assets</i> , and IPSAS 26, <i>Impairment of Cash-Generating Assets</i> , do not necessarily give rise to the need to revalue the class of assets to which that asset, or group of assets, belongs.	No
Paragraphs 29-30 (IPSAS 17.52-53) are retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2).	29. 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.	IAS 16.37
	30. 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.	IAS 16.38
	31. 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.	IAS 16.39 (amended)
Paragraphs 31 to 35 are IPSAS 17.54 to IPSAS 17.58	32. 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.	IAS 16.40 (amended)
	33. 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.	No

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	34. 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.	IAS 16.41 (amended)
	35. 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.	IAS 16.42 (amended)
	Depreciation	
Paragraph 36 is IPSAS 17.59. IPSAS 17.60 is moved to AG.	36. Each part of an item of property, plant, and equipment with a cost <u>or value</u> that is significant in relation to the total cost <u>or value</u> of the item shall be depreciated separately.	IAS 16.43
Paragraphs 37 to 41 are IPSAS 17.61 to IPSAS 17.65.	37. 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.	IAS 16.45
	38. 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.	IAS 16.46
	39. 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.	IAS 16.47
	40. The depreciation charge for each period shall be recognized in surplus or deficit, unless it is included in the carrying amount of another asset.	IAS 16.48
	41. 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, <i>Intangible Assets</i> .	IAS 16.49
	<i>Depreciable Amount and Depreciation Period</i>	
Paragraphs 42 to	42. The depreciable amount of an asset shall be allocated on a	IAS 16.50

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44 are IPSAS 17.66 to IPSAS 17.68.	systematic basis over its useful life.	
	43. 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, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.	IAS 16.51
IPSAS 17.69 to 73 are moved to AG	44. Depreciation is recognized even if the fair value [current value] 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.	IAS 16.52 (amended to add last two sentences)
Paragraphs 45 to 46 are IPSAS 17.74 and IPSAS 17.75. [PLACEHOLDER: Limited and Unlimited Useful Lives (Revisions to be proposed in September)]	45. 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.	IAS 16.58
	46. If the cost-carrying amount 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.	IAS 16.59 (amended)
	<i>Depreciation Method</i>	
Paragraphs 47 49 and 48 50 are IPSAS 17.76 and IPSAS 17.77. They are retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2).	47. 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.	IAS 16.60
IPSAS 17.78 and IPSAS 17.78A are moved to AG	48. 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.	IAS 16.61
	Impairment	
Paragraphs 49 51 to 51 53 are IPSAS	49. To determine whether an item of property, plant, and equipment is impaired, an entity applies IPSAS 21 or IPSAS 26, Impairment of	IAS 16.63

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17.79 to IPSAS 17.81, amended as shown	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.	IAS 16.64 has been deleted.
	Compensation for Impairment	
	50. 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.	IAS 16.65
	51. 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: <ul style="list-style-type: none"> (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. 	IAS 16.66
	Derecognition	
Paragraphs 52 54 to 58 60 are IPSAS 17.82 to IPSAS 17.87	52. The carrying amount of an item of property, plant, and equipment shall be derecognized: <ul style="list-style-type: none"> (a) On disposal; or (b) When no future economic benefits or service potential is expected from its use or disposal. 	IAS 16.67
	53. 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).	IAS 16.68 (excluding last sentence on gains)
	54. 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, <i>Revenue from Exchange Transactions</i> . <u>[PLACEHOLDER – UPDATE FOR NEW REVENUE EDs]</u> .	IAS 16.68A (amended)
	55. 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	IAS 16.69

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	<p>item, an entity applies the criteria in IPSAS 9 <u>[PLACEHOLDER – UPDATE FOR NEW REVENUE EDs]</u> for recognizing revenue from the sale of goods. IPSAS 13 applies to disposal by a sale and leaseback.</p> <p>56. If, under the recognition principle in paragraph 7, 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.</p> <p>57. 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.</p> <p>58. The consideration receivable on disposal of an item of property, plant, and equipment is recognized initially at its <u>fair value-[current value]</u>. 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.</p>	<p>IAS 16?</p> <p>IAS 16.70</p> <p>IAS 16.71</p> <p>IAS 16.72 (amended)</p>
<p>Paragraphs 59 to 65 are IPSAS 17.88 to IPSAS 17.94 amended for cross references and with a new subheading by March 2020 IPSASB instruction.</p>	<p>Disclosure</p> <p>General Disclosure for Property, Plant, and Equipment</p> <p>59. The financial statements shall disclose, for each class of property, plant, and equipment recognized in the financial statements:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (i) Additions; (ii) Disposals; (iii) Acquisitions through public sector combinations; (iv) Increases or decreases resulting from revaluations under paragraphs 24, 31, and 32 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 	<p>IAS 16.73</p>

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	<p>appropriate;</p> <p>(vi) Impairment losses reversed in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate;</p> <p>(vii) Depreciation;</p> <p>(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</p> <p>(ix) Other changes.</p>	
	<p>60. The financial statements shall also disclose for each class of property, plant, and equipment recognized in the financial statements:</p> <p>(a) The existence and amounts of restrictions on title, and property, plant, and equipment pledged as securities for liabilities;</p> <p>(b) The amount of expenditures recognized in the carrying amount of an item of property, plant, and equipment in the course of its construction;</p> <p>(c) The amount of contractual commitments for the acquisition of property, plant, and equipment; and</p> <p>(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.</p>	IAS 16.74 (amended)
	<p>61. 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:</p> <p>(a) Depreciation, whether recognized in surplus or deficit or as a part of the cost of other assets, during a period; and</p> <p>(b) Accumulated depreciation at the end of the period.</p>	IAS 16.75
	<p>62. 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:</p> <p>(a) Residual values;</p> <p>(b) The estimated costs of dismantling, removing, or restoring items of property, plant and equipment;</p> <p>(c) Useful lives; and</p> <p>(d) Depreciation methods.</p>	IAS 16.76
	<p>63. If a class of property, plant, and equipment is stated at</p>	IAS 16.77 (amended)

NOTES	<p>DRAFT IPSAS XX, <i>Property, Plant, and Equipment</i></p> <p>revalued amounts, the following shall be disclosed:</p> <ul style="list-style-type: none"> (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 values]; (d) The extent to which the assets' fair [current 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 holdersowners; (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. 	IAS 16?
	<p>64. 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 56(e)(iv)–(vi).</p>	IAS 16.78
	<p>65. Users of financial statements may also find the following information relevant to their needs:</p> <ul style="list-style-type: none"> (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 not classified as held for sale in accordance with [draft] IPSAS XX, Assets Held for Sale and Discontinued Operations; and (d) When the historical cost model is used, the fair [current] value of property, plant, and equipment when this is materially different from the carrying amount. <p>Therefore, entities are encouraged to disclose these amounts.</p>	IAS 16.79
<p>Paragraphs are added to illustrate the type of text that could be included as disclosure requirements as per -March 2020 Board Instruction [PLACEHOLDER: -Revisions to be proposed in September]</p>	<p>Heritage Assets</p> <p>66. An entity shall disclose:</p> <ul style="list-style-type: none"> (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. <p>67. The disclosures in paragraph 66(a) 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.</p>	

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	Transitional Provisions	
Paragraphs 6870 and 6974 are IPSAS 17.105 and IPSAS 17.106A respectively. IPSAS 17.95 to IPSAS 17.104 and IPSAS 17.106 had been deleted in IPSAS.	68. For entities that have previously applied IPSAS 17 (2001), the requirements of paragraphs 38XX–40XX 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.	
	69. Paragraph 5026 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	
Paragraph 7072 is IPSAS 17.107, modified for simplicity of ED78 documentation. IPSAS 17.107A to IPSAS 17.107P are deleted.	70. 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.	
Paragraph 7173 is IPSAS 17.108.	71. When an entity adopts the accrual basis IPSASs of accounting as defined in IPSAS 33, <i>First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)</i> 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 (2004200X)	
Paragraph 7274 is IPSAS 17.109.	72. This Standard supersedes IPSAS 17, <i>Property, Plant, and Equipment</i> , issued in 2004200X .	

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Paragraph AG1 is IPSAS 17.5, amended for decision by the IPSASB in December 2019 and as instructed by in June 2020.	<p style="text-align: right;"><u>Appendix A</u></p> <p><u>Application Guidance</u></p> <p><u><i>This Appendix is an integral part of IPSAS XX</i></u></p> <p><u>Scope</u></p> <p>AG1. <u>This Standard applies to all property, plant, and equipment including:</u></p> <ul style="list-style-type: none"> (a) <u>Heritage;</u> (b) <u>Infrastructure; and</u> (c) <u>Service concession arrangement property, plant, and equipment after initial recognition and measurement in accordance with IPSAS 32, <i>Service Concession Arrangements: Grantor</i>, and</u> (d) <u>Weapons systems.</u> 	No
Paragraphs AG2 and AG3 are IPSAS 17.10 amended for IPSASB instructions in June 2020 (Agenda Item 9.2.3)	<p><u>Heritage assets</u></p> <p>AG2. Some <u>property, plant, and equipment</u> are described as heritage assets because of their <u>rarity and/or significance in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific, or technological significance features</u>. <u>Entities usually intend to hold heritage assets for long periods and preserve them for the benefit of present and future generations</u>. Examples of heritage assets include historic buildings and monuments, <u>archeological sites, museum collections, conservation areas, and nature reserves, and works of art</u>. Certain characteristics, including the following, are often displayed by heritage assets (although these characteristics are not exclusive to such assets):</p> <ul style="list-style-type: none"> (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. <p>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.</p> <p>AG3. <u>Heritage assets often display the characteristics of:</u></p> <ul style="list-style-type: none"> (a) <u>Having restrictions on their use;</u> (b) <u>Being viewed as irreplaceable; and</u> (c) <u>Being expected to have long and sometimes unspecified useful lives.</u> 	No
Paragraphs AG4-AG5 is IPSAS 17.21	<p><u>Infrastructure assets</u></p> <p>AG4. Some <u>property, plant, and equipment</u> assets are <u>commonly</u></p>	No

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<p><i>amended for IPSASB decisions and instructions in March and June 2020 (Agenda Item 9.2.2)</i></p>	<p>described as infrastructure assets <u>because they are a group or component of assets that make up a network or systems that are immovable or costly to move; do not have alternative uses; and serve the community at large. These components are an integral part of a total network; that is, if the component is removed, the system may not achieve its service potential objective. The network or system are immovable, costly to move, usually available to the not moved easily, and usually do not have a market. Entities generally intend to hold infrastructure assets for have long periods of time lives because they are usually maintained at a certain level of service potential by the continuing replacement and refurbishment of its the components. These components are an integral part of a total network; that is, if the component is removed, the system may not achieve its service potential objective. Infrastructure assets are a subset of property, plant, and equipment and display the following characteristics:</u></p> <p>(a) <u>They are networks or systems; and</u> (b) <u>They have long useful lives.</u></p>	
<p><u>Paragraph AG5 is IPSAS 17.21 amended for IPSASB decisions and instructions in March and June 2020 (Agenda Item 9.2.2)</u></p>	<p><u>AG5. Infrastructure assets are a subset of property, plant, and equipment and display the following characteristics:</u></p> <p>(a) <u>They are networks or systems; and</u> (b) <u>They have long useful lives.</u></p>	
<p><i>Paragraphs AG6(a)-(c) are IPSAS 17.21 amended for IPSASB decisions and instructions in March and June 2020 (Agenda Item 9.2.2)</i></p>	<p><u>AG6. 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. Some Examples of infrastructure assets include road networks, sewer systems, water and power supply systems, and communication networks.:</u></p> <p>(a) <u>Electricity Power systems, which comprise components such as power generating plants, substations, switchyards, transmission line towers, distribution system equipment, energy control centers, communication systems and equipment, emergency power backup equipment, emergency operations centers and service and maintenance facilities;</u> (b) <u>Road networks, which comprise components such as pavements, formation, curbs and channels, footpaths, bridges, signal and lighting, highways, motorways, urban roads and rural roads; and</u> (c) <u>Water systems, which comprise components such as dams, pipelines, tunnels, canals, terminal reservoirs, tanks, wells, pumps and treatment plants.</u></p> <p><u>Weapons systems</u></p>	<p>No</p>
<p><i>Paragraph AG7 is IPSAS 17.20.</i></p>	<p><u>AG5-AG7. 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</u></p>	<p>No</p>

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	<p>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.</p>	
<p>Paragraphs AG8(a)-(c) are amended here for IPSASB instructions in June 2020 (Agenda Item 10.2.3).</p>	<p>Definitions</p> <p>Property, Plant, and Equipment</p> <p>AG6-AG8. In the public sector, there may be uncertainty whether certain items of property, plant, and equipment meets the definition of an asset. An item of property, plant and equipment meets the definition of an asset if it satisfies all the following characteristics:</p> <p>(a) Resource. A resource provides benefits to an entity in the form of service potential or the ability to generate economic benefits. The service potential or ability to generate economic benefits can arise directly from the resource itself or from the rights to use the resource (see paragraphs AG10-AG12).</p> <p>(a)(b) Control. An entity must have control of the resource (see paragraphs AG13-AG15); and</p> <p>(b)(c) Past Event. The definition of an asset requires that a resource that an entity presently controls must have arisen from a past transaction or other past event. Past events that could indicate that an entity controls an asset include purchase from an external party, receipt through a transaction at no or nominal cost such as donation, passing of legislation and construction or development.</p>	<p>No</p>
<p>Paragraph AG9 is new to reflect IPSASB instructions in June 2020.</p>	<p>AG7-AG9. An item of property, plant, and equipment is recognized as an asset when it meets the definition of an asset and satisfies the recognition criteria. To satisfy the recognition criteria, it should be probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or [current value] of the item can be measured reliably.</p>	<p>No</p>
<p>Paragraphs AG10 - AG12 are new paragraphs to reflect IPSASB instructions in June 2020.</p>	<p>Resource</p> <p>AG10. In the public sector there may be uncertainty as to whether items of property, plant, and equipment are resources because it may appear that they do not provide benefits to the reporting entity in the form of service potential and/or the economic benefits. For example, an entity may hold heritage items for the purposes of providing access to the public to view heritage items, and some may view this as providing services to the public rather than contributing to the reporting entity's achievement of its objectives.</p> <p>AG8-AG11. A resource is an item with service potential or the ability to generate economic benefits. Economic benefits reflect the ability of an asset to generate net cash inflows. Most public sector entities hold assets primarily to deliver services rather than generate economic benefits. Service potential is the capacity of an asset to provide services that contribute to achieving an entity's service delivery and other objectives without necessarily generating net cash inflows.</p> <p>AG9-AG12. Items that a reporting entity uses to deliver services</p>	<p>No</p>

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	<p>to the public will be resources from the reporting entity's perspective, when those services contribute to achieving the entity's service delivery and other objectives. For example heritage items that are used purely for the benefit of the public (sometimes described as "for heritage purposes") can have service potential and be resources because the entity has the objective of making heritage accessible to the public. Similarly, infrastructure assets that are used to deliver public services (e.g. road networks or water systems) will be resources to an entity that holds them if those services contribute to achieving the entity's service delivery and other objectives.</p>	
<p>Paragraphs AG13 – AG15 are amended here for IPSASB instructions in June 2020 (Agenda Item 10.2.3).</p>	<p>Control of an Asset</p>	
	<p>AG10-AG13. An entity controls the resource if it has the ability to use the resource or direct other parties on its use or prevent other parties from using the resource so as to derive service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives.</p>	No
	<p>AG14. In assessing whether it presently controls a resource, an entity assesses whether one or more of the following indicators of control exists:</p> <ul style="list-style-type: none"> (a) Legal ownership; (b) Access to the resource, or the ability to deny or restrict others to access the resource; (c) The means to ensure that the resource is used to achieve its objectives; or (d) The existence of enforceable right to service potential or the ability to generate economic benefits arising from the resource. <p>An entity is more likely to demonstrate control if it satisfies most of these indicators.</p>	No
	<p>AG11-AG15. No one indicator is more important than another indicator. Legal ownership is only one indicator of demonstrating control of a resource. An entity may demonstrate that it controls the resource even when there is no legal ownership because it has the ability to direct the use of the resource and obtain the economic benefits or the service potential that may flow from it. Conversely, an entity may have legal ownership but no rights to service potential or ability to generate future economic benefits. In such circumstances an entity considers substance over form in determining whether it controls an asset.</p>	No
	<p>Recognition</p> <p>Subsequent Costs</p>	
<p>Paragraphs AG16 to AG18 are IPSAS 17.23 to IPSAS 17.25. This tentative move from core text to AG is based on the IPSASB discussion in June 2020 (Agenda Item 8.2.2).</p>	<p>AG12-AG16. Under the recognition principle in paragraph 7, 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</p>	IAS 16.12

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	maintenance” of the item of property, plant, and equipment.	
	AG13-AG17. 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 7, 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 5254–5869).	IAS 16.13
	AG14-AG18. 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.	IAS 16.14
	Measurement at Recognition Elements of cost	
<i>Paragraphs AG19 and AG20 are IPSAS 17.36 and IPSAS 17.36A. This move from core text to AG by the IPSASB in June 2020 (Agenda Item 8.2.2).</i>	AG15-AG19. 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, <i>Borrowing Costs</i> , establishes criteria for the recognition of interest as a component of the carrying amount of a self-constructed item of property, plant, and equipment.	IAS 16.22
	AG16-AG20. 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	IAS 16.22A

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	location and condition necessary to be capable of operating in the manner intended by management.	
	Depreciation	
Paragraph AG21 is IPSAS 17.60. <u>This tentative move from core text to AG is based on the IPSASB discussion in June 2020</u>	AG17-AG21. 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.	IAS 16.44
Paragraphs AG22 and AG23 are new paragraphs to reflect IPSASB instructions in March 2020.	AG18-AG22. <u>An entity that controls land that is being consumed as a result of, for example, mining or quarrying activities will need to consider the period over which benefits or service potential are expected to be derived from carrying out those activities and the effect of carrying out those activities on the value of the land to determine the appropriate depreciable period and amount.</u>	No
	AG19-AG23. <u>Where land is being lost or displaced as a result of, for example, coast line erosion, the entity will need to apply IPSAS 21 or IPSAS 26 to measure any immediate impairment loss. Depending on the factors associated with the loss or displacement of land, an entity may need to consider the appropriateness of depreciating the land in future reporting periods, and will continue to assess for impairment in accordance with the requirements of this Standard.</u>	No
	Depreciable Amount and Depreciation Period	
Paragraphs AG24 to AG28 are IPSAS 17.69 to IPSAS 17.73. This <u>tentative</u> move from core text to AG is based on the IPSASB discussion in June 2020 (Agenda Item 8.2.2).	AG20-AG24. 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.	IAS 16.53
	AG21-AG25. 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.	IAS 16.54
	AG22-AG26. 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,	IAS 16.55

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	<p>the depreciation charge can be zero while there is no production.</p> <p>AG23-AG27. 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:</p> <ul style="list-style-type: none"> (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. <p>AG28. 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.</p>	<p>IAS 16?</p> <p>IAS 16.56</p> <p>IAS 16.57</p>
<p>Paragraphs AG29 and AG30 are IPSAS 17.78 and IPSAS 17.78A. This tentative move from core text to AG is based on the IPSASB discussion in June 2020 (Agenda Item 8.2.2).</p>	<p>Depreciation Method</p> <p>AG24-AG29. 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</p>	<p>IAS 16.62</p>

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	consumption of those future economic benefits or service potential.	
	AG25-AG30. 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.	IAS 16.62A
	<u>Disclosure</u> <u>Infrastructure Assets</u>	
	<u>Characteristics of Infrastructure Assets</u>	
<u>Paragraph AG31 may be added to reflect the IPSASB instruction in June 2020 (Agenda Item 9.2.2)</u>	AG26-AG31. PLACEHOLDER - to consider whether the characteristics of infrastructure assets of “networks or systems” and “long useful lives” included in the Standard might lead to additional presentation and disclosure requirements for infrastructure assets.	<u>No</u>
	<u>Land under or over Infrastructure Assets</u>	
<u>Paragraph AG32 may be added to reflect the IPSASB instruction in June 2020 (Agenda Item 9.2.2)</u>	AG32. PLACEHOLDER to consider impact of the issue of land under or over infrastructure assets on the presentation and disclosure requirements of infrastructure assets.	<u>No</u>

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	<p><u>Basis for Conclusions</u></p> <p><i><u>This Basis for Conclusions accompanies, but is not part of, [draft] IPSAS XX (ED 78).</u></i></p>	
	<p><u>Revision of IPSAS 17: Heritage, Infrastructure and Measurement Projects, 202X</u></p> <p><i><u>The IPSASB's Heritage, Infrastructure, and Measurement Projects</u></i></p>	
	<p>BC1. <u>The IPSASB undertook its Heritage, Infrastructure Assets, and Measurement projects from 2015 to 202X. It issued two consultation papers (CPs) (for Heritage and Measurement) and consulted with constituents on infrastructure-related issues through regional roundtables and national standard setter fora. The conclusions below reflect the IPSASB's consideration of CP respondents' views and constituents' concerns.</u></p>	
	<p><u>Heritage and Infrastructure</u></p>	
	<p>BC2. <u>After considering CP responses and constituents' views the IPSASB concluded that additional guidance should be provided in IPSAS 17 to better support its application to property, plant, and equipment that are heritage and/or infrastructure. Additional guidance will relate to the characteristics that (a) distinguish heritage and infrastructure from other property, plant and equipment, and (b) present complexities in the application and implementation of IPSAS 17's principles. For heritage, the IPSASB concluded—based on its analysis of CP responses—that measurement is the main difficulty for which guidance should be developed. For infrastructure, the IPSASB concluded the main concern raised by constituents was whether infrastructure is property, plant, and equipment or if they are distinct from property, plant, and equipment. As such, the IPSASB concluded in June 2020 that this guidance for characteristics should be located in Application Guidance as the intended guidance would expand and clarify on generic principles that already exist in the core text and do not illustrate new standalone accounting principles. The guidance should follow a standardized format by first describing the asset type, followed by the list of specific characteristics that give rise to accounting challenges. The IPSASB also acknowledged that additional non-authoritative guidance may also be added to illustrate principles with examples or provide practical implementation considerations.</u></p>	
	<p>BC3. <u>With respect to heritage items, the IPSASB concluded that IPSAS 17's existing authoritative guidance should apply to heritage items, on the basis that:</u></p> <p><u>(a) Recognition of heritage assets will increase the transparency of heritage-related financial information so that users are better able to hold entities accountable for their heritage-related decisions, particularly those that support heritage preservation.</u></p> <p><u>(b) Their heritage nature does not prevent heritage items being assets for financial reporting purposes.</u></p> <p><u>(c) Many heritage items are assets and should be</u></p>	

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	<p><u>recognized in the statement of financial position when they meet the Conceptual Framework's recognition criteria.</u></p> <p><u>(d) Since the heritage nature of an item is not, by itself, a reason for special financial reporting requirements a separate, heritage focused IPSAS is unnecessary.</u></p> <p><u>(e) Where heritage items are within the scope of an IPSAS, that Standard should apply.</u></p>	
	<p><u>BC4. With respect to infrastructure assets, on the basis that IPSAS 17 already has sufficient guidance, the IPSASB concluded that no additional guidance is needed to address:</u></p> <p><u>(a) A definition of infrastructure assets (see paragraphs);</u></p> <p><u>(b) Infrastructure assets spare parts (see paragraphs-);</u></p> <p><u>(c) Costs to dismantle infrastructure assets (see paragraphs). and</u></p> <p><u>(d) {PLACEHOLDER PARAGRAPHS FOR ADDITIONAL ISSUES THAT MAY BE FOUND TO NOT REQUIRE ADDITIONAL INFORMATION}</u></p> <p><u>The IPSASB included its rationale for not adding guidance to address the abovementioned issues in the Basis for Conclusions to inform stakeholders and constituents that the IPSASB had considered these issues.</u></p>	
	<p><u>BC5. On the basis that this is needed to enhance the consistency of reporting entities' application of IPSAS 17, the IPSASB concluded that additional non-authoritative guidance should be added to address:</u></p> <p><u>(a) Separating land under or over infrastructure assets (see paragraphs IE/IGXX- IE/IGXX) [PLACEHOLDER];</u></p> <p><u>(b) Depreciation (see paragraphs IE/IGXX- IE/IGXX[PLACEHOLDER]);</u></p> <p><u>(c) Deferred maintenance (see paragraphs IE/IGXX- IE/IGXX[PLACEHOLDER]);</u></p> <p><u>(d) Renewals accounting (see paragraphs IE/IGXX- IE/IGXX[PLACEHOLDER]);</u></p> <p><u>(e) Componentization (see paragraphs IE/IGXX- IE/IGXX [PLACEHOLDER]; and</u></p> <p><u>(f) Impairment (see paragraphs IE/IGXX- IE/IGXX [PLACEHOLDER]).</u></p>	
	<p><u>BC6. On the basis that IPSAS 17 does not adequately address the relevant principles, the IPSASB decided to add authoritative guidance on:</u></p> <p><u>(a) Characteristics of infrastructure assets (see paragraphs AG4-AG6, IE/IGXX- IE/IGXX [PLACEHOLDER and BC15-BC26); and</u></p> <p><u>(b) Control (see paragraphs 6, AG8-AG15, IE/IGXX- IE/IGXX[PLACEHOLDER] and BC31-BC41).</u></p>	
	<p><u>BC7. On the basis that IPSAS 17 does not adequately address the relevant principles, the IPSASB decided to add authoritative guidance on:</u></p> <p><u>(a) Characteristics of infrastructure assets (see paragraphs AG4-AG6, IE/IGXX- IE/IGXX and BC15-BC26); and</u></p> <p><u>(b) Control (see paragraphs AG8-AG15, IE/IGXX- IE/IGXX</u></p>	

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	<u>and BCXX-BCXX).</u>	
	<u>Measurement</u>	
	<p>BC8. <u>The Basis for Conclusions in IPSAS XX, Measurement has a comprehensive discussion of the IPSASB's conclusions arising from its Measurement project, and explain the basis for the following revisions to IPSAS 17:</u></p> <p><u>(a) Generic measurement requirements have been removed and relocated to IPSAS XX, Measurement, and</u></p> <p><u>(b) References to fair value have been replaced with [current cost model].</u></p>	
	<u>Scope</u>	
	<u>Remove the Heritage Scope Exclusion Paragraphs</u>	
	<p>BC3-BC9. <u>As explained in BC3, the IPSASB concluded that IPSAS 17 should fully apply to heritage items that are property, plant, and equipment. Therefore, IPSAS 17's scope exclusion for heritage assets and related paragraphs have been deleted.</u></p>	
	<u>Move List to Application Guidance</u>	
	<p>BC4-BC10. <u>In reaching its decision on heritage assets, the IPSASB noted that the list of different types of property, plant, and equipment included in IPSAS 17's section on scope is more in the nature of application guidance than that of principles to include in core text. On this basis the IPSASB decided that the list and related descriptions should be moved to application guidance.</u></p>	
	<u>BC5-BC11.</u>	
	<u>BC6-BC12.</u>	
	<u>Definition of Property, Plant and Equipment</u>	
	<u>Removal of the term 'tangible items'</u>	
	<p>BC7-BC13. <u>The definition of property, plant, and equipment in IPSAS 17 referred to 'tangible items' with no reference to an asset. A consequence is that, if property, plant, and equipment is not a resource, or not controlled or does not result from a past event, it is not an asset.</u></p>	
	<p>BC14. <u>However, this was not clear in IPSAS 17 and caused confusion in practice because they are instances when it is uncertain that an item is a resource and when it is uncertain that an item is controlled by an entity. Strictly applying the old definition of property, plant, and equipment in IPSAS 17 could lead one to recognize an item that did not meet the definition of an asset in The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework) or IPSAS 1, Presentation of Financial Statements.</u></p>	
	<p>BC15. <u>To address the uncertainty of a resource and the uncertainty of control, the IPSASB:</u></p> <p><u>(a) Replaced the term "tangible items" with "tangible</u></p>	

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	<p><u>assets,” in IPSAS 17’s definition of property, plant, and equipment; and</u></p> <p><u>(b) Added guidance on resource and control in the form of:</u></p> <ul style="list-style-type: none"> <u>i. Application guidance (see paragraphs AG8-AG15) to address the lack of IPSAS guidance on resource and control;</u> <u>ii. [Placeholder] Illustrative examples (see paragraphs IEXX-IEXX); and</u> <u>iii. [Placeholder] Implementation guidance (see paragraphs IGXX-IGXX).</u> 	
	<p><u><i>Uncertainty of Resource and Control</i></u></p>	
	<p><u>BC16. In determining whether an element should be recognized there are two types of uncertainty that need to be considered. The first is existence uncertainty—whether the definition of an element has been satisfied. The second is measurement uncertainty—whether the element can be measured in a manner that achieves the qualitative characteristics. Measurement uncertainty is considered if it is determined that the definition of an element has been met.</u></p>	
	<p><u>BC17. The IPSASB acknowledged there are instances where there is uncertainty about the existence of an asset. The uncertainty about the existence of an asset relates to certain characteristics of an asset – in particular whether an item such as a heritage item is a resource and whether an entity controls the asset.</u></p>	
	<p><u>BC18. An asset is defined in IPSAS 1 and the Conceptual Framework with minor differences. The Conceptual Framework includes service potential or the ability to generate economic benefits as part of description of resource rather than as part of the definition of an asset. However, both definitions contain three common components: resource(s), control and past event.</u></p>	
	<p><u>BC19. Whilst, the Conceptual Framework and IPSAS 1 define an asset and whilst, the Conceptual Framework provides guidance for control and resource, the Conceptual Framework does not establish or override the authoritative requirements in IPSAS 17.</u></p>	
	<p><u>BC20. If the item does not meet the asset definition in IPSAS 1 or the Conceptual Framework, then the recognition criteria would not be applied. IPSAS 17 only provided guidance on when to recognize an asset but did not provide guidance on what constitutes control of an asset and did not provide guidance on what constitutes a resource.</u></p>	
	<p><u>BC21. As a result of the lack of guidance on control and what constitutes a resource in IPSAS 17, the IPSASB acknowledged that there is a risk of diversity in practice as stakeholders are uncertain how to identify the reporting entity that controls an asset and whether heritage item is a resource. The IPSASB agreed to include authoritative guidance on control and resource relating to property, plant and equipment.</u></p>	
	<p><u>BC22. The IPSASB decided to add authoritative guidance on control of property, plant, and equipment including heritage</u></p>	

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	<p><u>assets and infrastructure assets and add authoritative guidance on resource (see paragraphs AG8-AG15) because:</u></p> <p>(a) <u>The guidance on control and resource in the Conceptual Framework does not establish or override the authoritative requirements in IPSAS 17;</u></p> <p>(b) <u>IPSAS 1 provides general concepts as it only defines an asset; and</u></p> <p>(c) <u>IPSAS 31, <i>Intangible Assets</i> includes authoritative control guidance. A similar approach when drafting additional guidance in IPSAS 17 enhances consistency.</u></p>	
	<p><u>BC23. The IPSASB also added non-authoritative guidance in the form of Illustrative Examples to further illustrate the general principles for resource and control with case facts developed from practical examples (see paragraphs IEXX-IEXX).</u></p>	
	<p><u><i>Definition, Description and Characteristics of Heritage and Infrastructure Assets</i></u></p>	
	<p><u>BC8-BC24. The IPSASB decided neither heritage nor infrastructure assets need to be defined, because they are subsets of property, plant, and equipment and IPSAS 17 principles on other property, plant, and equipment also apply to heritage and infrastructure. Based on CP Heritage responses and based on comments from constituents related to¹ infrastructure, the IPSAS concluded that IPSAS 17 should include application guidance to help entities identify their heritage assets (see paragraphs AG2-AG3) and infrastructure assets (see paragraphs AG4-AG6). [Placeholder - Reference to non-authoritative guidance if necessary.]</u></p>	
	<p><u>BC25. The IPSASB decided that the characteristics should be those that distinguish heritage and infrastructure assets from other property, plant, and equipment, while also presenting complexities in the application and implementation of IPSAS 17's principles. On this basis, the IPSASB decided:</u></p> <p>(a) <u>Infrastructure assets, are characterized as “networks or systems” that have “long useful lives.”</u></p> <p>(b) <u>Heritage assets are characterized as “restrictions”, “irreplaceable”, and “long and sometimes unspecified useful lives.”</u></p>	
	<p><u>BC9-BC26. For infrastructure assets the IPSASB also decided to update the examples of infrastructure assets and include the various components that make up these “networks or systems” to link these examples to the revised characteristics of infrastructure assets of “networks or systems” and “long useful lives.”</u></p>	
	<p><u>Recognition</u></p> <p><u><i>Heritage assets: The operational/non-operational distinction</i></u></p>	
	<p><u>BC10-BC27. The IPSASB considered whether only those heritage assets that are used for non-heritage purposes should be recognized. Some national jurisdictions use the term “operational” to describe heritage assets that are used</u></p>	

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	<p>for non-heritage purposes. Those jurisdictions only require recognition of operational heritage assets, while non-operational heritage assets are not recognized. Non-operational heritage assets include, for example, museum collections held purely for public appreciation.</p>	
	<p>BC11-BC28. The IPSASB decided that the distinction between operational and non-operational heritage assets is not helpful for identifying whether heritage items are assets and should be recognized. Both operational and non-operational heritage items can be assets, since both can meet the <i>Conceptual Framework's</i> definition of an asset (resource, control, past event). The IPSASB noted that how an entity uses its heritage assets will have implications for their measurement, including (for example) assessments of useful lives for depreciation. 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.</p>	
	<p><i>Infrastructure Assets Spare Parts</i></p>	
	<p>BC29. Constituents commented that there are challenges in assessing whether spare parts required to maintain or repair 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. Their view was that IPSAS 17 does not provide sufficient guidance on whether spare parts are items of property, plant, and equipment or inventory. IPSAS 17 applies to spare parts that are within its scope, while IPSAS 12, <i>Inventories</i>, should be applied to spare parts that are inventory.</p>	
	<p>BC30. The IPSASB noted the issue for infrastructure assets spare parts is not a specific infrastructure assets issue but rather a generic issue. The IPSASB decided that no additional guidance is necessary because there is sufficient authoritative guidance on how to account for spare parts in IPSAS 12 and IPSAS 17.</p>	
	<p><i>Accounting for Land Under or Over infrastructure Assets</i></p>	
	<p>BC12-BC31. The IPSASB agreed that land under or over infrastructure assets is not a specific infrastructure assets issue but rather a generic issue.</p>	
	<p>BC13-BC32. [Placeholder] - Clarify the separation for land under or over infrastructure assets. (See agenda item 2.2.3)]</p>	
	<p>Measurement</p> <p><i>Costs to dismantle Infrastructure Assets</i></p>	
	<p>BC14-BC33. The IPSASB considered the issue raised by stakeholders 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 acquired property,</p>	

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	<p><u>plant, and equipment, including infrastructure assets.</u></p>	
	<p><u>BC15-BC34. The IPSASB decided that this issue is not specific to infrastructure assets issue, and no additional guidance is necessary, because sufficient authoritative guidance exists in IPSAS 17 and IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>. 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.</u></p>	
	<p><u>Depreciation</u></p> <p><u><i>Depreciation: Useful lives</i></u></p>	
	<p><u>BC16-BC35. The IPSASB considers that land has an unlimited useful life and is therefore not depreciated except in cases where land is being consumed as a result of depletion (such as mines and quarries or landfill sites), when land will be depreciated in accordance with paragraph 41; or (b) Where land is being lost or displaced as a result of natural phenomena such as climate change (for example, rock or soil erosion, or desertification), an entity will apply IPSAS 21 or IPSAS 26.</u></p>	
	<p><u>BC17-BC36. The IPSASB considered Heritage CP respondents' views on depreciation of heritage assets. It noted that some respondents argued against depreciation <i>per se</i>, while others stated that application of depreciation to heritage assets is difficult. They stated that additional guidance is needed on (a) how to estimate heritage assets' useful lives, and (b) identification of heritage assets for which there is no depreciation expense.</u></p>	
	<p><u>BC18-BC37. On the basis that many heritage assets are used up over time, as they deliver services and/or economic benefits, the IPSASB concluded that heritage assets can be depreciable assets. However, the IPSASB further concluded that heritage assets may have very long and even indefinite useful lives, due to factors such as their nature and/or the circumstances in which they are held. On this basis the IPSASB decided that IPSAS 17's coverage of useful lives should be revised to apply to situations where non-land property, plant, and equipment assets have finite useful lives.</u></p>	
	<p><u>BC38. [Placeholder - for BCs to explain IPSASB's future decisions on revisions to IPSAS 17's core text to address useful lives. Note that BC46-BC47 may need to be revised to ensure consistency with the IPSASB's decisions on IPSAS 17's core text, once those are known.]</u></p>	
	<p><u>BC19-BC39. [Placeholder - for BCs to explain IPSASB's future decisions on additional non-authoritative guidance. The</u></p>	

NOTES	DRAFT IPSAS XX, Property, Plant, and Equipment	IAS 16?
	<p><u>IPSASB concluded that, given constituents' different views and concerns about depreciation of heritage and infrastructures assets, additional non-authoritative guidance should be included with IPSAS 17 on depreciation of heritage and infrastructure assets. The guidance covers (a) assessments of useful lives, and (b) depreciation of infrastructure components (see paragraphs IE/IGXX-IE/IGXX).]</u></p>	
	<p><u>Renewals Accounting</u> BC20-BC40. <u>[Placeholder - for renewals accounting (See Agenda Item X.X)]</u></p>	
	<p><u>Liabilities for future preservation/ maintenance of heritage and infrastructure assets</u></p>	
	<p>BC21-BC41. <u>The IPSASB considered whether an entity's intention to preserve and/or maintain heritage and infrastructure assets 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.</u></p>	
	<p>BC22-BC42. <u>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. Therefore, unless arrangements are in place that create an obligation to an external party for the entity to preserve and/or maintain heritage and infrastructure assets, no liability exists arising from the entity's plan and/or intention to do so.</u></p>	
	<p><u>Impairment of Heritage Assets</u></p>	
	<p>BC23-BC43. <u>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.</u></p>	
	<p>BC24-BC44. <u>[Placeholder - for BCs to explain IPSASB's future decisions on impairment of heritage and infrastructure assets, which need to address (a) whether revisions or additional guidance could be needed in IPSAS to apply impairment to heritage assets, and (b) impairment of components of a network or systems (infrastructure issue).</u></p>	
	<p><u>Presentation – Display and Disclosure</u></p>	
	<p><u>Heritage: Focus on information in the financial statements</u></p>	
	<p>BC25-BC45. <u>The IPSASB noted that some jurisdictions 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. This type of information could be useful for broader accountability purposes such as reporting on an entity's heritage-related service</u></p>	

NOTES	<u>DRAFT IPSAS XX, Property, Plant, and Equipment</u>	<i>IAS 16?</i>
	<u>performance.</u>	
	BC26-BC46. <u>The IPSASB concluded that it would focus on guidance related to the financial statements on the basis that the Recommended Practice Guidelines (RPGs) provide sufficient guidance for reporting supplementary information about heritage assets outside of the financial statements. The RPGs allow entities to align heritage-related supplementary information to the specific information needs arising from their heritage holdings, heritage-related objectives, and national or local context.</u>	
	<u><i>Heritage and Infrastructure</i></u>	
	<u>BC47. [Placeholder - for BCs to explain future decisions on presentation, including whether there is a need for additional (a) authoritative guidance, or (b) non-authoritative guidance.]</u>	