

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** New York, USA

**Meeting Date:** June 21–24, 2022

## Agenda Item 7

For:

☐ Approval

☒ Discussion

☐ Information

### PROPERTY, PLANT, AND EQUIPMENT

<b>Project summary</b>	The project objective is to develop enhanced guidance clarifying the recognition and measurement of infrastructure and heritage assets that are Property, Plant, and Equipment.	
<b>Task Force members [Or 'Board sponsor' if applicable]</b>	<ul style="list-style-type: none"> <li>• David Watkins, IPSASB Technical Advisor (Task Force Chair)</li> <li>• Takeo Fukiya, IPSASB Technical Advisor</li> <li>• Francesco Capalbo, Second University of Naples</li> <li>• Jonathan Fothergill, RICS</li> <li>• Elles Mukunyadze, Public Accountants and Auditors Board (Zimbabwe)</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Property, Plant, and Equipment: Project Roadmap</a>	<a href="#">7.1.1</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">7.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">7.1.3</a>
<b>Decisions required at this meeting</b>	<a href="#">Issues Paper 1 – SMC1: Restructuring</a>	<a href="#">7.2.1</a>
	<a href="#">Issue Paper 2 – SMC 2: Choice of Measurement Basis</a>	<a href="#">7.2.2</a>
	<a href="#">Issue Paper 3 – SMC 2: Accounting Policy Choice</a>	<a href="#">7.2.3</a>
	<a href="#">Issue Paper 4 – SMC 3: Heritage Assets Characteristics</a>	<a href="#">7.2.4</a>
	<a href="#">Issue Paper 5 – SMC 4: Infrastructure Assets Characteristics</a>	<a href="#">7.2.5</a>
	<a href="#">Issue Paper 6 – SMC 5: Disclosure for Unrecognized Heritage Assets</a>	<a href="#">7.2.6</a>
	<a href="#">Issue Paper 7 – SMC 6: Non-Authoritative Guidance for Heritage Assets</a>	<a href="#">7.2.7</a>
	<a href="#">Issue Paper 8 – SMC 7: Non-Authoritative Guidance for Infrastructure Assets</a>	<a href="#">7.2.8</a>
	<a href="#">Issue Paper 9 – Editorial Changes</a>	<a href="#">7.2.9</a>
	<a href="#">Supporting Document 1 – Summary of Responses</a>	<a href="#">7.3.1</a>

<b>Other supporting items</b>	<a href="#">Supporting Document 2 – [Draft] IPSAS [X], Property, Plant, and Equipment</a>	<a href="#">7.3.2</a>
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**PROPERTY, PLANT, AND EQUIPMENT:  
PROJECT ROADMAP**

<b>Meeting</b>	<b>Completed Actions or Discussions / Planned Actions or Discussions:</b>
Earlier meetings (2015 - 2019)	1. The IPSASB developed its views on Heritage, Infrastructure, and Measurement, and issued two Consultation Papers (CP, Financial Reporting for Heritage in the Public Sector, and CP, Measurement).
March 2020	1. Decisions and instructions on Heritage, Infrastructure, and Measurement issues. 2. Instructions on revisions to IPSAS 17, Property, Plant and Equipment, to include in a [draft] ED for review in June 2020.
June 2020	1. Review and approve text for inclusion in the [draft] ED 78 (IPSAS 17 Update), Property, Plant, and Equipment. 2. Decisions and instructions on Heritage, Infrastructure and Measurement issues. 1. Provide instructions on further revisions to [draft] ED 78 (IPSAS 17 Update), Property, Plant, and Equipment.
September 2020	1. Decisions and instructions on remaining Heritage, Infrastructure, and Measurement issues impacting [draft] ED 78 (IPSAS 17 Update), Property, Plant, and Equipment. 1. Review and approve text for inclusion in the [draft] ED 78 (IPSAS 17 Update), Property, Plant, and Equipment.
December 2020	1. Approve ED 78 (IPSAS 17 Update), Property, Plant, and Equipment.
April 2021 – October 2021	1. Document Out for Comment.
December 2021	1. Preliminarily Review of Responses.
June 2022	1. Review Responses. 2. Discuss Issues.
September 2022	1. Develop Pronouncement. 2. Approve Pronouncement.

**INSTRUCTIONS UP TO PREVIOUS MEETING**

<b>Meeting</b>	<b>Instruction</b>	<b>Actioned</b>
December 2021	1. Develop a detailed response analysis for the IPSASB's review in March 2022.	1. To be actioned for June 2022.
March 2022	1. Detailed review to take place in June 2022.	1. See Agenda Items <b>7.2.1</b> to <b>7.2.9</b>

**DECISIONS UP TO PREVIOUS MEETING**

Meeting	Decision	BC Reference
February 2021	1. All instructions provided up until February 2021 were reflected in the <a href="#">ED 78, Property, Plant, and Equipment</a>	1. All instructions provided up until February 2021 were reflected in the <a href="#">ED 78, Property, Plant, and Equipment</a>

## Restructuring

### Question

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

### Recommendation

2. Staff recommend retaining the structure<sup>1</sup> of the standard as proposed in ED 78, *Property, Plant, and Equipment*.

### Background

3. The IPSASB decided, in June 2020, to relocate generic measurement guidance to ED 77, *Measurement* and guidance that supports the core principles of ED 78, *Property, Plant, and Equipment* to the application guidance (ED 78 BC4), and to add guidance for accounting for heritage assets (ED 78 BC8 and BC9) and infrastructure assets (ED 78 BC10 and BC11) that are within the scope of ED 78.
4. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 78. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB's review.

### Analysis

5. Most respondents support the proposed restructuring<sup>2</sup> of ED 78; however, some have provided suggestions for consideration by the IPSASB:
  - (a) **Additional guidance** illustrating examples for heritage and infrastructure assets or decision trees to help stakeholders find the relevant accounting principles for each of these assets.
  - (b) Suggests the IPSASB reconsider the **scope**, either develop a specific standard for heritage assets or keep the scope exclusion in IPSAS 17 on heritage assets.
  - (c) Three respondents recommend the IPSASB reexamine the **structure of the standard**; they said alignment with IAS 16 should be retained, spare parts and stand-by-equipment should be moved back to the core text, and certain paragraphs moved to the application guidance, such as accounting treatment of repairs and maintenance, are not explanations or developments of the principles but principles, thus should remain in the core text.
  - (d) Respondents asked for **clarification** on the relationship, similarities, or differences, if any, between ED 78 and ED 77 terminology:
    - (i) 'Transaction price' (ED 77) and 'cost' (ED 78)
    - (ii) 'Lack of commercial substance' (ED 78) and 'not undertaken in an orderly market' (ED 77)

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<sup>1</sup> Restructuring: relocating generic measurement guidance to ED 77, *Measurement*; relocating guidance that supports the core principles in ED 78 to the application guidance and adding guidance for accounting for heritage assets and infrastructure assets that are within the scope of ED 78.

<sup>2</sup> 87% of ED respondents agreed or partially agreed with the proposed structure of ED 78. See [Supporting Document 1 – Summary of Responses](#)

6. Staff noted that the responses received do not present information the IPSASB has not previously considered, nor do they identify a public sector-specific issue or challenges when applying the principles.
- (a) **Additional Guidance.** Respondents did not identify a specific public sector issue or challenges that need to be addressed.
  - (b) **Scope.** The IPSASB concluded that the principles in ED 78 should fully apply to heritage assets, because (ED 78 BC7):
    - (i) Their recognition will increase the transparency of heritage-related financial information.
    - (ii) Their nature does not prevent the recognition for financial reporting purposes.
    - (iii) Their nature, by itself, is not a reason for special financial reporting requirements.
  - (c) **Structure of the Standard.** The IPSASB noted in ED 78's Basis for Conclusions (BC4) that core text was moved into the application guidance where the original text expanded on the generic principles already in the core text, rather than adding to them. Respondents did not identify a specific public sector issue or challenges that need to be addressed.
  - (d) **Clarification.**
    - (i) The objective of ED 77 is to define measurement bases that assist in reflecting fairly the cost of assets, such as property, plant, and equipment. A reporting entity is to measure the asset at transaction price, at initial measurement, unless otherwise required or permitted by another IPSAS (ED 77.7). In this case, ED 78 paragraph 12 requires the item of property, plant, and equipment to be measured either at cost or deemed cost.
    - (ii) 'Lacks commercial substance'<sup>3</sup> and 'not undertaken in an orderly market' are not interchangeable concepts. Rather the former is specific to IPSAS 17<sup>4</sup>, consistent with IAS 16. In September 2020, the IPSASB agreed to keep paragraphs 22 and 23 in ED 78, as opposed to ED 77, as these are not generic measurement guidance.
7. Based on the analysis above, Staff does not recommend a departure from the proposed restructuring of ED 78.

### Decision Required

8. Does the IPSASB agree with the Staff recommendation?

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<sup>3</sup> As per IAS 16 BC21 'lacks commercial substance' means the transaction did not have a discernible effect on an entity's economics.

<sup>4</sup> ED 78 paragraph 22 - When an item of property, plant, and equipment is acquired in exchange for non-monetary asset(s) and the transaction 'lacks commercial substance' then the cost of the asset acquired should be measured at the carrying amount of the asset given up.

**Appendix A – Summary of SMC 1 Relevant Responses**

Themes	SMC 1 Relevant Responses
<b>Additional Guidance.</b>	<ul style="list-style-type: none"> <li>Some respondents requested illustrative examples for both heritage and infrastructure assets. – R13 and R38</li> <li>R42 recommended the IPSASB develop decision trees for heritage and infrastructure assets, to help stakeholders find the relevant accounting principles for each type of asset.</li> </ul>
<b>Scope.</b>	<ul style="list-style-type: none"> <li>R09 believes there is no value to scope in heritage assets on the financial statements and a disclosure would be sufficient.</li> <li>R37 does not support scoping in heritage assets.</li> <li>R35 believes a specific IPSAS standard of heritage assets is necessary, as such assets can be tangible, intangible, or a combination, which requires an integrated analysis of the characteristics to conclude on the adequate recognition and measurement criteria, as is the case of Biological Assets and Non-Current Assets Held for Sale.</li> <li>R19 suggested a separate standard is needed for heritage assets and the scope should be limited to tangible heritage assets.</li> </ul>
<b>Structure of the Standard.</b>	<ul style="list-style-type: none"> <li>R16 recommends that the re-ordering of content in IPSAS 17 be reconsidered. The alignment of paragraphs with IAS 16 should be retained in IPSAS 17 as far as possible.</li> <li>R03 suggests that AG16 (spare parts and stand-by-equipment) should be relocated to the core text. The distinction between property, plant, and equipment, and inventory is difficult, especially when dealing with military assets.</li> <li>R19 thinks there are important issues that are being left in the application guide and should be considered in the Standard. They are not explanations or developments of the principles but principles; for example, costs that are not part of PPE, accounting treatment of repairs and maintenance, cost of PPE when the entity manufactures similar products, replacement of components, and general inspections, start and cessation of depreciation.</li> </ul>
<b>Clarification.</b>	<ul style="list-style-type: none"> <li>R39 seeks clarification between 'transaction price' and 'cost' mentioned in ED 77 and ED 78, respectively, on initial measurement.</li> <li>R02 seeks clarification between an acquisition with a 'lack of commercial substance' (ED 78) and a transaction 'not undertaken in an orderly market' (ED 77).</li> </ul>



## **Choice of Measurement Basis – Current Value Model**

### **Question**

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

### **Recommendation**

2. Staff recommend retaining the accounting policy choice to select the current operational value or fair value basis when measuring property, plant, and equipment.

### **Background**

3. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 78, *Property, Plant, and Equipment*. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB's review.

### **Analysis**

4. ED 78 proposed current operational value as one of two measurement bases permitted when measuring property, plant, and equipment using the current value model (the other basis being fair value). Since current operational value was developed to measure assets held for their operational capacity, the IPSASB decided it was appropriate to include it in ED 78.
5. Overall respondents supported<sup>5</sup> having a choice of measurement bases – current operational value or fair value – when measuring property, plant, and equipment at their current value. However, some respondents:
  - (a) **Preferred one measurement basis over the other.** Some respondents indicated a preference for fair value over current operational value or vice versa;
  - (b) **Believed the IPSASB should be more prescriptive.** Some respondents suggested the measurement basis should be based on facts and circumstances, as opposed to a choice;
  - (c) **Indicated the absence of market transactions complicates the current value determination;** and/or
  - (d) **Thought it may be difficult to determine whether an asset is held for operational or financial capacity,** and therefore difficult to select the appropriate measurement basis.
6. Staff noted that the responses received do not present information the IPSASB has not previously considered, nor do they identify a public sector-specific issue or challenges when applying the principles.
  - (a) **Preferred one measurement basis over the other.** In the Basis for Conclusions of ED 78 (BC42), the IPSASB considered allowing only current operational value as the measurement basis, but noted that an entity may also hold property, plant, and equipment for its financial capacity, in which case it is likely held for its 'highest and best use'.<sup>6</sup> This resulted in IPSASB

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<sup>5</sup> 74% of ED respondents agreed or partially agreed with the option of measuring that class of assets either at current operational value or fair value. See [Supporting Document 1 – Summary of Responses](#)

<sup>6</sup> ED BC.42

including fair value as another measurement basis in ED 78 when the entity elects the current value model as its accounting policy choice.

- (b) Believed IPSASB should be more prescriptive. Please see 6(a) above.
  - (c) Indicated the absence of market transactions complicates the current value determination. ED 78.32 acknowledges that determining the current value of many public sector items of property, plant, and equipment may be difficult, because of the absence of market transactions. ED 77 discusses measurement techniques that an entity can use to derive the current value of property, plant, and equipment when there is an absence of market transactions.<sup>7</sup> Thus, the lack of market transactions does not preclude an entity from valuing an item of property, plant, and equipment.
  - (d) Thought it may be difficult to determine whether an asset is held for operating or financial capacity. Both ED 78 and ED 77 provide guidance to help constituents determine whether the primary objective for holding an asset is for its operating or financial capacity (ED 78 AG25 to AG 30 and ED 77 BC32 and BC33). R40 did not provide further details for Staff to ascertain what further guidance could be provided.
7. No reason has been identified from the responses to SMC2 that leads Staff to recommend the IPSASB depart from the proposed principle in ED 78 – choice of measurement basis within the current value model.

#### **Decision Required**

Does the IPSASB agree with the Staff recommendation?

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<sup>7</sup> ED 77 Measurement Techniques, paragraph: 42 - Market Approach, 43 – Cost Approach, and 45 – Income Approach

**Appendix A – Summary of SMC 2 Relevant Responses**

Themes	Relevant Responses
<b>Preferred one measurement basis over the other.</b>	<ul style="list-style-type: none"> <li>• Not convinced that for assets, such as non-specialized buildings, there should be a choice on measurement bases, as the fair value would reflect the opportunity cost of not using the asset for its 'highest and best use' – R06, R13</li> <li>• R15 considers that fair value is not appropriate for Heritage Assets, as it is an 'exit value' which implies the asset is traded in the market, while current operational value is an appropriate measurement basis for Heritage Assets, as it is an 'entry value'.</li> <li>• Based on their jurisdiction, R03 is of the opinion that current operational value would be more relevant than fair value, as the main objective of the property, plant, and equipment standard is to account for tangible assets as used by the entity.</li> </ul>
<b>Believed IPSASB should be more prescriptive on measurement basis.</b>	<ul style="list-style-type: none"> <li>• R 31 believes no choice should be permitted solely based on the primary objective of why the asset is held and questions, based on cost-benefit considerations, the existence of two alternative measured basis.</li> <li>• R31 thinks the IPSASB should be more prescriptive on the measurement basis that should be used if an entity chooses the current value, as to ensure consistency, comparability, and understandability of financial information. Also, mentions that two measurement bases will impose additional costs and efforts to assess which is more appropriate for different assets.</li> <li>• R43 thinks the choice of measurement basis should be driven by the nature of the assets and their classification instead of a choice.</li> <li>• R35 Thinks that the standard should indicate which property, plant, and equipment should be measured at fair value or current operational value.</li> </ul>
<b>Indicated the absence of market transactions complicates the current value determination.</b>	<ul style="list-style-type: none"> <li>• R26 agrees, however, it should be noted that for several property, plant, and equipment assets, in the public sector, it may be difficult to determine their current value due to the absence of market transactions.</li> </ul>
<b>Thought it may be difficult to determine whether an asset is held for operational or financial capacity.</b>	<ul style="list-style-type: none"> <li>• R40 mentioned that it may be difficult to determine whether an asset is held for operational or financial capacity (for example, a mixed-use office building) as to select an appropriate measurement basis.</li> </ul>

## Accounting Policy Choice

### Question

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

### Recommendation

2. Staff recommend adding a paragraph to clarify that the choice between current operational value and fair value basis is an accounting policy choice.

26A. If the entity chooses the current value model, the entity shall choose either the current operational value or fair value, as its measurement basis, and shall apply that accounting policy to an entire class of property, plant, and equipment.

3. Staff is also recommending expanding the Basis for Conclusions on accounting policy choice, see Agenda Item [7.2.9](#).

### Background

4. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 78, *Property, Plant, and Equipment*. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB's review.

### Analysis

5. IPSAS 17, *Property, Plant, and Equipment* offers entities the option between the cost model and revaluation model, each with one measurement basis – cost and fair value, respectively. In ED 78, the IPSASB proposed an additional measurement basis, current operational value, when measuring property, plant, and equipment using the current value model. Therefore, when an entity chooses the current value model, it shall make a second accounting policy choice on measurement bases.
6. As discussed in Agenda Item [7.2.2](#), most respondents supported<sup>8</sup> the choice of measurement bases - current operational value or fair value – when measuring property, plant, and equipment at their current value. However, some respondents:
  - (a) Believed **the nature of the choice** between measurement basis should be an accounting policy choice and/or based on facts and circumstances.
  - (b) Thought the IPSASB should prescribe **when a change between measurement basis is appropriate** and are uncertain what criteria to use to conclude one value is more representative than the other.
7. Staff noted that the concerns raised by respondents are addressed in existing IPSAS literature and do not identify a public sector-specific issue or challenges when applying the principles:
  - (a) [The nature of the choice](#).
    - (i) IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* indicates that a choice of measurement basis is an accounting policy choice and a change

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<sup>8</sup> 74% of ED respondents agreed or partially agreed with the option of measuring that class of assets either at current operational value or fair value. See [Supporting Document 1 – Summary of Responses](#)

between measurement basis is in the scope of IPSAS 3<sup>9</sup>. Thus, when an entity selects either current operational value or fair value, it is making an accounting policy choice.

- (ii) Similarly, the Basis for Conclusion (BC38<sup>10</sup>) indicates management should continue to apply its judgment in choosing an accounting policy that results in information that is:
    - a. Relevant to the decisions needs of users.
    - b. Understandable, timely, comparable, and verifiable.
    - c. Faithfully represents the financial position of the entity.
  - (b) When a change between measurement basis is appropriate. Whether is appropriate to change measurement bases would depend on professional judgment when choosing the accounting policy, discussed above in (a)(ii). ED 78 includes guidance to help entities in the choice, without being prescriptive:
    - (i) Paragraph 29 states that the primary objective of why the entity holds an asset guides the decisions on measurement bases, as opposed to determines.
    - (ii) Paragraph 30 states that a change in measurement basis is appropriate if the change results in a measurement that is more representative of the current value of the item of property, plant, and equipment.
8. Staff believes the insertion of a new paragraph to explicitly say that the choice of measurement basis is an accounting policy choice addresses the two concerns identified by respondents, will enhance consistency within the standard, increase understandability, and consistency in the application of principles. Staff is also recommending expanding the Basis for Conclusions on accounting policy choice, see Agenda Item [7.2.9](#).

#### **Decision Required**

9. Does the IPSASB agree with the Staff recommendation?

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<sup>9</sup> IPSAS 3.40

<sup>10</sup> ED78.BC38. The IPSASB concluded no additional guidance was needed. Management should continue to apply its judgment in choosing an accounting policy that results in information that:

- (a) Is relevant to the accountability and decision-making needs of users;
- (b) Faithfully represents the financial position, financial performance, and cash flows of the entity;
- (c) Meets the qualitative characteristics of understandability, timeliness, comparability, and verifiability; and
- (d) Considers the constraints on information included in general purpose financial reports and the balance between the qualitative characteristics.

**Appendix A – Relevant Responses**

Themes	Relevant Responses
<b>The nature of the choice.</b>	<ul style="list-style-type: none"> <li>• R13 said no choice should be permitted solely based on the primary objective. In other words, the accounting policy choice should exist between historical cost and current value but then within the current value.</li> <li>• R42 &amp; R39 recommend that the choice should be based on the facts and circumstances, for example, the reason why the asset is held and available market information. Also, they think further guidance should be provided to help stakeholders make the choice.</li> <li>• R28 noted that the fair value may differ from the current operational value in certain asset classes and whether a change between any of the two options should be considered as a change of estimate.</li> </ul>
<b>When a change between measurement basis is appropriate.</b>	<ul style="list-style-type: none"> <li>• R06 is uncertain what criteria would be used to decide whether one value is more representative than another, when changing the measurement basis, given that the objectives of the two measurement bases differ.</li> <li>• R04 recommends paragraph 30 be amended to clarify that a change is appropriate only if there is a change to the primary objective for holding the asset, for example from operational capacity to financial capacity.</li> </ul>

## Heritage Assets Characteristics

### Question

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

### Recommendation

2. Staff recommend retaining the characteristics of heritage assets proposed in AG3 of ED 78, *Property, Plant, and Equipment*.
  - (a) Heritage assets typically have the following distinguishing characteristics:
    - (i) They have restrictions on their use;
    - (ii) They are irreplaceable; and
    - (iii) They have long and sometimes indefinite useful lives.

### Background

3. In June 2020, the IPSASB decided that ED 78 would include:
  - (a) The above characteristics, because they distinguish heritage assets from other property, plant, and equipment, while presenting complexities in the application and implementation of existing principles in the current IPSAS 17.
  - (b) The Basis for Conclusions of ED 78 (BC16) reflects that these heritage characteristics, discussed in 2(a) above, are the ones that present challenges when applying and implementing IPSAS 17, as opposed to reflecting all heritage assets characteristics.
4. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 78. The IPSASB instructed staff to develop a detailed response analysis of SMC 3 for the IPSASB's review.

### Analysis

5. SMC 3 asked whether there are other heritage characteristics, besides the ones noted in AG3, that present complexities when applying ED 78 principles. Staff cataloged the 43 responses and noted:

No, Additional Characteristics	Yes, Additional Characteristics	No Comment
15	21	7

6. Staff further categorized the responses by themes:
  - (a) **Include a definition for heritage assets.**
  - (b) **Retaining certain IPSAS 17 heritage assets characteristics**, which were not carried forward to ED 78.
  - (c) **Additional characteristics.**
    - (i) Value-related.
    - (ii) Constraints or limitations.
    - (iii) Others

(d) **Additional heritage asset guidance and examples**

7. Staff noted that the responses received do not present information the IPSASB has not previously considered, nor do they identify a public sector-specific issue or challenges when applying the principles in ED 78.
- (a) **Include a definition for heritage assets.** In March 2020, the IPSASB decided that a separate definition was not necessary for heritage assets, because they are a subset of property, plant, and equipment, and the principles of property, plant, and equipment should also apply to heritage assets. Rather than provide a definition, the decision was to include application guidance, including heritage asset characteristics to help entities identify their heritage assets<sup>11</sup>.
- (b) **Retaining certain IPSAS 17 heritage assets characteristics.** In June 2020, the IPSASB decided to only keep characteristics that present complexities when applying and implementing the principles in ED 78, and distinguish heritage assets from other property, plant, and equipment<sup>12</sup>.
- (c) **Additional characteristics.** Staff observed that the characteristics proposed were not consistent across responses. Staff also noted that the characteristics suggested by respondents were not distinct to heritage assets or presented complexities when applying and implementing the principles in ED 78, which the IPSASB had not previously considered and concluded<sup>13</sup>.
- (d) **Additional heritage asset guidance and examples.** Staff observed a lack of consistency between respondents' recommendations for examples and additional guidance, as to identifying a public sector-specific issue or challenges requiring further guidance.
8. Based on the analysis above, Staff does not recommend a departure from the existing heritage characteristics included in ED 78 AG3.

**Decision Required**

9. Does the IPSASB agree with the Staff recommendation?

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<sup>11</sup> ED BC.15

<sup>12</sup> ED 78 BC.16

<sup>13</sup> ED 78 BC.16



## Appendix A – Summary of Relevant Responses

Themes	Relevant Responses
<b>Include a definition for heritage assets.</b>	<ul style="list-style-type: none"> <li>R31 said that the characteristics included are broad, as to conclude whether land, such as a park, could be considered a heritage asset.</li> <li>R35 believes a definition may avoid different interpretations that could occur when a heritage asset may only have other characteristics than those related to a tangible element.</li> <li>R42 advises that it is worth explaining the “irreplaceable” characteristic. Describing an asset as irreplaceable lacks clarity. Revising paragraph AG3(b) to say, “they are irreplaceable as a result of their historical, cultural, educational or environmental attributes or value,” results in a greater understanding of what is meant by the word “irreplaceable”. Finally, it may be worthwhile combining paragraphs AG2 and AG3 into a single paragraph, so that the paragraph effectively becomes a definition.</li> </ul>
<b>Retaining certain IPSAS 17 characteristics.</b>	<ul style="list-style-type: none"> <li>Its value in historical and cultural terms is unlikely to be adequately reflected in a financial value based purely on a market price. <sup>14</sup> - R19</li> <li>There are prohibitions or severe restrictions on the disposal by sale imposed by legal or regulatory obligations. <sup>15</sup> - R16, R1, R17, R19</li> <li>Its value may increase over time, even if their physical condition deteriorates. <sup>16</sup> - R1, R08, R23, R26</li> </ul>

<sup>14</sup> IPSAS 17.10(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;

<sup>15</sup> IPSAS 17.10(b) Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;

<sup>16</sup> IPSAS 17.10(c) They are often irreplaceable and their value may increase over time, even if their physical condition deteriorates;

<p><b>Additional characteristics.</b></p>	<p>Value-related:</p> <ul style="list-style-type: none"> <li>• Uniqueness of Heritage Assets: Heritage assets are unique and what would considerably be a highly valued asset in one community or jurisdiction may not be so in another. – R14</li> <li>• May have an economic benefit that cannot be measured reliably. – R14</li> <li>• May not generate direct income (for example a monument or historic structure in a public space). – R05</li> <li>• Are difficult to value, as they have cultural value and/or are subject to legislative protection. – R28</li> </ul> <p>Constraints:</p> <ul style="list-style-type: none"> <li>• They have information restrictions for measuring the cost or current value due to a lack of documentation – R35</li> <li>• May be expensive to repair or preserve. – R05</li> <li>• Has limited alternative uses. – R33</li> <li>• Legal restrictions – R39</li> </ul> <p>Others:</p> <ul style="list-style-type: none"> <li>• Unique and sometimes rare/incomparable – R16, R15 and R40</li> <li>• May cross-jurisdiction boundaries. – R17</li> <li>• Generally inherited or discovered. – R41</li> <li>• Cultural, historic or environmental attributes. – R08</li> </ul>
<p><b>Additional heritage asset guidance and examples.</b></p>	<ul style="list-style-type: none"> <li>• R34 may be helpful to provide more detailed characteristics and examples of assets that fit into the finite and infinite useful life classes of assets respectively whilst providing more detailed guidance and example considerations for estimating useful lives.</li> <li>• R24 thinks that there should be guidance and examples to determine the measurement of heritage assets.</li> <li>• R33 recommends that some examples of what constitutes a heritage asset be provided for clarity and guidance purposes.</li> </ul>

## Infrastructure Assets Characteristics

### Question

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

### Recommendation

2. Staff recommend retaining the characteristics of infrastructure assets as proposed in AG5 of ED 78, *Property, Plant, and Equipment*.
  - (a) Infrastructure assets typically have the following distinguishing characteristics:
    - (i) They are networks or systems; and
    - (ii) They have long useful lives.

### Background

3. In June 2020, the IPSASB decided that ED 78 would include:
  - (a) The above characteristics, because they distinguish infrastructure assets from other property, plant, and equipment, while presenting complexities in the application and implementation of existing principles in the current IPSAS 17.
  - (b) The Basis for Conclusions of ED 78 (BC16) reflects that these infrastructure characteristics, discussed in 2(a) above, are the ones that present challenges when applying and implementing IPSAS 17, as opposed to attempting to include all infrastructure assets characteristics.
4. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 78. The IPSASB instructed staff to develop a detailed response analysis of SMC 4 for the IPSASB's review.

### Analysis

5. SMC 4 asked whether there are other infrastructure characteristics, besides the ones noted in AG5, that present complexities when applying ED 78 principles. Staff cataloged the 43 responses and noted:

No, Additional Characteristics	Yes, Additional Characteristics	No Comment
16	20	7

6. Staff further categorized the responses by themes:
  - (a) **Include a definition for infrastructure assets.**
  - (b) **Retaining certain IPSAS 17 infrastructure assets characteristics**, which were not carried forward to ED 78.
  - (c) **Clarification** of the meaning of 'networks' or 'systems' and whether a single specialized asset should be considered an infrastructure asset.
  - (d) **Clarification of why certain IPSAS 17 infrastructure asset characteristics were not retained.**
  - (e) **Additional characteristics.**
    - (i) Strategic in nature.

- (ii) Value-related.
  - (iii) Others
7. Staff noted that the responses received do not present information the IPSASB has not previously considered, nor do they identify a public sector-specific issue or challenges when applying the principles in ED 78.
- (a) [Include a definition for infrastructure assets.](#) In March 2020, the IPSASB decided that a separate definition was not necessary for infrastructure assets, because they are a subset of property, plant, and equipment, and the principles of property, plant, and equipment should also apply to infrastructure assets. Rather than provide a definition, the decision was to include application guidance, including infrastructure asset characteristics to help entities identify their infrastructure assets<sup>17</sup>.
  - (b) [Retaining certain IPSAS 17 infrastructure assets characteristics.](#) In June 2020, the IPSASB decided to only keep characteristics that present complexities when applying and implementing the principles in ED 78, and distinguish infrastructure assets from other property, plant, and equipment. The IPSASB view is reflected in BC16.
  - (c) [Clarification.](#) Infrastructure assets are considered a subset of property, plant, and equipment; as such, whether a port or prison is considered an infrastructure asset does not change the principles an entity is to apply and implement. Defining 'networks' or 'systems' has no impact on the accounting of infrastructure assets. AG5(a) provides distinguishing characteristics of infrastructure assets from other property, plant, and equipment. AG5 does not look to provide entities with all the characteristics of infrastructure assets.
  - (d) [Clarification of why certain IPSAS 17 infrastructure asset characteristics were not retained.](#) Please see 7(b) above.
  - (e) [Additional characteristics.](#) Staff noted that respondents neither suggested characteristics that are distinctive to infrastructure assets nor provided new reasoning as to why the characteristics suggested create complexities when applying and implementing the principles in ED 78 that the IPSASB had not previously considered<sup>18</sup>.
8. Based on the analysis above, Staff does not recommend a departure from the existing infrastructure characteristics included in ED 78 AG5.

#### **Decision Required**

9. Does the IPSASB agree with the Staff recommendation?

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<sup>17</sup> ED BC.15

<sup>18</sup> ED 78 BC.16

**Appendix A – Summary of Relevant Responses**

Themes	Relevant Responses
<b>Include a definition for infrastructure assets.</b>	<ul style="list-style-type: none"> <li>R42 thinks it may be worthwhile combining AG4 and AG5 into a single paragraph so that it effectively becomes a definition.</li> <li>R09 believes a definition for infrastructure assets would be helpful.</li> </ul>
<b>Retaining certain IPSAS 17 characteristics.</b>	<p>Some respondents (R01, R27, R33, and R41) advocated including infrastructure asset characteristics as written in IPSAS 17:</p> <ul style="list-style-type: none"> <li>They are specialized in nature and do not have alternative uses. <sup>19</sup></li> <li>They are immovable. <sup>20</sup></li> <li>They may be subject to constraints on disposal. <sup>21</sup></li> </ul>
<b>Clarification.</b>	<ul style="list-style-type: none"> <li>R13 recommends clarifying whether certain specialized assets, such as ports or correctional facilities, which might not be seen as networks or systems, should be considered infrastructure assets.</li> <li>R39 proposes that clear guidance is provided on the words “Networks” and “Systems” for preparers to better understand whether an asset fulfills such characteristics. For instance, whether a common recreational park, a port, or a terminal is considered an infrastructure asset under ED 78.</li> <li>R31 thinks that AG5(a) could be expanded to state that they are networks or systems that work together to deliver a good or service for public consumption.</li> </ul>
<b>Clarification of why certain IPSAS 17 infrastructure asset characteristics were not retained.</b>	<ul style="list-style-type: none"> <li>R40 wondering why ‘immovability’ was not retained as a characteristic.</li> <li>R11 thinks the IPSASB should explain why IPSAS 17.21(b) &amp; (c) were removed.</li> </ul>

<sup>19</sup> IPSAS 17.21(b)

<sup>20</sup> IPSAS 17.21(c)

<sup>21</sup> IPSAS 17.21(d)

<p><b>Additional characteristics.</b></p>	<p>Strategic in nature:</p> <ul style="list-style-type: none"> <li>• Sustainable competitive advantage: in many instances infrastructure assets are a natural monopoly, operating in markets where the barriers to entry are high. – R17</li> <li>• They provide essential services; Infrastructure assets are essential to the operation of an economy or society. – R17</li> <li>• Infrastructure assets are essential physical assets for the provision of basic public services. – R26</li> <li>• It has strategic importance for the country as a whole or for large geographic areas, constituting basic support for the development and operation of the country – R28</li> </ul> <p>Value-related:</p> <ul style="list-style-type: none"> <li>• The market price is not available in active markets due to the particular characteristics and limitations that some of these assets have. – R19</li> <li>• Their current measurement presents difficulties. – R38</li> <li>• The current age of some infrastructure assets might, similar to heritage assets prove to be a difficulty that impacts estimating costs of them. How does one value/compare a cobblestone street constructed in a prior century with a modern asphalt street today – R30</li> </ul> <p>Others:</p> <ul style="list-style-type: none"> <li>• An additional feature is the age of many of them. – R38</li> <li>• They often combine multiple asset types (such as land and buildings) that are distinct, rather than parts of a single asset type – R31</li> <li>• It may be difficult to separate the land from the built area. – R35</li> <li>• Infrastructure for public use has limitations established by the legal system and the authority that regulates its use. These assets are characterized by the fact that they are inalienable, imprescriptible and unseizable. – R19</li> <li>• Most of the infrastructure assets of the public sector (as is the case of transportation infrastructure) are intended for the use of the community and the State plays a role of protection, administration, maintenance and financial support. This makes it difficult to define who controls them and, consequently, should recognize them. – R19</li> </ul>
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## Unrecognized Heritage Assets Disclosure

### Question

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

### Recommendation

2. Staff recommend retaining the scope of the disclosure to unrecognized heritage assets only<sup>22</sup> as proposed in ED 78, *Property, Plant, and Equipment*.

### Background

3. In September and December 2020, the IPSASB discussed the measurement challenges related to the initial measurement of heritage assets. Specifically, the cost or current value of a heritage asset cannot always be measured reliably. When this is the case, ED 78 proposed disclosure of these heritage assets as recognition is not possible (cannot measure).
4. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 78, *Property, Plant, and Equipment*. The IPSASB instructed staff to develop a detailed response analysis of SMC 5 for the IPSASB's review.

### Analysis

5. Overall respondents supported<sup>23</sup> the disclosure requirements being limited to unrecognized heritage assets. However, some respondents:
  - (a) Believed the **scope should be expanded** to include either infrastructure assets<sup>24</sup> or all property, plant, and equipment<sup>25</sup>. If the latter three respondents, in particular, suggested the disclosure requirements should be subject to the materiality criterion.
  - (b) Suggested **additional disclosure** requirements for both recognized and unrecognized heritage assets. The majority suggested a disclosure on the nature of heritage assets, along with a detailed list of the entities' heritage assets.
6. Staff noted that the responses received did not present information the IPSASB had not previously considered, nor do they identify a public sector-specific issue or challenges to reliably measured non-heritage property, plant, and equipment.
  - (a) **Scope should be expanded.**
    - (i) The IPSASB, in September and December of 2020, concluded that measurement challenges, which prevent recognition of a tangible asset, were specific to heritage assets, and that authoritative guidance was needed to address the presentation issues identified in the Heritage CP. Staff had noted, in September 2020 that measurement may not be possible in some circumstances given the irreplaceability and very long lives of

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<sup>22</sup> Heritage property, plant, and equipment that is not recognized in the financial statements because, at initial measurement, its cost or current value cannot be measured reliably.

<sup>23</sup> 75% of ED respondents agreed or partially agreed with the disclosure requirements of unrecognized heritage assets. See [Supporting Document 1 – Summary of Responses](#)

<sup>24</sup> Two respondents suggested the scope be expanded to infrastructure assets.

<sup>25</sup> 11 respondents suggested the scope be expanded to all property, plant, and equipment.

heritage assets. Respondents requesting to broaden the scope of the disclosure to all property, plant, and equipment did not provide the IPSASB with new information on how the measurement challenges expand beyond heritage assets.

- (ii) Some respondents suggested that infrastructure assets have a similar recognition challenge to heritage assets. Staff's view is that the issue is likely related to IPSAS 33, *First-Time Adoption of Accrual Basis*, as opposed to ED 78. Staff has logged the issue and will handle it in the narrow scope update project of IPSAS 33 (pre-commitment for the 2023 work plan).
- (b) **Additional disclosures.** Only four respondents suggested the inclusion of additional disclosures for both recognized and unrecognized heritage assets. One repeating theme among respondents was requiring information on the preservation and maintenance policies for heritage assets, which may be useful for broader accountability purposes. Information related to the preservation and maintenance of heritage assets extends beyond the scope of financial statements. However, to support strong public financial management, Staff noted that there is existing guidance:
  - (i) IPSAS 1, *Presentation of Financial Statements* encourages reporting entities to disclose additional information, for example, to assist users in the assessment of an entity's performance, stewardship of assets, and allocation of resources<sup>26</sup>.
  - (ii) *Recommended Practice Guidelines* provide sufficient guidance for reporting supplementary information about heritage assets outside of the financial statements<sup>27</sup>.
- 7. No reason was identified from the responses to SMC 5 that leads Staff to recommend the IPSASB expand the scope of the proposed disclosure.

**Decision Required**

- 8. Does the IPSASB agree with the Staff recommendation?

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<sup>26</sup> IPSAS 1, *Presentation of Financial Statements* paragraph 25

<sup>27</sup> ED 78 BC76



## Appendix A – Summary of Relevant Responses

Themes	Relevant Responses
<b>Expand the Scope.</b>	<ul style="list-style-type: none"> <li>The disclosure should apply to all assets that are not recognized because at the initial measurement their cost or current value cannot be reliably measured. - R19, R26, R05, R08, R31, R14, R33, and R38</li> <li>The scope should be for all property, plant, and equipment, subject to the materiality criterion. – R02, R28, and R01</li> <li>The disclosure should also apply to infrastructure assets, as they have the same problems for the determination of their cost and current value. – R20 and R34</li> </ul>
<b>Additional Disclosures.</b>	<ul style="list-style-type: none"> <li>R08 thinks the ED should request governments to an overview and listing of the different heritage assets, along with yearly budgets spend for acquisitions, maintenance, preservation, archaeological and historical examinations; as well as the actual amounts spent in the reporting year.</li> <li>R12 recommends brief disclosure of the nature of recognized heritage assets, as well as preservation and maintenance policies needed to justify material depreciation estimates.</li> <li>R15 recommends detailed disclosures for each heritage asset, notwithstanding if they are recognized or unrecognized. One of the suggestions is to include the name, place, year, type (operational or non-operational), and nature (e.g., historical, artistic, archaeological, archival, etc.).</li> <li>R41 suggests heritage assets that cannot be reliably measured be recognized at a nominal value of one currency unit and the following disclosures be required: reasons why the asset was measured at one currency unit, and any subsequent capitalized expenditure.</li> </ul>

## **Non-Authoritative Guidance for Heritage Assets**

### **Question**

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

### **Recommendation**

2. Staff recommend retaining the non-authoritative guidance for Heritage as proposed in ED 78, *Property, Plant, and Equipment*.

### **Background**

3. The IPSASB developed non-authoritative guidance to enhance the consistency of entities' application of ED 78 on the following topics: control (IG6-IG8), recognition related to subsequent expenditures on unrecognized assets (IG9), capitalization thresholds (IG10-IG14), measurement at current value (IG15-IG18), and depreciation related to useful lives (IG26-IG29).
4. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 78, *Property, Plant, and Equipment*. The IPSASB instructed staff to develop a detailed response analysis of SMC 6 for the IPSASB's review.

### **Analysis**

5. Most respondents supported<sup>28</sup> the additional non-authoritative guidance on heritage assets included in ED 78, and some of them provided recommendations for the consideration of the IPSASB:
  - (a) **Additional examples** showing the application of the principles to an illustrative fact pattern, specific to certain jurisdictions, and of transfers of heritage assets for free between public entities.
  - (b) **Further guidance** on appreciating heritage assets, acknowledgment of the complexity in valuing certain heritage assets, and the recognition of assets that are not yet heritage assets but are being preserved for future generations, hence expected to be one.
  - (c) **Requests clarification** on why an entity is to capitalize subsequent expenditures on unrecognized heritage assets.
  - (d) **Revisions to specific non-authoritative guidance** (IG8, IG17, and IG29), for example, R06 suggests IG8 should focus on the effect of control of storage, rather than on the control scenario over the heritage assets. R16 recommends that IG29 should explain that an adjustment on depreciation should be accounted for as a change in estimate.
  - (e) **Other recommendations** relate to the development of a specific standard for heritage assets, recognition at a nominal value when heritage assets are not measurable, and the structure of ED 78's content, for example, recommends AG8-AG15 to be deleted and 'subsequent costs' guidance to be moved back to the core text.

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<sup>28</sup> 93% of ED respondents agreed or partially agreed with the heritage asset non-authoritative guidance developed as part of ED 78.  
See [Supporting Document 1 – Summary of Responses](#)

6. Staff noted that the responses received do not present information the IPSASB has not previously considered, nor do they identify a public sector-specific issue or challenges when applying the principles.
- (a) [Additional examples.](#) Respondents did not identify a prevalent issue in the public sector requiring further non-authoritative guidance to ensure consistency of the application of ED 78's principles.
  - (b) [Further guidance.](#) Staff noted that the recommendations raised by respondents are either addressed in ED 78 or require the application of professional judgment. For example, the IPSASB acknowledges the complexity of valuing some heritage assets in IG17 and noted that measurement challenges are a normal part of financial reporting and not unique to heritage assets.
  - (c) [Requests for clarification of guidance.](#) The removal of IPSAS 17's heritage scope exclusion consequently meant the application of IPSAS 17's authoritative guidance on expense and capitalization of subsequent expenditure to heritage assets. Staff noted that the request for clarifications raised by respondents are addressed in ED 78, for example, capitalization of subsequent expenditure and control are discussed in AG20, IG9, and BC33, and AG13-AG15 and IG3, respectively.
  - (d) [Revisions to specific non-authoritative guidance.](#) IG8 non-authoritative guidance was added to address a prevalent issue in the public sector, identified in the consultation phase of ED 78, and to enhance the consistency in the application of ED 78 principles. Staff noted that ED 78 already includes guidance on the other revisions raised by respondents, such as a change in useful life should be accounted for as a change in estimate, as per IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*<sup>29</sup>. Similarly, the application of professional judgment is mentioned throughout ED 78<sup>30</sup>.
  - (e) [Other recommendations.](#) The IPSASB concluded that heritage assets were a subset of property, plant, and equipment, therefore the principles in ED 78 should fully apply to them<sup>31</sup>. Authoritative guidance (AG8-AG15) was included to address issues raised by constituents in the CP, *Heritage*<sup>32</sup>. Additionally, certain paragraphs, for example 'subsequent costs', were moved from the core text to the application guidance (AG17-AG19) as these expand on the principles contained in the core text.
7. Staff noted that overall respondents supported the non-authoritative guidance and have no reasons to recommend a departure from the non-authoritative guidance included in ED 78.

#### **Decision Required**

8. Does the IPSASB agree with the Staff recommendation?

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<sup>29</sup> ED 78 paragraph 51

<sup>30</sup> For example, IG17 discusses the need for apply professional judgment to reach the current value of a heritage asset.

<sup>31</sup> ED 78 BC7.

<sup>32</sup> ED 78 BC10(b)

## Appendix A – Summary of Relevant Responses

Themes	Relevant Responses
<b>Additional examples.</b>	<ul style="list-style-type: none"> <li>R13 would welcome a more detailed example showing the application of the principles to an illustrative fact pattern.</li> <li>R38 recommends including more examples and concrete cases that occur in countries so that the IG is more useful.</li> <li>R18 believes that the requirements on tangible assets in the public sector should consider situations where an asset, or a group of assets, is transferred for free from one public sector entity to another, with the objective of serving the public.</li> </ul>
<b>Further guidance.</b>	<p>Recognition</p> <ul style="list-style-type: none"> <li>R16 proposes the inclusion of guidance explaining how an entity should classify assets intended to be held and preserved for the benefit of future generations, which do not meet all the characteristics in AG3.</li> <li>R31 thinks it would be helpful to have guidance on the treatment of the land under a heritage asset and whether the land can also be considered a heritage item.</li> </ul> <p>Measurement</p> <ul style="list-style-type: none"> <li>R12 recommends the IPSASB acknowledge the complexity and judgment required in the valuation of some heritage assets, such as where the use of the asset is restricted, or the asset is irreplaceable.</li> <li>R31 encourages the IPSASB to provide guidance on how to measure unique heritage assets, which measurement is problematic, rather than only providing guidance on whether a value can be derived.</li> </ul> <p>Depreciation</p> <ul style="list-style-type: none"> <li>R33 recommends guidance on how to implement a change in accounting policy (measurement model) and accounting estimate (depreciation) when these are not concurrently.</li> <li>R40 noted that guidance on the appreciation of heritage assets would be helpful, as these should be appreciated rather than depreciated.</li> </ul>

<p><b>Request clarification on guidance.</b></p>	<p>Capitalization of subsequent expenditures on unrecognized heritage assets</p> <ul style="list-style-type: none"> <li>• R32 suggests that it is important that the financial statements clearly distinguish asset balances that represent only capitalized subsequent expenditure from those which reflect a valuation of the entirety of relevant assets.</li> <li>• R30 thinks that subsequent expenditures on Heritage assets should be clearly isolated/delineated from the actual Heritage assets and labeled “Improvements on Heritage assets”.</li> <li>• R40 thinks it would be helpful for preparers to understand why a reporting entity should capitalize subsequent expenditure that it incurs on an unrecognized heritage asset, where that expenditure meets the recognition principle.</li> </ul> <p>Measurement</p> <ul style="list-style-type: none"> <li>• R19 thinks the expectation to derive a current value, IG17, is not appropriate considering the lack of an active market, and its value is not represented by the sum of the labor and materials to reproduce them.</li> </ul> <p>Control</p> <ul style="list-style-type: none"> <li>• R12 agrees generally with the guidance in paragraphs IG6 –9 on control over heritage collections, but the guidance could state that appropriate accounting may depend on specific circumstances.</li> </ul>
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<p><b>Revisions to non-specific authoritative guidance.</b></p>	<ul style="list-style-type: none"> <li>R06 proposes an amendment of paragraph IG8 to focus on the effect of control of storage, rather than on the control scenario <ul style="list-style-type: none"> <li><del>Does an entity retain control over items in its heritage collection if it holds them in storage, instead of displaying them to the public?</del> <u>Does the current control status of items in a heritage collection change if it holds them in storage instead of displaying them to the public?</u></li> <li>IG8. No. <del>Yes.</del> <u>The entity's decision to hold the items in storage does not affect the entity's control over the resource represented by the items.</u> The entity still controls items in its heritage collection when it holds them in storage (for example, in a warehouse or research laboratory) instead of displaying them to the public. <u>Items in a heritage collection that are not controlled but are held in storage, continue to be not controlled.</u> <del>The entity's decision to hold the items in storage does not affect the entity's control over the resource represented by the items.</del></li> </ul> </li> <li>R16 recommends IG17 be revised to explain that a heritage asset is likely not measurable when the range of values is diverse and proposes that IG29 should explain that the adjustment to the useful life of the heritage asset should be accounted for using IPSAS 3, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</li> </ul>
<p><b>Other Recommendations.</b></p>	<p>Specific standard:</p> <ul style="list-style-type: none"> <li>R35 recommends the development of a specific standard, as heritage assets can be both tangible and intangible, as such there is a need for an integrated analysis to decide on the most appropriate recognition and measurement criteria.</li> <li>R37 thinks that heritage assets are utterly misclassified and fundamentally misrepresented in statements of financial position.</li> </ul> <p>Nominal value:</p> <ul style="list-style-type: none"> <li>R19 suggests recording at a nominal value all heritage assets in the financial statements even in cases where it is not possible to assign a relevant and verifiable monetary value.</li> </ul> <p>Structure and content of ED 78</p> <ul style="list-style-type: none"> <li>R07 believes AG8-AG15, property, plant, and equipment as assets, does not provide additional guidance and the reader should be referred to the Conceptual Framework, while AG17-AG19 and AG21-AG23 is of sufficient importance to be in the core text.</li> </ul>

## **Non-Authoritative Guidance for Infrastructure Assets**

### **Question**

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

### **Recommendation**

2. Staff recommend retaining the non-authoritative guidance for Infrastructure as proposed in ED 78, *Property, Plant, and Equipment*.

### **Background**

3. The IPSASB developed non-authoritative guidance to enhance the consistency of entities' application of ED 78 on the following topics: control of land under or over infrastructure assets (IG1-IG5 and IE1-IE5), capitalization thresholds (IG10-IG14), valuing land under or over infrastructure assets (IG19-IG21), identifying parts of infrastructure assets (IG30-IG34), use of information in asset management plans for financial reporting (IG35-IG36) and under-maintenance of assets (IG37-IG40).
4. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 78. The IPSASB instructed staff to develop a detailed response analysis of SMC 7 for the IPSASB's review.

### **Analysis**

5. Most respondents supported<sup>33</sup> the additional non-authoritative guidance on infrastructure assets included in ED 78, and some of them provided recommendations for the consideration of the IPSASB:
  - (a) **Additional examples** illustrating concrete cases that occur in countries, transfers of assets for free between public entities, and major components of some common types of infrastructure would be helpful.
  - (b) **Further guidance** on accounting for land and infrastructure asset separately, 'networks' and 'systems', specific measurement techniques depending on what government body holds the tangible asset, the subsequent valuation of certain costs of road infrastructure, and accounting for infrastructure assets.
  - (c) **Requests clarification** of the use of the terms infrastructure asset, item, and parts as if these are used interchangeably it can lead to a lack of clarity.
  - (d) **Other recommendations** are for the IPSASB to provide a more detailed explanation of why renewals accounting was not adopted, for public entities to disclose when maintenance or repairs have been postponed and the structure of ED 78's content.
6. Staff noted that the responses received do not present information the IPSASB has not previously considered, nor do they identify a public sector-specific issue or challenges when applying the principles.
  - (a) **Additional examples.** Respondents did not identify a prevalent issue in the public sector requiring further non-authoritative guidance to ensure consistency of the application of ED 78's principles.

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<sup>33</sup> 98% of ED respondents agreed or partially agreed with the heritage asset non-authoritative guidance developed as part of ED 78. See [Supporting Document 1 – Summary of Responses](#)

- (b) [Further guidance.](#) The IPSASB included non-authoritative guidance on control of land under or over infrastructure assets to ensure consistency of application.<sup>34</sup> Respondents did not identify a specific public sector issue or challenges that need to be addressed. Staff noted that there is no consistency in the responses received, and sufficient authoritative and non-authoritative guidance exists on the topics mentioned by respondents.
  - (c) [Request clarification.](#) Staff noted that the terms infrastructure asset, item, and parts are not used interchangeably in the paragraphs noted by R31. Rather paragraph 37 describes classes of property, plant, and equipment, and 'infrastructure items' is listed as an example, while IG30-IG34 looks to provide non-authoritative guidance to identify the parts of infrastructure assets, as ED 78 requires significant parts to be separately depreciated. Staff also searched for these terms across ED 78 to ensure these terms were not used interchangeably.
  - (d) [Other recommendations.](#) The IPSASB explains that there is no definitive 'renewal accounting' method and its technique should not be used in its literature given the numerous interpretations<sup>35</sup>. On the request for additional disclosures, Staff noted that existing guidance, in IPSAS 1 and IPSAS 17, encourages reporting entities to disclose additional information<sup>36</sup>.
7. Staff noted that overall respondents supported the non-authoritative guidance and have no reason to recommend a departure from the non-authoritative guidance included in ED 78.

**Decision Required**

8. Does the IPSASB agree with the Staff recommendation?

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<sup>34</sup> ED 78 IG1-IG5 and IE1-IE5.

<sup>35</sup> Renewal accounting is discussed in BC12, BC60, and BC61.

<sup>36</sup> IPSAS 1, *Presentation of Financial Statements* paragraphs 25 and 27



## Appendix A – Summary of Relevant Responses

Themes	Relevant Responses
<b>Additional examples.</b>	<ul style="list-style-type: none"> <li>R38 believes the inclusion of more examples and concrete cases that occur in countries would be more useful for entities.</li> <li>R18 believes that the requirements on tangible assets in the public sector should consider situations where an asset, or a group of assets, is transferred for free from one public sector entity to another, with the objective of serving the public.</li> <li>R13 more illustrative examples of possible major components of some common types of infrastructure could be helpful as educational material.</li> </ul>
<b>Further guidance.</b>	<p>Recognition</p> <ul style="list-style-type: none"> <li>R16 and R35 suggest further guidance is provided on the recognition of land and infrastructure asset separately.</li> <li>R39 proposes that clear guidance is provided on the words “Networks” and “Systems” for preparers to better understand whether an asset fulfills such characteristics.</li> <li>R17 thinks that guidance on specific measurement techniques applicable to the assets depending on where in the public sector entities chain is held is needed.</li> </ul> <p>Measurement</p> <ul style="list-style-type: none"> <li>R06 recommends the IPSASB include guidance on the subsequent valuation of certain costs of road infrastructure, such as formation and brownfield, and calls out the different approaches taken by levels of government when valuing land under or over infrastructure assets.</li> <li>R40 believes that infrastructure assets are often more difficult to account for than heritage assets, yet there is very little new guidance provided on infrastructure assets.</li> </ul>
<b>Request clarification.</b>	<ul style="list-style-type: none"> <li>R31 mentions that the terms infrastructure assets, items, and parts sometimes are used interchangeably, (ED 78.37, IG30, IG31-IG33), and this can result in a lack of clarity.</li> </ul>

<p><b>Other Recommendations.</b></p>	<p>Basis for Conclusions:</p> <ul style="list-style-type: none"> <li>R11 notes that BC61 states that renewals accounting has not been adopted. However, notes that current ED 78 is based on IAS 16 and suggests the IPSASB should give a more detailed explanation for why renewals accounting is not adopted, as it is still used in the US</li> </ul> <p>Disclosure:</p> <ul style="list-style-type: none"> <li>R11 proposes that public sector entities should provide explanatory disclosure in cases where the necessary repairs have been postponed.</li> </ul> <p>Structure of ED 78</p> <ul style="list-style-type: none"> <li>R07 believes AG8-AG15, property, plant, and equipment as assets, does not provide additional guidance and the reader should be referred to the Conceptual Framework, while AG17-AG19 and AG21-AG23 is of sufficient importance to be in the core text.</li> </ul>
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## Editorial Changes

### Question

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

### Recommendation

2. Staff recommend non-conceptual concerns identified by respondents spread across the SMCs be actioned as noted in paragraph 5.

### Background

3. In December 2021, the IPSASB reviewed a summary analysis of responses to ED 78, *Property, Plant, and Equipment*. The IPSASB instructed staff to develop a detailed response analysis for the IPSASB's review.
4. As part of the detailed analysis, staff identified minor editorial issues spread across the SMCs.

### Analysis

5. Staff identified some of the recommendations by respondents to be editorial updates, which do not alter the principles developed by the IPSASB. Staff have actioned editorial updates identified by respondents:

Type of Guidance	Key Topic	Change from ED 78
<a href="#"><u>Core Text.</u></a>	<ol style="list-style-type: none"> <li>1. Definition</li> <li>2. Clarification</li> <li>3. Streamline content</li> </ol>	<ol style="list-style-type: none"> <li>1. Added a reference to "Deemed Cost" definition in IPSAS 33, <i>First-Time Adoption of Accrual Basis</i> IPSASs.</li> <li>2. Revise sentence structure within paragraph 88.</li> <li>3. Deleted paragraph 13, as no reference to ED 77 is required for initial measurement<sup>37</sup>.</li> </ol>
<a href="#"><u>Application Guidance.</u></a>	<ol style="list-style-type: none"> <li>4. Content sequence</li> <li>5. Streamline content</li> </ol>	<ol style="list-style-type: none"> <li>4. Reordered application guidance paragraphs for internal consistency with the core text.</li> <li>5. Deleted land as an indefinite useful life example. This is already discussed in the core text<sup>38</sup>.</li> </ol>
<a href="#"><u>Implementation Guidance.</u></a>	<ol style="list-style-type: none"> <li>6. Revision</li> </ol>	<ol style="list-style-type: none"> <li>6. Replace 'good' in IG35 with the word 'effective' to describe internal controls.</li> </ol>

<sup>37</sup> ED 77 BC21

<sup>38</sup> ED 78 paragraph 55

## Agenda Item 7.2.9

<u><b>Basis for Conclusions.</b></u> (Accounting Policy Choice)	7. Clarification	7. A paragraph was added to reflect that there are instances when a country or jurisdiction is guided by a relevant framework in which the measurement model is pre-determined.
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### Decision Required

6. Does the IPSASB agree with the Staff recommendation?

## Appendix A – Summary of Relevant Responses

Themes	Relevant Responses
Core Text	<ul style="list-style-type: none"> <li>R43 wondered if the guidance would be improved with a definition of deemed cost. (SMC 1)</li> <li>R13 suggested sentence in paragraph 88 on deemed cost be clarified. (SMC 2)</li> <li>R02 suggested that paragraphs 12 (initial measurement at cost) or 13 (refers the reader to ED 77 for initial measurement) should be omitted or a basis for conclusions be added to explain the IPSASB view. (SMC 1)</li> </ul>
Application Guidance	<ul style="list-style-type: none"> <li>R16 noted that the order of content in the core text differs from the order in the Application Guidance. (SMC 1)</li> </ul>
Implementation Guidance	<ul style="list-style-type: none"> <li>R40 view is that “good” (internal controls) may not be sufficiently specific and should therefore be replaced by “functioning” or “reliable”. (SMC 7)</li> </ul>
Basis for Conclusions	<ul style="list-style-type: none"> <li>Refer to Agenda Item <a href="#">7.2.3</a> Appendix A – The nature of the choice. (SMC 2)</li> </ul>

**Supporting Document 1 – Summary of Responses**

		Agree / No, additional characteristics	Partially Agree	Disagree / Yes, additional characteristics	No Comment	% of Agree and Partially Agree (excludes no comment)
SMC 1	Restructuring	26	8	5	4	87%
SMC 2	Measurement Basis	19	10	10	4	74%
SMC 3	Heritage Assets Characteristics	15	-	21	7	42%
SMC 4	Infrastructure Assets Characteristics	20	-	16	7	56%
SMC 5	Unrecognized Heritage Assets Disclosure	16	14	10	3	75%
SMC 6	Heritage Assets Non- Authoritative Guidance	21	17	3	2	93%
SMC 7	Infrastructure Assets Non- Authoritative Guidance	22	17	1	3	98%

**Specific Matter for Comment 2 - (paragraphs 29-30):**

Do you agree that when an entity chooses the current value model as its accounting policy for a class of property, plant, and equipment, it should have the option of measuring that class of assets either at current operational value or fair value?

If not, please provide your reasons, stating clearly which current value measurement basis would best address the needs of the users of the financial information, and why.

**Specific Matter for Comment 3 - (paragraph AG3):**

Are there any additional characteristics of heritage assets (other than those noted in paragraph AG3) that present complexities when applying the principles of [draft] IPSAS [X] (ED 78) in practice?

Please provide your reasons, stating clearly what further characteristics present complexities when accounting for heritage assets, and why.

**Specific Matter for Comment 4 - (paragraph AG5):**

Are there any additional characteristics of infrastructure assets (other than those noted in paragraph AG5) that present complexities when applying the principles of [draft] IPSAS [X] (ED 78) in practice?

Please provide your reasons, stating clearly what further characteristics present complexities when accounting for infrastructure assets, and why.

**Specific Matter for Comment 5 - (paragraphs 80-81 and AG44-AG45):**

This Exposure Draft proposes to require disclosures in respect of heritage property, plant, and equipment that is not recognized in the financial statements because, at initial measurement, its cost or current value cannot be measured reliably.

Do you agree that such disclosure should be limited to heritage items? If not, please provide your reasons, stating clearly the most appropriate scope for the disclosure, and why.

**Specific Matter for Comment 6 - (paragraphs IG1-IG40):**

Do you agree with the Implementation Guidance developed as part of this Exposure Draft for heritage assets?

If not, please provide your reasons, stating clearly what changes to the Implementation Guidance on heritage assets are required, and why.

**Specific Matter for Comment 7 - (paragraphs IG1-IG40):**

Do you agree with the Implementation Guidance developed as part of this Exposure Draft for infrastructure assets?

If not, please provide your reasons, stating clearly what changes to the Implementation Guidance on infrastructure assets are required, and why.

**Supporting Document 2 – [DRAFT] IPSAS [X], Property, Plant and Equipment**

1. Guidance in [draft] IPSAS X, *Property, Plant, and Equipment* is based on ED 78 issued in April 2021. Text has been updated to reflect:
  - (a) Staff recommendations proposed in Agenda Items [7.2.3](#) and [7.2.9](#)
2. IPSASB members, Technical Advisors, and Observers are asked to note the following when reviewing [DRAFT] IPSAS [X], *Property, Plant, and Equipment*:
  - (a) Text changes resulting from staff recommendations are tracked (additions are underlined, deletions are ~~strikeout~~, and movements are reflected in **green font**);
  - (b) New paragraphs are numbered by adding lettering. This is only for development purposes to maintain paragraph numbering consistency with ED 78 for tracking purposes.
    - (i) If a paragraph was added after paragraph 50, it is numbered 50A.
  - (c) Relocated paragraphs are marked [Relocated]. This is only for development purposes to maintain paragraph numbering consistency with ED 78 for tracking purposes.
    - (i) If a paragraph was moved after paragraph 50, it is numbered 50A.
  - (d) Deleted paragraphs are marked [Deleted]. This is only for development purposes to maintain paragraph numbering consistency with ED 78 for tracking purposes.



*Development Document*

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Exposure Draft 78, *Property,  
Plant, and Equipment*

## DOCUMENT COMPARISON

This Development Document was prepared for information purposes only. It is not a Standard or pronouncement of the IPSASB. It has not been reviewed, approved or otherwise acted upon by the IPSASB.

### Objective of the Document Comparison

The objective of this Development Document is to support constituents in their review of ED 78, *Property, Plant, and Equipment*. This Development Document has been developed to highlight the source of the ED 78 material.

This Development Document references IPSASB meetings where decisions were made. Constituents may access the Agenda Items from the IPSASB meetings on the [IPSASB meetings page](#).

### Development of the Exposure Draft

This ED proposes updates to IPSAS 17, *Property, Plant, and Equipment* by adding general measurement guidance and measurement options when accounting for assets within its scope, identifying the characteristics of and heritage and infrastructure assets, and proposing new guidance on how these important types of public sector assets should be recognized and measured. ED 78, *Property, Plant, and Equipment* proposes the following:

- (a) Additional general measurement guidance and options when accounting for assets within its scope;
- (b) Characteristics to identify heritage and infrastructure assets; and
- (c) Additional guidance on how heritage and infrastructure assets should be recognized and measured.

NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
<p><i>Paragraph 1 is IPSAS 17.1</i></p>	<p><b>Objective</b></p> <p>1. The objective of this [draft] 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; the recognition of the assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognized in relation to them.</p>	<p>IAS 16.1</p>
<p><i>Paragraph 2 is IPSAS 17.2 amended for IPSASB December 2019 decision to remove heritage assets scope exclusion. (Reviewed by the IPSASB in June 2020.</i></p> <p><i>IPSAS 17.3 and IPSAS 17.4 had already been deleted in IPSAS 17.</i></p> <p><i>IPSAS 17.5 is moved to AG (IPSASB instruction in June 2020).</i></p>	<p><b>Scope</b></p> <p>2. <b>An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this [draft] Standard in accounting for property, plant, and equipment (see paragraphs AG1-AG7 in Appendix A), except when another Standard requires or permits a different accounting treatment.</b></p>	<p>IAS 16.2 (amended)</p>

NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
<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>Paragraph 3 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 79, <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</p>	<p>3. This [draft] Standard does not apply to:</p> <ul style="list-style-type: none"> <li>(a) Biological assets related to agricultural activity other than bearer plants (see IPSAS 27, <i>Agriculture</i>). This [draft] Standard applies to bearer plants but does not apply to the produce on bearer plants;</li> <li>(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);</li> <li>(c) Property, plant, and equipment classified as held for sale in accordance with [draft]- IPSAS- [X] [ED 79]), <i>Non-Current Assets Held for Sale and Discontinued Operations</i><sup>39</sup>.</li> <li>(d) The recognition and measurement of exploration and evaluation assets (see the relevant international or national accounting standard dealing with measurement of exploration and evaluation assets).</li> </ul> <p>However, this [draft] Standard applies to property, plant, and equipment used to develop or maintain the assets described in 9(a), 9(b) and 9(d).</p>	<p>IAS 16.3 (amended)</p>
<p>The IPSASB has a project to replace IPSAS 13, <i>Leases</i>. Refer to [draft] IPSAS [X] (ED 75), <i>Leases</i>. Paragraph 4 incorporates the amendment to IPSAS 17, <i>Property, Plant, and Equipment</i> from [draft] IPSAS [X] (ED 75). This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 75). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 75).</p>	<p>4. [Deleted]</p>	

<sup>39</sup> Paragraph 3(c) incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from ED 79, *Non-current Assets Held for Sale and Discontinued Operations*. This amendment reflects the IPSASB's current views in ED 79. This amendment is subject to change based on responses received to this [draft] Standard and ED 79.

NOTES	<b>[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<i>IAS 16?</i>
<p><i>IPSAS 17.9, IPSAS 17.11 and IPSAS 17.12 are deleted.</i></p> <p><i>IPSAS 17.10 is moved to AG.</i></p> <p><i>Paragraph 5 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 75, Leases.</i></p>	<p>5. An entity using the historical cost model for investment property in accordance with IPSAS 16, <i>Investment Property</i> shall use the historical cost model in this [draft] Standard for owned investment property<sup>40</sup>.</p>	<p><i>IAS 16.5</i></p>

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<sup>40</sup> Paragraph 5 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from ED 75, *Leases*. This amendment reflects the IPSASB's current views in ED 75. This amendment is subject to change based on responses received to this [draft] Standard and ED 75.



NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
<p>Definition amended by IPSASB decision in June 2020 (Agenda Item 10.2.3).</p> <p>Reference to ED 78 definitions added by IPSASB decision in July 2020 (Agenda Item 2.2.2).</p> <p><u>Reference to deemed cost was added in June 2022. See Agenda item 7.2.9</u></p>	<p>The term recoverable service amount is defined in IPSAS 21, <b><i>Impairment of Non-Cash-Generating Assets</i></b> and is used in this [draft] Standard with the same meaning as in IPSAS 21:</p> <p>The term recoverable amount is defined in IPSAS 26, <b><i>Impairment of Cash Generating Assets</i></b> and is used in this [draft] Standard with the same meaning as in IPSAS 26:</p> <p>The term bearer plant is defined in IPSAS 27, <b><i>Agriculture</i></b> and is used in this [draft] Standard with the same meaning as in IPSAS 27.</p> <p><u>The term deemed cost is defined in IPSAS 33, <b><i>First-Time Adoption of Accrual Basis</i></b> and is used in this [draft] Standard with the same meaning as in IPSAS 33.</u></p>	<p>separately defined for CG asset vs non-CG asset.</p>

NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
<p><i>Paragraph 7 is IPSAS 17.14, amended by (a) IPSASB decision to change reference to Fair Value to [Current Value] in June 2020 (Agenda Item 8.2.2), and for consequences of defining PP&amp;E to be assets.</i></p> <p><i>IPSAS 17.15 and IPSAS 17.16 had been deleted in IPSAS 17.</i></p>	<p><b>Recognition</b></p> <p>7. An item of property, plant, and equipment shall be recognized 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 current value of the item can be measured reliably<sup>41</sup>.</p> <p>8. If an entity holds heritage property, plant and equipment that meets the definition of an asset, but which does not meet the recognition criteria in paragraph 13, information as required by paragraph 86 shall be disclosed in the notes to the financial statements. When information about the cost or current value of the heritage property, plant and equipment becomes available, the entity shall, from that date, recognize the heritage property, plant, and equipment in accordance with paragraph 13 and apply the measurement principles in this Standard.</p>	<p>IAS 16.7</p>
<p><i>IPSAS 17.17 is moved to AG by IPSASB decision in July 2020 (Agenda Item 2.2.2).</i></p> <p><i>Paragraphs 9 to 10 are IPSAS 17.18 to IPSAS 17.19.</i></p>	<p>9. This [draft] Standard does not prescribe the unit of measure for recognition, i.e., what constitutes an item of property, plant, and equipment. Thus, judgment is required in applying the recognition criteria to an entity's specific circumstances. It may be appropriate to aggregate individually insignificant items, such as library books, computer peripherals, and small items of equipment, and to apply the criteria to the aggregate value.</p>	<p>IAS 16.9</p>

<sup>41</sup> 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, *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.



NOTES	<b>[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
<p><i>IPSAS 17.20 is moved to AG.</i></p> <p><i>Paragraph 10 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 75, Leases.</i></p>	<p>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 construct and/or develop an item of property, plant, and equipment and costs incurred subsequently to add to, replace part of, or service it. The cost of an item of property, plant, and equipment may include costs incurred relating to leases of assets that are used to construct, add to, replace part of or service an item of property, plant, and equipment, such as depreciation of right-of-use assets<sup>42</sup>.</p>	<p><i>IAS 16.10</i></p>
<p><i>Paragraph 11 is IPSAS 17.22. Text retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2).</i></p> <p><i>IPSAS 17.23 to 25 moved to AG. by IPSASB decision in June 2020 (Agenda Item 8.2.2).</i></p>	<p>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 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 and IPSAS 26.</p>	<p><i>IAS 16.11</i></p>
<p><i>Paragraphs 12-14 are IPSAS 17.26, IPSAS 17.27 and IPSAS 17.29 amended by IPSASB decisions.</i></p>	<p><b>Initial Measurement</b></p> <p>12. <b>An item of property, plant, and equipment that qualifies for recognition shall be measured at its cost, unless it is acquired through a non-exchange transaction<sup>43</sup>. Property, plant, and equipment acquired through a non-exchange transaction shall be measured at its deemed cost.</b></p>	<p><i>IAS 16.15</i></p>

<sup>42</sup> Paragraph 10 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 75), *Leases*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 75). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 75).

<sup>43</sup> Paragraph 12 does not incorporate the amendment to IPSAS 17, *Property, Plant, and Equipment* from ED 71, *Revenue without Performance Obligations* because the IPSASB decided not to replace the term "non-exchange transaction" with the term "revenue transaction without performance obligations" in this [draft] Standard because the term "non-exchange" continues to be relevant in the context of acquiring property, plant, and equipment at no or reduced consideration and in the overall IPSASB literature.

NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
<p>IPSAS 17.28 is moved to AG</p> <p>Paragraph 12 was combined with the following paragraph by IPSASB decision in July 2020 (Agenda Item 2.2.2).</p> <p>Paragraph 12 has not been amended to incorporate the consequential amendments to IPSAS 17 from ED 71, Revenue without Performance Obligations.</p>		No
<p>Paragraph has been deleted as no reference to ED 77 is required for initial measurement. See <a href="#">Agenda Item 7.2.9</a> from June 2022</p> <p>IPSASB agreed the initial measurement requirements in individual IPSAS would not be replaced by the initial measurement principles in [draft] IPSAS [X], ED 77. (ED 77 BC21)</p>	<p>13. <del>[Deleted] When measuring an item of property, plant, and equipment at recognition, an entity shall apply [draft] IPSAS [X], (ED-77).</del></p>	
<p>IPSAS 17.30 to IPSAS 17.31 are moved to IPSAS, Measurement by IPSASB decision in June 2020 (Agenda Item 8.2.2).</p>	<p>14. For the purposes of this [draft] Standard, the measurement at recognition of an item of property, plant, and equipment, acquired at no or nominal cost, at its deemed cost consistent with the requirements of paragraph 18, does not constitute a revaluation. Accordingly, the revaluation requirements in paragraph 35, and the supporting Application Guidance, only apply where an entity elects to revalue an item of property, plant, and equipment in subsequent reporting periods.</p>	No
	<b>Elements of Cost</b>	

NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
<p>Paragraph 15 is IPSAS 17.30.</p> <p><i>This paragraph was moved to ED, Measurement in June 2020. It has been moved back to ED 78 during the development of the historical cost appendix in ED, Measurement. See Agenda Item 7.2.15 for additional details.</i></p>	<p>15. The cost of an item of property, plant, and equipment comprises:</p> <ul style="list-style-type: none"> <li>(a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.</li> <li>(b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and</li> <li>(c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.</li> </ul>	IAS 16.16
<p>Paragraph 16 is IPSAS 17.31.</p> <p><i>This paragraph was moved to ED, Measurement in June 2020. It has been moved back to ED 78 during the development of the historical cost appendix in ED, Measurement. See Agenda Item 7.2.15 for additional details.</i></p> <p><i>Amendment made to pick up May 2020 Improvements to IAS 16 to prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use (proceeds before intended use).</i></p>	<p>16. Examples of directly attributable costs are:</p> <ul style="list-style-type: none"> <li>(a) Costs of employee benefits (as defined in IPSAS 39, <i>Employee Benefits</i>) arising directly from the acquisition construction and/or development of the item of property, plant, and equipment;</li> <li>(b) Costs of site preparation;</li> <li>(c) Initial delivery and handling costs;</li> <li>(d) Installation and assembly costs;</li> <li>(e) Costs of testing whether the asset is functioning properly (i.e., assessing whether technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes and</li> <li>(f) Professional fees.</li> </ul>	IAS 16.17

NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
<i>Paragraph 17 is IPSAS 17.32</i>	17. 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 this [draft] Standard are recognized and measured in accordance with IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	IAS 16.18
<i>IPSAS 17.33 is moved to AGs by IPSASB decision in July 2020 (Agenda Item 2.2.2)</i>		IAS 16.19
<i>Paragraph 18 is IPSAS 17.34.</i>	<p>18. Recognition of costs in the carrying amount of an item of property, plant, and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an item are not included in the carrying amount of that item. For example, the following costs are not included in the carrying amount of an item of property, plant, and equipment:</p> <ul style="list-style-type: none"> <li>(a) Costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than full capacity;</li> <li>(b) Initial operating losses, such as those incurred while demand for the item's output builds up; and</li> <li>(c) Costs of relocating or reorganizing part or all of the entity's operations.</li> </ul>	IAS 16.20
<i>Paragraph 19 added to reflect May 2020 Improvements to IAS 16 to prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use (proceeds before intended use).</i>	19. Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly). An entity recognizes the proceeds from selling any such items, and the cost of those items, in surplus or deficit in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IPSAS 12.	IAS 16.20A

NOTES	<b>[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
<i>Paragraph 20 is IPSAS 17.35.</i>	20. Some operations occur in connection with the construction or development of an item of property, plant, and equipment, but are not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by management. These incidental operations may occur before or during the construction or development activities. For example, revenue may be earned through using a building site as a car park until construction starts. Because incidental operations are not necessary to bring an item to the location and condition necessary for it to be capable of operating in the manner intended by management, the revenue and related expenses of incidental operations are recognized in surplus or deficit and included in their respective classifications of revenue and expense.	IAS 16.21
<i>IPSAS 17.36 and IPSAS 17.36A moved to AG by IPSASB decision in June 2020 (Agenda Item 8.2.2).</i>		
	<b>Measurement of Cost</b>	
<i>Paragraph 20 is IPSAS 17.37.</i>	21. The cost of an item of property, plant, and equipment is the cash price equivalent or, for an item referred to in paragraph 12, its deemed cost at the recognition date. If payment is deferred and the time value of money is material, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit, unless such interest is recognized in the carrying amount of the item in accordance with the allowed alternative treatment in IPSAS 5, <i>Borrowing Costs</i> .	IAS 16.23
<i>Paragraph 22 is IPSAS 17.38.</i>	22. One or more items of property, plant, and equipment may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an item of property, plant, and equipment is measured at its fair value unless the exchange transaction lacks commercial substance, or the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired item is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired item is not measured at value, its cost is measured at the carrying amount of the asset given up.	IAS 16.24

NOTES	<b>[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<i>IAS 16?</i>
<i>Paragraph 23 is IPSAS 17.39.</i>	<p>23. An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. An exchange transaction has commercial substance if:</p> <ul style="list-style-type: none"> <li>(a) The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or</li> <li>(b) The entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and</li> <li>(c) The difference in (a) or (b) is significant relative to the fair value of the assets exchanged.</li> </ul> <p>For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the entity's operations affected by the transaction shall reflect post-tax cash flows, if tax applies. The result of these analyses may be clear without an entity having to perform detailed calculations.</p>	<i>IAS 16.25</i>
<i>Paragraph 24 is IPSAS 17.40.</i>	<p>24. The fair value of an asset is reliably measurable if the variability in the range of reasonable fair value measurements is not significant for that asset, or the probabilities of the various estimates within the range can be reasonably assessed and used when measuring fair current value. If an entity is able to measure reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.</p>	<i>IAS 16.26</i>

NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
<p>Paragraph 24 is IPSAS 17.41.</p> <p>Paragraph 25 incorporates the amendment to IPSAS 17, <i>Property, Plant, and Equipment</i> from [draft] IPSAS [X] (ED 75), <i>Leases</i>. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 75). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 75).</p>	<p>25. [Deleted]</p>	<p>Based on IAS 16.28</p>
<p>There is no equivalent heading in IPSAS 17. Paragraph 26 is derived from IPSAS 17.42.</p>	<p><b>Subsequent Measurement</b></p> <p>26. An entity shall choose either the historical cost model in paragraph 28 or the current value model in paragraph 35 as its accounting policy and shall apply that policy to an entire class of property, plant, and equipment.</p>	<p>IAS 16.29 (amended)</p>
<p><u>In response to SMC 2 comments an additional paragraph was added to clarify there is an accounting police choice required for measurement basis. See Agenda item 7.2.3 from June 2022</u></p>	<p><b><u>26A. If the entity chooses the current value model, the entity shall choose either the current operational value or fair value, as its measurement basis, and shall apply that accounting policy to an entire class of property, plant, and equipment.</u></b></p>	
<p>There is no equivalent in IPSAS 17 to paragraph 27. This paragraph was added by March 2020 Decision.</p>	<p>27. When the measurement requirements are applied to the item of property, plant, and equipment after recognition, an entity shall apply [draft] IPSAS [X] (ED 77).</p>	<p>No</p>

NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
	<b>Current Value Model</b>	
<i>Paragraph 28 is IPSAS 17.43</i>	<b>28. After recognition, an item of property, plant, and equipment shall be carried at its historical cost, less any accumulated depreciation and any accumulated impairment losses.</b>	IAS 16.30
<i>Paragraph 29 is IPSAS 17.44</i>  <i>2<sup>nd</sup> sentence was added by</i>	<b>Current Value Model</b>  <b>29. After recognition, an item of property, plant, and equipment whose current value can be measured reliably shall be carried at a revalued amount, being its current operational value or fair value at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment losses. The primary objective for which an entity holds an asset guides the selection of the current value measurement basis. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the reporting date. The accounting treatment for revaluations is set out in paragraphs 39-41.</b>	IAS 16.31 (amended to add last two sentences)
<i>Paragraph 30 is added to address in-period comment regarding retention of FV (Agenda Item 5.2.2).</i>	30. The measurement basis selected to measure current value, either fair value or current operational value, shall be applied consistently to the class of property, plant, and equipment at each measurement date. A change in the current value measurement basis, for example, from current operational value to fair value, or vice versa, is appropriate if the change results in a measurement that is more representative of the current value of the item of property, plant, and equipment.	-
<i>Paragraph 31 is IPSAS 17.45</i>	31. The current value of items of property plant, and equipment is usually determined from market-based evidence by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession, who holds a recognized and relevant professional qualification. For some non-specialized items of property, plant, and equipment, a current value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialized buildings, motor vehicles, and many types of plant and equipment.	-



NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
<p>Paragraph 32 is IPSAS 17.46</p> <p>IPSAS 17.47 and IPSAS 17.48 are removed from ED 78 as the concepts are now addressed in ED, Measurement. See IPSASB decision in June 2020 (Agenda Item 8.2.2).</p>	<p>32. For many public sector items of property, plant, and equipment, it may be difficult to establish their current value because of the absence of market transactions for these assets (see [draft] IPSAS [X] (ED 77)). Some public sector entities may have significant holdings of such assets.</p>	<p>-</p>
<p>Paragraphs 33-34 are IPSAS 17.49 and IPSAS 17.50. They are retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2).</p>	<p>33. The frequency of revaluations depends upon the changes in current values of the items of property, plant, and equipment being revalued. When the current value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some items of property, plant, and equipment experience significant and volatile changes in current value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant, and equipment with only insignificant changes in current value. Instead, it may be necessary to revalue the item only every three or five years.</p>	<p>IAS 16.34</p>
	<p>34. 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:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.</li> </ul> <p>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 45 and 46.</p>	<p>IAS 16.35</p>
<p>Paragraphs 35-38 are IPSAS 17.51-53.</p>	<p>35. <b>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.</b></p>	<p>IAS 16.36</p>

NOTES	<b>[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
	36. Impairment losses and reversals of impairment losses of an asset under IPSAS 21 and IPSAS 26 do not necessarily give rise to the need to revalue the class of assets to which that asset, or group of assets, belongs.	No
<p><i>Paragraphs 37-38 (IPSAS 17.52-53) are retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2).</i></p> <p><i>Paragraphs 37(n) and (o) were added by IPSASB decision in July 2020 (Agenda Item 2.2.2)</i></p>	<p>37. 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:</p> <ul style="list-style-type: none"> <li>(a) Land;</li> <li>(b) Operational buildings;</li> <li>(c) Roads;</li> <li>(d) Machinery;</li> <li>(e) Electricity transmission networks;</li> <li>(f) Ships;</li> <li>(g) Aircraft;</li> <li>(h) Weapons systems;</li> <li>(i) Motor vehicles;</li> <li>(j) Furniture and fixtures;</li> <li>(k) Office equipment;</li> <li>(l) Oil rigs;</li> <li>(m) Bearer plants;</li> <li>(n) Heritage collections; and</li> <li>(o) Infrastructure items.</li> </ul> <p>When grouping property, plant, and equipment into classes, an entity may identify items with similar nature, but held for different functions, or vice versa. For example, while various parcels of land might be similar in nature, some may be held for agricultural purposes and others for commercial purposes. This may result in the entity identifying two classes of land and presenting information using historical cost for one class and current value for the other.</p> <p>38. 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.</p>	<p>IAS 16.37</p> <p>IAS 16.38</p>

NOTES	<b>[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
<i>Paragraphs 39-43 are IPSAS 17.54 to IPSAS 17.58</i>	39. <b>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.</b>	<i>IAS 16.39 (amended)</i>
	40. <b>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.</b>	<i>IAS 16.40 (amended)</i>
	41. <b>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.</b>	<i>No</i>
	42. <b>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.</b>	<i>IAS 16.41 (amended)</i>
	43. <b>Guidance on the effects of 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.</b>	<i>IAS 16.42 (amended)</i>
	<b>Depreciation</b>	
<i>Paragraph 44 is IPSAS 17.59.</i>  <i>IPSAS 17.60 is moved to AG.</i>	44. <b>Each part of an item of property, plant, and equipment with a cost or value that is significant in relation to the total cost or value of the item shall be depreciated separately.</b>	<i>IAS 16.43</i>
<i>Paragraphs 45 - 49 are IPSAS 17.61 to IPSAS 17.65.</i>	45. <b>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.</b>	<i>IAS 16.45</i>

NOTES	<b>[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
	<p>46. 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.</p> <p>47. 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.</p> <p>48. <b>The depreciation charge for each period shall be recognized in surplus or deficit, unless it is included in the carrying amount of another asset.</b></p> <p>49. 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>.</p>	<p>IAS 16.46</p> <p>IAS 16.47</p> <p>IAS 16.48</p> <p>IAS 16.49</p>
	<i>Depreciable Amount and Depreciation Period</i>	
Paragraphs 50-52 are IPSAS 17.66 to IPSAS 17.68.	50. <b>The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.</b>	IAS 16.50
	51. <b>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>.</b>	IAS 16.51
IPSAS 17.69-73 are moved to AG	52. Depreciation is recognized even if the 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/or the asset tested for impairment in accordance with paragraph 62, and adjusted accordingly.	IAS 16.52 (amended to add last two sentences)

NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
Paragraphs 53-54 are IPSAS 17.74 and IPSAS 17.75. (Revised for IPSASB decisions in September 2020.)	53. 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 indefinite useful life and therefore is not depreciated. Buildings generally have a finite 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
	54. If the 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 finite 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)
See July 2020, agenda paper 2.2.4	<b><u>Finite and Indefinite Useful Lives</u></b>	

IPSAS 31.87 with minor revisions (e.g., to refer to "PP&E" instead of "intangible.")	55. An entity shall assess whether the useful life of property, plant, and equipment is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. Land usually has an indefinite useful life. There is a rebuttable presumption that non-land property, plant, and equipment have finite useful lives. Property, plant, and equipment 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 to generate net cash inflows for the entity.	No
IPSAS 31.88 with minor revisions.	56. An item of property, plant, and equipment with a finite useful life is depreciated. An item of property, plant, and equipment asset with an indefinite useful life is not depreciated.	No
IPSAS 31.90 revised to refer to property, plant and equipment.  Revision to address mid-period review comment that projections should be described in terms of the Conceptual Framework's qualitative characteristics. See CF 6.8 for discussion of estimates.	57. The term "indefinite" does not mean "infinite." The useful life of property, plant, and equipment should reflect evidence on factors that could affect the useful life at the time of estimating the asset's useful life. Projections of those factors and the estimated useful life should be realistic rather than optimistic or pessimistic, which means that they should be supported by objective evidence and generate relevant and faithfully representative measures of asset value and depreciation, rather than optimistic, projections of those factors. For example, a conclusion that the useful life of property, plant, and equipment is indefinite should not depend on planned future expenditure in excess of that required to maintain the asset at its current standard of performance. Nor should such a conclusion depend on preservation actions for which there is no realistic likelihood under present or projected budget constraints.	No

<i>IPSAS 31.92 revised to refer to property, plant and equipment.</i>	58. 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.	No
<i>Paragraph inserted by IPSASB decision of September 2020 (Agenda Item 9.2.8)</i>	<b>Annual Impairment Reviews for Assets with Indefinite Useful Lives</b>  59. An entity is required to review property, plant, and equipment with an indefinite useful life annually for indications of impairment in accordance with IPSAS 21 and IPSAS 26.	
<i>Paragraphs 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).</i>	60. <b>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.</b>	IAS 16.60
<i>IPSAS 17.78 and IPSAS 17.78A are moved to AG.</i>	61. <b>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.</b>	IAS 16.61
	<b>Impairment</b>	
<i>Paragraphs are IPSAS 17.79 to IPSAS 17.81, amended as shown</i>	62. To determine whether an item of property, plant, and equipment is impaired, an entity applies IPSAS 21 or IPSAS 26, 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 16.63 IAS 16.64 has been deleted.
	<b>Compensation for Impairment</b>	
	63. <b>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.</b>	IAS 16.65

	<p>64. 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:</p> <ul style="list-style-type: none"> <li>(a) Impairments of items of property, plant, and equipment are recognized in accordance with IPSAS 21 or IPSAS 26, as appropriate;</li> <li>(b) Derecognition of items of property, plant, and equipment retired or disposed of is determined in accordance with this [draft] Standard;</li> <li>(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</li> <li>(d) The cost of items of property, plant, and equipment restored, purchased, or constructed as replacement is determined in accordance with this [draft] Standard.</li> </ul>	IAS 16.66
	<b>Derecognition</b>	
Paragraphs 65-71 are IPSAS 17.82 to IPSAS 17.87	<p>65. <b>The carrying amount of an item of property, plant, and equipment shall be derecognized:</b></p> <ul style="list-style-type: none"> <li>(a) <b>On disposal; or</b></li> <li>(b) <b>When no future economic benefits or service potential is expected from its use or disposal.</b></li> </ul>	IAS 16.67
Paragraph 66 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 75, Leases.	<p>66. <b>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 [draft] IPSAS [X] (ED- 75), Leases requires otherwise on a sale and leaseback)<sup>44</sup>.</b></p>	IAS 16.68 (excluding last sentence on gains)

<sup>44</sup> Paragraph 66 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 75), *Leases*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 75). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 75).

Paragraph 67 was amended to add reference to ED 79 by IPSASB decision in July 2020 (Agenda Item 2.2.2) and was amended to incorporate the consequential amendments to IPSAS 17 from ED 70, <i>Revenue with Performance Obligations</i> and ED 79, <i>Non-current Assets Held for Sale and Discontinued Operations</i> .	67. However, an entity that, in the course of its activities, routinely provides 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 amount of consideration from the disposal of such assets shall be recognized as revenue in accordance with [draft] IPSAS [X] (ED 70), <i>Revenue with Performance Obligations</i> . [Draft] IPSAS [X] (ED 79) does not apply when assets that are held for sale in the ordinary course of its operations are transferred to inventories <sup>45</sup> .	IAS 16.68A (amended)
Paragraph 68 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 70, <i>Revenue with Performance Obligations</i> and ED 75, <i>Leases</i> .	68. 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). The date of disposal of an item of property, plant, and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in [draft] IPSAS [X] (ED 70). [Draft] IPSAS [X] (ED 75) applies to disposal by a sale and leaseback <sup>46</sup> .	IAS 16.69
	69. If, under the recognition principle in paragraph 13, 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 constructed and/or developed.	IAS 16.70

<sup>45</sup> Paragraph 67 incorporates the amendments to IPSAS 17, *Property, Plant, and Equipment* from ED 70, *Revenue with Performance Obligations* and [draft] IPSAS [X] (ED 79), *Non-current Assets Held for Sale and Discontinued Operations*. These amendments reflect the IPSASB's current views in [draft] IPSAS [X] (ED 70) and [draft] IPSAS [X] (ED 79). These amendments are subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 70) and [draft] IPSAS [X] (ED 79).

<sup>46</sup> Paragraph 68 incorporates the amendments to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 70), *Revenue with Performance Obligations* and [draft] IPSAS [X] (ED 75), *Leases*. These amendments reflect the IPSASB's current views in [draft] IPSAS [X] (ED 70) and [draft] IPSAS [X] (ED 75). These amendments are subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 70) and [draft] IPSAS [X] (ED 75).



	<b>70. 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.</b>	<i>IAS 16.71</i>
<i>Paragraph 71 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 70, Revenue with Performance Obligations.</i>	71. The amount of consideration to be included in the surplus or deficit arising from the derecognition of an item of property, plant, and equipment is determined in accordance with the requirements for determining the transaction price in paragraphs 46–71 of [draft] IPSAS [X] (ED 70). Subsequent changes to the estimated amount of consideration included in surplus or deficit shall be accounted for in accordance with the requirements for changes in the transaction price in [draft] IPSAS [X] (ED 70) <sup>47</sup> .	<i>IAS 16.72 (amended)</i>
	<b>Disclosure</b>	

<sup>47</sup> Paragraph 71 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 70), *Revenue with Performance Obligations*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 70). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 70).

<p><i>Paragraphs 72-79 are IPSAS 17.88 to IPSAS 17.94 amended for cross references and with a new subheading by March 2020 IPSASB instruction.</i></p> <p><i>Paragraph 72(e)(ii) was amended to add reference to ED 79 by IPSASB decision in July 2020 (Agenda Item 2.2.2)</i></p> <p><i>Paragraph 72 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 79, Non-current Assets Held for Sale and Discontinued Operations.</i></p>	<p><b>General Disclosure for Property, Plant, and Equipment</b></p> <p><b>72. The financial statements shall disclose, for each class of property, plant, and equipment recognized in the financial statements:</b></p> <ul style="list-style-type: none"> <li><b>(a) The measurement bases used for determining the gross carrying amount;</b></li> <li><b>(b) The depreciation methods used;</b></li> <li><b>(c) The useful lives or the depreciation rates used;</b></li> <li><b>(d) The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and</b></li> <li><b>(e) A reconciliation of the carrying amount at the beginning and end of the period showing:</b> <ul style="list-style-type: none"> <li><b>(i) Additions;</b></li> <li><b>(ii) Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with [draft] IPSAS [X] (ED 79) and other disposals<sup>48</sup>;</b></li> <li><b>(iii) Acquisitions through public sector combinations;</b></li> <li><b>(iv) Increases or decreases resulting from revaluations under paragraphs 35,45, and 46 and from impairment losses (if any) recognized or reversed directly in net assets/equity in accordance with IPSAS 21 or IPSAS 26, as appropriate;</b></li> <li><b>(v) Impairment losses recognized in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate;</b></li> <li><b>(vi) Impairment losses reversed in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate;</b></li> <li><b>(vii) Depreciation;</b></li> <li><b>(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</b></li> <li><b>(ix) Other changes.</b></li> </ul> </li> </ul>	<p><i>IAS 16.73</i></p>
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<p>Paragraph 73 added to reflect May 2020 Annual Improvement to IAS 16 to prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use (proceeds before intended use).</p>	<p><b>73. The financial statements shall also disclose for each class of property, plant, and equipment recognized in the financial statements:</b></p> <ul style="list-style-type: none"> <li><b>(a) The existence and amounts of restrictions on title, and property, plant, and equipment pledged as securities for liabilities;</b></li> <li><b>(b) The amount of expenditures recognized in the carrying amount of an item of property, plant, and equipment in the course of its construction; and</b></li> <li><b>(c) The amount of contractual commitments for the acquisition of property, plant, and equipment.</b></li> </ul>	<p>IAS 16.74 (amended)</p>
<p>Paragraph 74 added to reflect May 2020 Annual Improvement to IAS 16 to prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use (proceeds before intended use).</p>	<p><b>74. If not presented separately in the statement of financial performance, the financial statements shall also disclose:</b></p> <ul style="list-style-type: none"> <li><b>(a) 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; and</b></li> <li><b>(b) The amounts of proceeds and cost included in surplus or deficit in accordance with paragraph 25 that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of financial performance include(s) such proceeds and cost.</b></li> </ul>	<p>IAS 16.74A</p>
	<p><b>75. 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:</b></p> <ul style="list-style-type: none"> <li><b>(a) Depreciation, whether recognized in surplus or deficit or as a part of the cost of other assets, during a period; and</b></li> <li><b>(b) Accumulated depreciation at the end of the period.</b></li> </ul>	<p>IAS 16.75</p>

<sup>48</sup> Paragraph 72(e)(ii) incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 79), *Non-current Assets Held for Sale and Discontinued Operations*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 79). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 79).

	<p>76. 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> <ul style="list-style-type: none"> <li>(a) Residual values;</li> <li>(b) The estimated costs of dismantling, removing, or restoring items of property, plant, and equipment;</li> <li>(c) Useful lives; and</li> <li>(d) Depreciation methods.</li> </ul>	IAS 16.76
	<p><b>77. If a class of property, plant, and equipment is stated at revalued amounts, the following shall be disclosed in addition to the disclosures required by [draft] IPSAS [X] (ED 77)<sup>49</sup>:</b></p> <ul style="list-style-type: none"> <li><b>(a) The effective date of the revaluation;</b></li> <li><b>(b) Whether an independent valuer was involved;</b></li> <li><b>(c) [Deleted]</b></li> <li><b>(d) [Deleted]</b></li> <li><b>(e) The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to owners;</b></li> <li><b>(f) The sum of all revaluation surpluses for individual items of property, plant, and equipment within that class; and</b></li> <li><b>(g) The sum of all revaluation deficits for individual items of property, plant, and equipment within that class.</b></li> </ul>	IAS 16.77 (amended)
	<p>78. 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 paragraphs 78(e)(iv)-78(e)(vi).</p>	IAS 16.78

<sup>49</sup> Paragraph **Error! Reference source not found.** incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 77), *Measurement*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 77). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 77).

<p><i>Paragraph 79 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 79, Non-current Assets Held for Sale and Discontinued Operations.</i></p>	<p>79. Users of financial statements may also find the following information relevant to their needs:</p> <ul style="list-style-type: none"> <li>(a) The carrying amount of temporarily idle property, plant, and equipment;</li> <li>(b) The gross carrying amount of any fully depreciated property, plant, and equipment that is still in use;</li> <li>(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 [X] (ED 79)50; and</li> <li>(d) When the historical cost model is used, the current values (current operational value or fair value) of property, plant, and equipment when this is materially different from the carrying amount.</li> </ul> <p>Therefore, entities are encouraged to disclose these amounts.</p>	<p>IAS 16.79</p>
	<p><b>Disclosure of Unrecognized Heritage Property, Plant, and Equipment</b></p>	
	<p>80. Where heritage property, plant, and equipment—or class of heritage property, plant, and equipment—is not recognized in the financial statements because, at initial measurement, its cost or current value cannot be measured reliably, the entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) The difficulties in obtaining a reliable measurement that prevented recognition; and</li> <li>(b) The significance of the unrecognized asset(s) in relation to delivery of the entity's objectives.</li> </ul> <p>81. Where subsequent expenditures on unrecognized heritage property, plant, and equipment are recognized, the disclosure requirements in paragraphs 76-83 will apply.</p>	
	<p><b>Current Value Measurement</b></p>	

<sup>50</sup> Paragraph 79(c) incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 79), *Non-current Assets Held for Sale and Discontinued Operations*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 79). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 79).

<p><i>Disclosures associated with ED 77, Measurement</i></p>	<p><b>82. An entity shall disclose information that helps users of its financial statements assess both of the following:</b></p> <p><b>(a) For property, plant, and equipment that are measured at current operational value or fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements.</b></p> <p><b>(b) For recurring fair value measurements using significant unobservable inputs (Level 3), or for recurring current operational value measurements estimated using unobservable inputs, the effect of the measurements on surplus or deficit or net assets/equity for the period.</b></p>	
	<p><b>83. To meet the objectives in paragraph 88, an entity shall consider all the following:</b></p> <p><b>(a) The level of detail necessary to satisfy the disclosure requirements;</b></p> <p><b>(b) How much emphasis to place on each of the various requirements;</b></p> <p><b>(c) How much aggregation or disaggregation to undertake; and</b></p> <p><b>(d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.</b></p> <p>If the disclosures provided in accordance with this IPSAS and other IPSASs are insufficient to meet the objectives in paragraph 88, an entity shall disclose additional information necessary to meet those objectives.</p>	

	<p>84. To meet the objectives in paragraph 88, an entity shall disclose, at a minimum, the following information for each class of property, plant, and equipment (see paragraph 91 for information on determining appropriate classes of property, plant, and equipment) measured at current operational value or fair value (including measurements based on current operational value or fair value within the scope of [draft] IPSAS [X] (ED 77), Measurement) in the statement of financial position after initial recognition:</p> <ul style="list-style-type: none"> <li>(a) For recurring and non-recurring current operational value or fair value measurements, the current operational value or fair value measurement at the end of the reporting period, and for non-recurring current operational value or fair value measurements, the reasons for the measurement. Recurring current operational value or fair value measurements of property, plant, and equipment are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring current operational value or fair value measurements of property, plant, and equipment are those that this Standard requires or permits in the statement of financial position in particular circumstances.</li> <li>(b) For recurring and non-recurring current operational value measurements, whether the current operational value measurements are estimated using observable or unobservable inputs. For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3).</li> <li>(c) For recurring and non-recurring current operational value or fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the current operational value or fair value measurement. If there has been a change in measurement technique (e.g., changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the current operational value or fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring current operational value or fair value (e.g., when an entity uses prices from prior transactions or</li> </ul>	
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	<p>third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the current operational value or fair value measurement and are reasonably available to the entity.</p> <p>(d) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for recurring current operational value measurements estimated using unobservable inputs, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:</p> <ul style="list-style-type: none"> <li>(i) Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized.</li> <li>(ii) Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized.</li> <li>(iii) Purchases, sales, issues and settlements (each of those types of changes disclosed separately).</li> </ul> <p>(e) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for recurring current operational value estimated using unobservable inputs, the amount of the total gains or losses for the period in (d)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those property, plant, and equipment held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized.</p> <p>(f) For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for recurring and non-recurring current operational value measurements estimated using unobservable inputs, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in current operational value or fair value measurements from period to period).</p> <p>(g) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy or for recurring current operational value measurements estimated using unobservable inputs:</p> <ul style="list-style-type: none"> <li>(i) For all such measurements, a narrative description of the sensitivity of the current operational value or fair value measurement to changes in unobservable</li> </ul>	
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	<p>inputs if a change in those inputs to a different amount might result in a significantly higher or lower current operational value or fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the current operational value or fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the current operational value or fair value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with (c).</p>	
	<p>85. An entity shall determine appropriate classes of property, plant, and equipment on the basis of the following:</p> <ul style="list-style-type: none"> <li>(a) The nature, characteristics and risks of the property, plant, and equipment; and</li> <li>(b) The level of the fair value hierarchy within which the fair value measurement is categorized, or whether the current operational value is observable or unobservable.</li> </ul> <p>The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value measurements estimated using unobservable inputs, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of property, plant, and equipment for which disclosures about current operational value or fair value measurements should be provided requires judgement. A class of property, plant, and equipment will often require greater disaggregation than the line items presented in the statement of financial position. However, an entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another IPSAS specifies the class for a property, plant, and equipment, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.</p>	

	86. For each class of property, plant, and equipment not measured at current operational value or fair value in the statement of financial position but for which the current operational value or fair value is disclosed, an entity shall disclose the information required by paragraph 90(b), (c) and (g). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or fair value measurements estimated using unobservable inputs, required by paragraph 90(c). For such property, plant, and equipment, an entity does not need to provide the other disclosures required by this Standard.	
	87. An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.	
	<b>Transitional Provisions</b>	
IPSAS 17.95 to IPSAS 17.104 and IPSAS 17.106  <i><u>Editorial change to correct the misplacement of the word 'had'. See Agenda item 7.2.9 from June 2022</u></i>	88. An entity shall apply this [draft] Standard retrospectively, in accordance with IPSAS 3, except that an entity may elect to measure heritage assets at their deemed cost when reliable cost information about the asset is not available at the date of application of this [draft] Standard. An entity may elect to use deemed cost only when the acquisition cost of the asset is not available. Deemed cost assumes that <del>had</del> the entity <u>had</u> initially recognized the heritage asset at the date it assumed control.	
IPSAS 17.105-106A have been deleted.	89. For entities that have previously applied IPSAS 17 (2006), Property, Plant, and Equipment, the requirements of paragraphs 22–24 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.	
	<b>Effective Date</b>	
Paragraph 90 is IPSAS 17.107, modified for simplicity of ED 78 documentation.  IPSAS 17.107A to IPSAS 17.107P are deleted.	90. <b>An entity shall apply this [draft] Standard for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is permitted for entities that apply [draft] IPSAS [X] (ED 70), [draft] IPSAS [X] (ED 75), [draft] IPSAS [X] (ED 77) and [draft] IPSAS [X] (ED 79), at or before the date of initial application of the [draft] Standard. If an entity applies this [draft] Standard for a period beginning before MM DD, YYYY, it shall disclose that fact.</b>	

<i>Paragraph 91 is IPSAS 17.108.</i>	91. When an entity adopts the accrual basis of accounting as defined in IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) for financial reporting purposes subsequent to this effective date, this [draft] Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSAS.	
	<b>Withdrawal of IPSAS 17 (2006)</b>	
<i>Paragraph 92 is IPSAS 17.109.</i>	92. This [draft] Standard supersedes IPSAS 17, issued in 2006. IPSAS 17 remains applicable until [draft] IPSAS [X] (ED78), Property, Plant, and Equipment is applied or becomes effective, whichever is earlier.	

NOTES		IAS 16?
<p>Paragraph AG1 is IPSAS 17.5, amended for decision by the IPSASB in December 2019 and as instructed by the IPSASB in June 2020.</p>	<p><b>Appendix A</b></p> <p><b>Application Guidance</b></p> <p><i>This Appendix is an integral part of the [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment.</i></p> <p><b>Scope</b></p> <p>AG1. This [draft] Standard applies to all property, plant, and equipment including:</p> <ul style="list-style-type: none"> <li>(a) Heritage;</li> <li>(b) Infrastructure;</li> <li>(c) Service concession arrangement assets after initial recognition and measurement in accordance with IPSAS 32, <i>Service Concession Arrangements: Grantor</i>, and</li> <li>(d) Weapons systems.</li> </ul>	<p>No</p>
<p>Paragraphs AG 2-AG3 are IPSAS 17.10 amended for IPSASB instructions in June 2020 (Agenda Item 9.2.3)</p>	<p><b>Heritage Assets</b></p> <p>AG2. Some property, plant, and equipment are described as heritage assets because of their rarity and/or significance in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific, or technological features. Entities usually intend to hold heritage assets for long periods and preserve them for the benefit of present and future generations. Examples of heritage assets include historic buildings, monuments, museum collections, and works of art.</p> <p>AG3. Heritage assets typically have the following distinguishing characteristics:</p> <ul style="list-style-type: none"> <li>(a) They have restrictions on their use;</li> <li>(b) They are irreplaceable; and</li> <li>(c) They have long and sometimes indefinite useful lives.</li> </ul>	<p>No</p>
<p>Paragraphs AG 4-AG5 is IPSAS 17.21 amended for IPSASB decisions and instructions in March and June 2020 (Agenda Item 9.2.2)</p>	<p><b>Infrastructure Assets</b></p> <p>AG4. Some property, plant, and equipment are described as infrastructure assets because they comprise a number of assets that make up networks or systems that serve the community at large. Generally, infrastructure assets have long lives because the number of assets that make up these networks or systems are continually maintained, replaced and refurbished. If a number of these assets were removed, the network or system may not achieve its service potential objective.</p>	<p>No</p>

NOTES		IAS 16?
<p><i>Paragraph AG5 is IPSAS 17.21 amended for IPSASB decisions and instructions in March and June 2020 (Agenda Item 9.2.2)</i></p>	<p>AG5. Infrastructure assets typically have the following distinguishing characteristics:</p> <ul style="list-style-type: none"> <li>(a) They are networks or systems; and</li> <li>(b) They have long useful lives.</li> </ul>	
<p><i>Paragraphs AG 6(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>AG6. Although not confined to entities in the public sector, significant infrastructure assets are frequently found in the public sector. Examples include:</p> <ul style="list-style-type: none"> <li>(a) Electricity power systems, which may comprise assets 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;</li> <li>(b) Road networks, which may comprise assets such as pavements, formation, curbs and channels, footpaths, bridges, signal and lighting; and</li> <li>(c) Water systems, which may comprise assets such as dams, pipelines, tunnels, canals, terminal reservoirs, tanks, wells, pumps and treatment plants.</li> </ul>	<p>No</p>
	<p><b>Weapons Systems</b></p>	
<p><i>Paragraph AG7 is IPSAS 17.20.</i></p>	<p>AG7. Weapons systems will normally meet the definition of property, plant, and equipment, and should be recognized in accordance with this [draft] Standard. Weapons systems include vehicles and other equipment, such as warships, submarines, military aircraft, tanks, missile carriers and launchers that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. Some single-use items, such as certain types of ballistic missiles, may provide an ongoing service of deterrence against aggressors and, therefore, can be classified as weapons systems.</p>	<p>No</p>

NOTES		IAS 16?
<p><i>Paragraphs AG 8(a)-(c) are amended here for IPSASB instructions in June 2020 (Agenda Item 10.2.3).</i></p>	<p><b>Definitions</b></p> <p><b>Property, Plant, and Equipment as Assets</b></p> <p>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 of the following:</p> <ul style="list-style-type: none"> <li>(a) <b>Resource.</b> 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);</li> <li>(b) <b>Control.</b> An entity must have control of the resource (see paragraphs AG13-AG15); and</li> <li>(c) <b>Past Event.</b> 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 by way of a donation, passing of legislation and construction or development. There are jurisdictions where public sector entities cannot enter into legal obligations, because they are not permitted to contract in their own name, but where there are alternative processes with equivalent effect to legal arrangements (described as enforceable through equivalent means).</li> </ul>	<p>No</p>
<p><i>Paragraph AG9 is new to reflect IPSASB instructions in June 2020.</i></p>	<p>AG9. An item of property, plant, and equipment is recognized 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><i>Paragraphs AG10-AG12 are new paragraphs to reflect IPSASB instructions in June 2020.</i></p>	<p><b>Resource</b></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 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 in a way that does not contribute to the reporting entity's achievement of its objectives.</p>	<p>No</p>

NOTES		IAS 16?
	<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. Where an entity's objectives are to provide heritage-related services such as the appreciation and study of heritage, the entity holds heritage items to achieve those objectives and the heritage items have service potential and are resources from the entity's perspective. 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>	
	<i>Control of an Asset</i>	
<p>Paragraphs AG 13-AG15 are amended here for IPSASB instructions in June 2020</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>	No

NOTES		IAS 16?
(Agenda Item 10.2.3).	<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"> <li>(a) Legal ownership;</li> <li>(b) Access to the resource, or the ability to deny or restrict others to access the resource;</li> <li>(c) The means to ensure that the resource is used to achieve its objectives; or</li> <li>(d) The existence of enforceable right to service potential or the ability to generate economic benefits arising from the resource.</li> </ul> <p>An entity is more likely to demonstrate control if it satisfies most of these indicators. However, assessments of control involve judgment, and control may exist when only some of these indicators are satisfied. Conversely, control may not exist even when most of these indicators are met.</p>	No
	<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>	No
	<b>Recognition</b>	
	<b>Spare Parts, Stand-By Equipment, and Servicing Equipment</b>	
IPSAS 17.17 is moved to AG by IPSASB decision in July 2020 (Agenda Item 2.2.2).	<p>AG16. Items such as spare parts, stand-by equipment and servicing equipment are recognized in accordance with this [draft] Standard when they meet the definition of property, plant, and equipment. Otherwise, such items are classified as inventory. (see IPSAS 12, <i>Inventories</i>)</p>	IAS 16.8
	<b>Subsequent Costs</b>	



NOTES		IAS 16?
<p>Paragraphs AG 17 - AG19 are IPSAS 17.23 to IPSAS 17.25. This move from core text to AG is based on the IPSASB discussion in June 2020 (Agenda Item 8.2.2).</p>	<p>AG17. Under the recognition principle in paragraph 13, an entity does not recognize in the carrying amount of an item of property, plant, and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognized in surplus or deficit as incurred. Costs of day-to-day servicing are primarily the costs of labor and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the “repairs and maintenance” of the item of property, plant, and equipment.</p>	<p>IAS 16.12</p>
	<p>AG18. 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. Under the recognition principle in paragraph 13, 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 [draft] Standard (see paragraphs 71-77) 65–71).</p>	<p>IAS 16.13</p>
	<p>AG19. 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, constructed and/or developed. 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.</p>	<p>IAS 16.14</p>

NOTES		IAS 16?
<p><i>New. Reflects IPSASB's decisions with respect to requiring disclosures when PP&amp;E that have heritage characteristics cannot be measured reliably as per ED78's paragraph 7.</i></p>	<p><b>Subsequent Costs on Unrecognized Heritage Property, Plant, and Equipment</b></p> <p>AG20. An entity recognizes subsequent expenditure on heritage property, plant, and equipment in accordance with the recognition principle in paragraph 7. Recognition of such subsequent expenditure as an asset is unaffected by whether or not the underlying heritage property, plant, and equipment was initially recognized. If the subsequent expenditure relates to heritage property, plant, and equipment, that was not recognized initially because, , its cost or current value could not be measured reliably, it should nonetheless be reviewed in light of paragraph 7 to determine whether or not it meets the recognition principle and should be recognized as an asset.</p>	
	<p><b>Measurement at Recognition<sup>51</sup></b></p> <p><b>Elements of Cost</b></p>	
<p><i>Paragraph AG21 is IPSAS 17.33. This move from core text to AG by the IPSASB in July 2020 (Agenda Item 2.2.2).</i></p> <p><i>Paragraph AG21(e) is taken from IPSAS 17.23.</i></p>	<p>AG21. Examples of costs that are not costs of an item of property, plant, and equipment are:</p> <ul style="list-style-type: none"> <li>(a) Costs of opening a new facility;</li> <li>(b) Costs of introducing a new product or service (including costs of advertising and promotional activities);</li> <li>(c) Costs of conducting an operation in a new location or with a new class of purchasers (including costs of staff training);</li> <li>(d) Administration and other general overhead costs; and</li> <li>(e) Costs of day-to-day servicing or repairs and maintenance.</li> </ul>	IAS 16.19
<p><i>Paragraphs AG22-AG23 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></p>	<p>AG22. 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.</p>	IAS 16.22

<sup>51</sup> Title is likely to change to reflect IPSASB's decisions with respect to the Measurement project.

NOTES		IAS 16?
	AG23. 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 [draft] Standard should be read as covering activities that are necessary to cultivate bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.	IAS 16.22A
	<b>Subsequent Measurement</b>	
	<b>Current Value Model (Paragraphs 29-43)</b>	
Paragraph AG24 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG24. After recognition, an item of property, plant, and equipment whose current value can be measured in a faithfully representative manner shall be carried at a revalued amount, being its: <ul style="list-style-type: none"> <li>a) Current operational value or <p>Fair value, at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment losses</p> </li> </ul>	-
	<b>Financial and Operating Capacity</b>	
Paragraph AG25 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG25. The primary objective for which an entity holds an asset is an important consideration when selecting a current value measurement basis. Assets held for their: <ul style="list-style-type: none"> <li>a) Financial capacity provides an entity with the means to fund its activities. This requires information on the amount that would be received on the sale of the asset or in the revenue it generates in use; and</li> <li>b) Operating capacity support the provision of services in future periods through physical and other resources. This requires information on the value of the asset as it is currently used by the entity.</li> </ul>	Based on CF 7.3, 7.34
Paragraph AG26 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG26. Assets held with the primary objective of generating a financial return are held for their financial capacity. Holding an asset to generate a financial return indicates that an entity intends to generate positive cash inflows from the asset. Under a current value model, assets held for their financial capacity are generally measured at fair value.	Based on IPSAS 21.16

NOTES		IAS 16?
Paragraph AG27 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG27. Assets held with the primary objective of service delivery are held for their operational capacity. Holding an asset to provide services indicates that an entity intends to use the asset to achieve its service delivery objectives. Under a current value model, assets held for their operational capacity are generally measured at current operational value.	-
Paragraph AG28 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG28. In certain instances, an asset may generate a financial return although it is primarily held for service delivery purposes. For example, a waste disposal plant is operated to ensure the safe disposal of medical waste generated by state-controlled hospitals, but the plant also treats a small amount of medical waste generated by other private hospitals on a commercial basis.	Based on IPSAS 21.18
Paragraph AG29 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG29. In other instances, an asset may generate a financial return and also be used for service delivery purposes. For example, a public hospital has ten wards, nine of which are used for fee-paying patients on a commercial basis, and the other is used for non-fee-paying patients. Patients from both wards jointly use other hospital facilities (for example, operating facilities).	Based on IPSAS 21.19
Paragraph AG30 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG30. In some cases, it may not be clear whether the intended primary objective of holding an asset is for its financial or operating capacity. Judgment is needed. An entity develops criteria so that it can exercise judgment consistently in concluding whether an asset is held primarily for its financial or operating capacity. When the intended primary objective of holding an asset cannot be determined, given the overall objectives of most public sector entities, the presumption is that assets are held for their operational capacity.	Based on IPSAS 21.20
	<b>Depreciation</b>	

NOTES		IAS 16?
<p>Paragraph AG31 is IPSAS 17.60. This move from core text to AG is based on the IPSASB discussion in June 2020.</p> <p>Paragraph AG31 was revised and paragraphs BC52-BC56 and IG30-IG34 are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on componentization – identifying significant parts of infrastructure assets (Agenda Item 9.2.9).</p> <p>Paragraph AG31 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 75, Leases.</p>	<p>AG31. 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, it may be required to depreciate separately the substructure and the surface of a road. Similarly, it may be appropriate to depreciate separately the airframe and engines of an aircraft. 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<sup>52</sup>.</p>	<p>IAS 16.44</p>
	<p><i>Depreciable Amount and Depreciation Period</i></p>	
<p>Paragraphs AG32 to AG37 are IPSAS 17.69 to IPSAS 17.71. This move from</p>	<p>AG32. 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.</p>	<p>IAS 16.53</p>

<sup>52</sup> Paragraph AG31 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 75), *Leases*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 75). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 75).

NOTES		IAS 16?
<i>core text to AG is based on the IPSASB discussion in June 2020</i>	AG33. 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

NOTES		IAS 16?
<p>(Agenda Item 8.2.2).</p> <p>Paragraph AG34 was amended to add reference to ED 79 by IPSASB decision in July 2020 (Agenda Item 2.2.2)</p> <p>Paragraph AG34 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 79, <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</p> <p>AG27 and AG28 deleted because they repeat coverage in AG31 - as per comments received through IPSASB's mid-period review of ED 78. The coverage fits better in the section head "Depreciation – Useful life of an asset"</p>	<p>AG34. 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 at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with [draft] IPSAS [X] (ED 79), <i>Non-current Assets Held for Sale and Discontinued Operations</i> and the date that the asset is derecognized<sup>53</sup>. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation, the depreciation charge can be zero while there is no production.</p>	<p>IAS 16.55</p>

NOTES		IAS 16?
<p><i>This section was moved after Finite and Indefinite Useful Lives section to align the content sequence between the core text and Application Guidance. See Agenda Item 7.2.9 from June 022</i></p>	<p><i>[Relocated] Depreciation Method</i></p>	
<p><i>Paragraphs AG35 and AG36 are IPSAS 17.78 and IPSAS 17.78A. This move from core text to AG is based on the IPSASB discussion in June 2020 (Agenda Item 8.2.2).</i></p>	<p><del>AG35. [Relocated] A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method, and the units of production method. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change. The diminishing balance method results in a decreasing charge over the useful life. The units of production method results in a charge based on the expected use or output. The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.</del></p>	<p><del>IAS 16.62</del></p>

<sup>53</sup> Paragraph AG34 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 79), *Non-current Assets Held for Sale and Discontinued Operations*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 79). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 79).



NOTES		IAS 16?
	<p>AG36. <del>[Relocated] 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.</del></p>	<p><del>IAS 16.62A</del></p>
	<p><del>[Relocated] Depreciation — Useful life of an asset</del></p>	

NOTES		IAS 16?
<p><i>Paragraph AG37 is IPSAS 17.72 with revisions to align with IPSAS 31.89 and 31.94</i></p>	<p><del>AG37. [Relocated] 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, economic, political, social, and legal factors may also affect the useful life. Technical or commercial obsolescence and wear and tear while an asset remains idle may also result in the diminution of the economic benefits or service potential that might otherwise have been obtained from the asset. The useful life is the shorter of the periods identified through consideration of these factors. Consequently, the following factors are considered in determining the useful life of an asset:</del></p> <ul style="list-style-type: none"> <li><del>(a) Expected usage of the asset, which is assessed by reference to the asset's expected capacity or physical output.</del></li> <li><del>(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.</del></li> <li><del>(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.</del></li> <li><del>(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.</del></li> <li><del>(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.</del></li> <li><del>(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;</del></li> <li><del>(g) The stability of the industry in which the asset operates and changes in the market or government and service recipients' demand for the products or services output from the asset;</del></li> <li><del>(h) Expected actions by competitors or potential competitors.</del></li> <li><del>(i) Whether the useful life of the asset is dependent on the useful life of other assets of the entity.</del></li> </ul>	<p><del>IAS 16.56</del></p>

NOTES		IAS 16?
<p>Paragraphs AG34 is IPSAS 17.73</p>	<p>AG38. <del>[Relocated] 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.</del></p>	<p><del>IAS 16.57</del></p>
	<p><u>Finite and Indefinite Useful Lives</u></p>	
<p>New – example of a non-land asset with an indefinite useful life</p> <p><del>Deleted land as an example of indefinite life, as paragraph 55, in the core text, already includes such guidance. See Agenda item 7.2.9 from June 2022</del></p>	<p>AG39. The useful lives of property, plant, and equipment, including buildings, are generally finite. However, there are circumstances in which property, plant, and equipment could have an indefinite useful life. For example, <del>land is usually considered to have an indefinite useful life.</del> 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.</p>	
<p>IPSAS 31.91 revised to refer to property, plant and equipment.</p>	<p>AG40. Given the history of rapid changes in technology, it will often be the case that computers and other property, plant, and equipment susceptible to technological obsolescence have short useful lives. Expected future reductions in the selling price of an item that was produced using property, plant, and equipment 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.</p>	

NOTES		IAS 16?
<p>IPSAS 17.74 sentence and new – sentence on land having a definite useful life</p> <p>Paragraphs AG 42 and AG43 are new paragraphs to reflect IPSASB instructions in March 2020.</p> <p><u><a href="#">This section was moved to follow the content sequence in the core text. See Agenda item 7.2.9 from June 2022</a></u></p>	<p>AG41. With some exceptions, such as quarries and sites used for landfill, land has an indefinite useful life and therefore is not depreciated. 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.</p> <p>AG42. 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 economic benefits or service potential are expected to be derived from, and the effect of, carrying out those activities on the value of the land to determine the appropriate depreciable period and amount.</p>	<p>No</p>
	<p>AG43. Where land is being lost or displaced as a result of, for example, coastline erosion, the entity will need to apply:</p> <ul style="list-style-type: none"> <li>(a) The derecognition requirements in paragraphs 65–71 of this [draft] Standard; or</li> <li>(b) The impairment requirement in IPSAS 21 or IPSAS 26 depending on the circumstances.</li> </ul> <p>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 should continue to assess for impairment in accordance with the requirements of this [draft] Standard.</p>	<p>No</p>
	<p><u><a href="#">[Relocated] Depreciation Method</a></u></p>	

NOTES		IAS 16?
<p><u>Paragraphs AG35 and AG36 are IPSAS 17.78 and IPSAS 17.78A. This move from core text to AG is based on the IPSASB discussion in June 2020 (Agenda Item 8.2.2).</u></p>	<p><u>AG43A. [Relocated] A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method, and the units of production method. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change. The diminishing balance method results in a decreasing charge over the useful life. The units of production method results in a charge based on the expected use or output. The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.</u></p>	<p><u>IAS 16.62</u></p>
	<p><u>AG43B. [Relocated] 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.</u></p>	<p><u>IAS 16.62A</u></p>
	<p><u>[Relocated] Depreciation – Useful life of an asset</u></p>	

NOTES		IAS 16?
<p><u>Paragraph AG37 is IPSAS 17.72 with revisions to align with IPSAS 31.89 and 31.94</u></p>	<p><u>AG43C. [Relocated] 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, economic, political, social, and legal factors may also affect the useful life. Technical or commercial obsolescence and wear and tear while an asset remains idle may also result in the diminution of the economic benefits or service potential that might otherwise have been obtained from the asset. The useful life is the shorter of the periods identified through consideration of these factors. Consequently, the following factors are considered in determining the useful life of an asset:</u></p> <ul style="list-style-type: none"> <li><u>(a) Expected usage of the asset, which is assessed by reference to the asset's expected capacity or physical output.</u></li> <li><u>(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.</u></li> <li><u>(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.</u></li> <li><u>(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.</u></li> <li><u>(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.</u></li> <li><u>(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;</u></li> <li><u>(g) The stability of the industry in which the asset operates and changes in the market or government and service recipients' demand for the products or services output from the asset;</u></li> <li><u>(h) Expected actions by competitors or potential competitors.</u></li> <li><u>(i) Whether the useful life of the asset is dependent on the useful life of other assets of the entity.</u></li> </ul>	<p><u>IAS 16.56</u></p>

NOTES		IAS 16?
<u>Paragraphs</u> <u>AG34 is</u> <u>IPSAS 17.73</u>	<u>AG43D. [Relocated] 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.</u>	<u>IAS 16.57</u>
	<b>Disclosure of Unrecognized Heritage Property, Plant, and Equipment when Cost or Current Value Cannot be Measured Reliably</b>	
	AG44. The disclosures identified in paragraph 86 for unrecognized heritage property, plant, and equipment should ensure that, when read in the context of information about recognized property, plant, and equipment, the financial statements provide useful and relevant information about the entity's overall holding of property, plant, and equipment, and thereby support users' evaluation of the entity's finances, including its net financial position, and understanding of its ability to deliver services.	
	AG45. These disclosures may be presented in aggregate for groups or classes of property, plant, and equipment, provided this aggregation does not obscure significant information.	

NOTES	DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
	<b>Basis for Conclusions</b>  <i>This Basis for Conclusions accompanies, but is not part of, [draft] IPSAS [X]X (ED 78), Property, Plant, and Equipment).</i>	
	<b><u>Replacement of IPSAS 17: Revisions from the Heritage, Infrastructure and Measurement Projects</u></b>  <i>The IPSASB's Heritage, Infrastructure, and Measurement Projects</i>	
Paragraph update to remove reference to consultation process. Administrative process not relevant to understand IPSASB decisions.	BC1. [Draft] IPSAS [X] (ED 78) is based on and replaces IPSAS 17, <i>Property, Plant, and Equipment</i> . It reflects revisions to the underlying IPSAS 17 text as a result of the IPSASB's Heritage, Infrastructure Assets, and Measurement projects.	
	BC2. [Draft] IPSAS [X] (ED 78) is based on IAS 16, <i>Property, Plant, and Equipment</i> . The IASB's Basis for Conclusions is not reproduced here. In those cases where the IPSAS departs from its related IAS, this Basis for Conclusions explains the public sector-specific reasons for the departure.	
	BC3. This <i>Basis for Conclusions</i> focuses on heritage and infrastructure related revisions to the underlying IPSAS 17 text. The <i>Basis for Conclusions</i> in [Draft] IPSAS [X] (ED 77), <i>Measurement</i> explains the IPSASB's measurement-related decisions, which were to: <ul style="list-style-type: none"> <li>(a) Move IPSAS 17's generic measurement requirements into [Draft] IPSAS [X] (ED 77);</li> <li>(b) Clarify the initial measurement principles; and</li> <li>(c) Include the current operational value measurement basis where appropriate.</li> </ul> BC4. The IPSASB decided to move some of IPSAS 17's core text into application guidance where the original text expanded on (and did not add to) the generic principles already in core text. This results in a consistent approach to core text/application guidance across IPSAS.	
	<i>Overview of Heritage and Infrastructure Revisions</i>	



NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
	<p>BC5. This section provides an overview of revisions to address constituents' views with respect to IPSAS 17's application to heritage and infrastructure assets. Further detail on specific decisions is provided in subsequent sections.</p> <p>BC6. After considering responses to the Consultation Paper (CP), Financial Reporting for Heritage in the Public Sector and constituents' feedback on infrastructure assets the IPSASB concluded that:</p> <ul style="list-style-type: none"> <li>(a) [Draft] IPSAS [X] (ED 78) should fully apply to heritage assets that are property, plant, and equipment; and</li> <li>(b) Additional authoritative and non-authoritative guidance should be included in [draft] IPSAS [X] (ED 78) to clarify its application to heritage and infrastructure assets.</li> </ul>	
	<i>Heritage Assets: Application of [Draft] IPSAS [X] (ED 78) and Additional Guidance</i>	
	<p>BC7. The IPSASB concluded that the principles in [draft] IPSAS [X] (ED 78) should fully apply to heritage assets, on the basis that:</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(b) Their heritage nature does not prevent heritage items being assets for financial reporting purposes;</li> <li>(c) Many heritage items are assets and should be recognized in the statement of financial position when they meet the <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> (the Conceptual Framework) recognition criteria;</li> <li>(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; and</li> <li>(e) Where heritage items are within the scope of another IPSAS, that Standard should apply (for example, IPSAS 31, Intangible Assets should be applied for heritage assets that are intangible in nature).</li> </ul>	

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
	<p>BC8. The IPSASB considered whether [draft] IPSAS [X] (ED 78) should include additional authoritative and/or non-authoritative guidance to support its application to heritage assets. On the basis that no principles existed to address these topics the IPSASB decided to add authoritative guidance on:</p> <ul style="list-style-type: none"> <li>(a) Scope (see paragraphs AG2-AG3);</li> <li>(b) Resource (see paragraphs AG10-AG12);</li> <li>(c) Depreciation (see paragraphs 56-64 and AG39; and</li> <li>(d) Disclosures on unrecognized heritage assets (see paragraph 79 and paragraphs AG44-AG45)</li> </ul> <p>BC9. On the basis that additional non-authoritative guidance was needed to enhance the consistency of entities' application of [draft] IPSAS [X] (ED 78), the IPSASB decided to add non-authoritative guidance on:</p> <ul style="list-style-type: none"> <li>(a) Control (see paragraphs IG6-IG8)</li> <li>(b) Recognition related to subsequent expenditure on unrecognized heritage assets (see paragraph IG9); and</li> <li>(c) Capitalization thresholds (see paragraphs IG10-IG14)</li> <li>(d) Measurement at current value (see paragraphs IG15-IG18; and</li> <li>(e) Depreciation related to useful lives (see paragraphs IG26-IG29).</li> </ul>	
	<i>Infrastructure Assets: Additional Guidance</i>	
	<p>BC10. The IPSASB considered the issues raised by constituents related to accounting for infrastructure assets. When evaluating whether additional guidance should be included in [draft] IPSAS [X] (ED 78), the IPSASB concluded where existing principles were clear, non-authoritative guidance should be added. Where no principle existed, a principle should be developed. The IPSASB decided to add authoritative guidance to [draft] IPSAS [X] (ED 78) on the following topics:</p> <ul style="list-style-type: none"> <li>(a) Characteristics and examples of infrastructure assets (see paragraphs AG4-AG6); and</li> <li>(b) Resource and control (see paragraphs AG8-AG15); and</li> <li>(c) Identifying parts of infrastructure assets (see paragraph AG311).</li> </ul>	

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
	<p>BC11. On the basis that additional non-authoritative guidance is needed to enhance the consistency of the entities' application of [draft] IPSAS [X] (ED 78), the IPSASB further concluded that the following guidance should be added to address:</p> <ul style="list-style-type: none"> <li>(a) Control of land under or over infrastructure assets (see paragraphs IG1-IG5 and IE1-IE5)</li> <li>(b) Capitalization thresholds (see paragraphs IG10-IG14)</li> <li>(d) Valuing land under or over infrastructure assets (see paragraphs IG19-IG21);</li> <li>(e) Depreciation (see paragraphs IG37-IG40);</li> <li>(f) Under-maintenance of assets (see paragraphs IG37-IG40);</li> <li>(g) Use of information in asset management plans for financial reporting (see paragraphs IG35-IG36), and</li> <li>(h) Identifying parts of infrastructure assets (see paragraphs IG30-IG34)</li> </ul>	
	<p>BC12. On the basis that sufficient guidance exists, the IPSASB concluded that no additional guidance is needed in [draft] IPSAS [X] (ED 78) to address:</p> <ul style="list-style-type: none"> <li>(a) A separate definition for infrastructure assets because they are property, plant, and equipment;</li> <li>(b) Spare parts for infrastructure assets;</li> <li>(c) Costs to dismantle infrastructure assets;</li> <li>(d) Separately accounting for land under or over infrastructure assets;</li> <li>(e) Renewals accounting;</li> <li>(f) Impairment; and</li> <li>(g) Derecognition.</li> </ul> <p>The IPSASB included its rationale for not adding guidance to address these issues in the Basis for Conclusions to inform constituents that the IPSASB considered these issues.</p>	
	<p><b>Scope</b></p> <p><b>Remove the Heritage Scope Exclusion Paragraphs</b></p>	
	<p>BC13. As explained in paragraph BC7, 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 in the replacement Standard, [draft] IPSAS [X] (ED 78).</p>	
	<p><b>Move List of Property, Plant, and Equipment to Application Guidance</b></p>	
	<p>BC14. In reaching its decision on heritage assets, the IPSASB noted that the list of different types of property, plant, and equipment included in the IPSAS 17 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 in [draft] IPSAS [X] (ED 78).</p>	

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<i>IAS 16?</i>
	<b>Definition of Property, Plant, and Equipment</b>	
	<b>Definition, Description and Characteristics of Heritage and Infrastructure Assets</b>	
	<p>BC15. The IPSASB decided neither heritage nor infrastructure assets need to be defined, because they are subsets of property, plant, and equipment and the [draft] IPSAS [X] (ED 78's) principles on property, plant, and equipment therefore apply to heritage and infrastructure. Based on responses to the Heritage CP and constituents' comments related to infrastructure, the IPSASB concluded that the [draft] IPSAS [X] (ED 78) should include application guidance, including the characteristics of heritage and infrastructure, to help entities identify their heritage assets (see paragraphs AG2-AG3) and infrastructure assets (see paragraphs AG4-AG6).</p>	
	<p>BC16. 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 [draft] IPSAS [X] (ED 78) principles. On this basis, the IPSASB decided:</p> <ul style="list-style-type: none"> <li>(a) Heritage assets are characterized as irreplaceable and having restrictions and long and sometimes indefinite useful lives; and</li> <li>(b) Infrastructure assets are characterized as networks or systems that have long useful lives.</li> </ul>	
	<p>BC17. For infrastructure assets the IPSASB also decided to update the examples of infrastructure assets and include the various assets that make up these "networks or systems" and link these examples to the revised characteristics of infrastructure assets of "networks or systems" and "long useful lives" (see paragraph AG6).</p>	
	<b>Replace the term 'Tangible Items' with 'Tangible Assets'</b>	
	<p>BC18. The definition of property, plant, and equipment in IPSAS 17 referred to 'tangible items' with no reference to 'asset'. A strict application of this definition could lead to the recognition of an item that did not meet the definition of an asset in the Conceptual Framework or IPSAS 1, <i>Presentation of Financial Statements</i><sup>54</sup>.</p>	
	<p>BC19. IPSAS 17 only provided guidance on when to recognize an asset but did not provide guidance on what constitutes control of an asset and what constitutes a resource.</p>	

<sup>54</sup> An asset is defined in The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) and IPSAS 1, *Presentation of Financial Statements* and contains three common components: resource(s), control and past event.

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<i>IAS 16?</i>
	<p>BC20. There are two types of uncertainty that need to be considered when determining whether an asset should be recognized. The first is existence uncertainty—whether the definition of an asset has been satisfied. The second is measurement uncertainty—whether the asset can be measured in a manner that achieves the qualitative characteristics.</p>	
	<p>BC21. 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 resource.</p>	
	<p>BC22. The lack of reference to ‘asset’ caused confusion in practice because there are instances when it is uncertain that an item is a resource or that it is controlled by an entity. To address the uncertainty, the IPSASB:</p> <ul style="list-style-type: none"> <li>(a) Replaced the term “tangible items” with “tangible assets,” in the [draft] IPSAS [X] (ED 78) definition of property, plant, and equipment (see paragraph 12);</li> <li>(b) Added authoritative guidance on and resource and control in [draft] IPSAS [X] (ED 78) (see paragraphs AG8-AG15); and</li> <li>(c) Added non-authoritative implementation guidance and illustrative examples on control in [draft] IPSAS [X] (ED 78) (see paragraphs IG1-IG8 and IE1-IE5).</li> </ul> <p>Weapons Systems</p> <p>BC23. When IPSAS 17 was revised as a result of Part III of Improvements to IPSASs 2015, the IPSASB had considered that Government Finance Statistics (GFS) reporting guidelines use the term “weapons systems” to comprise items that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. At that time, the IPSASB concluded that replacing the IPSAS term “specialist military equipment” with the GFS term “weapons systems” and including a description would clarify the applicability of IPSAS 17 while increasing consistency with GFS reporting guidelines. In developing [draft] IPSAS [X] (ED 78), the IPSASB concluded that the same principles should apply and continued to use the term “weapons systems” with a description (see paragraph AG7).</p>	
	<p><b>Recognition</b></p> <p><b>Heritage Assets: The Operational/Non-Operational Distinction</b></p>	

NOTES	<b><u>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></u></b>	<b><i>IAS 16?</i></b>
	BC24. The IPSASB considered whether only those heritage assets that are used for non-heritage purposes, called “operational” heritage assets, should be recognized. Operational heritage assets include, for example, a heritage bridge that functions as a bridge or a heritage railway station that is used as a railway station. Some national jurisdictions use the term “non-operational” to describe heritage assets that are used purely for heritage purposes. For example, museum collections held for public appreciation are non-operational heritage assets. Some constituents argued that non-operational heritage assets should not be recognized.	
	BC25. However, the IPSASB concluded that both operational and non-operational heritage items can be assets, since both can meet the Conceptual Framework’s definition of an asset (resource, control, past event). On this basis the IPSASB decided that the distinction is not relevant to a decision on whether or not to recognize an asset.	
	<b><u>Spare Parts for Infrastructure Assets</u></b>	
	BC26. The IPSASB considered whether [draft] IPSAS [X] (ED 78) provided sufficient guidance on the accounting treatment of spare parts for infrastructure assets. The IPSASB concluded that accounting for spare parts is a generic issue and that sufficient authoritative guidance exists in [draft] IPSAS [X] (ED 78) for infrastructure asset spare parts that meet the definition of property, plant, and equipment, and in IPSAS 12, <i>Inventories</i> for spare parts that meet the definition of inventory.	

<p><i>Capitalization thresholds: BC paragraphs included as per IPSASB decisions in Sept 2020 (Agenda paper 9.2.5) Text revised for IPSASB comments in September.</i></p>	<p><b>Capitalization Thresholds</b></p> <p>BC27. The IPSASB considered the issues identified by constituents with respect to establishing capitalization thresholds for costs related to infrastructure assets. The IPSASB concluded that this issue applies broadly to property, plant, and equipment, and that any guidance should also apply broadly, and not be restricted to applying only to infrastructure assets.</p> <p>BC28. The IPSASB noted that this issue is generally considered to be a practical issue that is best addressed by management. Entities' management consider their specific assets holdings, and apply the need to meet users' information needs, materiality, and cost-benefit. However, the IPSASB concluded that there is scope for guidance on the factors for consideration when entities set their capitalization thresholds. On this basis the IPSASB decided to add implementation guidance (see paragraphs IG10-IG14) on the factors to consider when establishing capitalization thresholds for property, plant, and equipment.</p> <p><b>Disclosures Related to Unrecognized Heritage Property, Plant, and Equipment</b></p> <p>BC29. The IPSASB considered the issues identified by constituents with respect to disclosures related to unrecognized heritage assets. Being able to measure an asset in a way that achieves the qualitative characteristics and takes account of the constraints on information included in General Purpose Financial Reports (GPFRs) is necessary for recognition of an asset in the financial statements. [Draft] IPSAS [X] (ED 78) states, in paragraph 7, that property, plant, and equipment must be able to be measured reliably for recognition. The IPSASB agreed with constituents that heritage assets may present measurement difficulties which prevent their recognition, but that information on such assets could be important to meet users' needs.</p> <p>BC30. In considering the need for additional disclosures when heritage property, plant, and equipment is not recognized, the IPSASB noted that, as explained in the Conceptual Framework, disclosures in the notes to the financial statements:</p> <ul style="list-style-type: none"> <li>(a) Can provide information on elements that cannot be measured in a manner that achieves the qualitative characteristics sufficiently to meet the objectives of financial reporting;</li> <li>(b) Are appropriate when knowledge of the item is relevant to the evaluation of the net financial position of the entity and therefore meets the objectives of financial reporting; and</li> <li>(c) May include items that do not meet the recognition criteria but are important to an understanding of the entity's finances and ability to deliver services.</li> </ul> <p>BC31. The IPSASB noted that there are cases where the cost or current value of heritage property, plant, and equipment is not able to be measured reliably and the assets cannot, therefore, be recognized. Information about the contribution</p>	<p>No</p>
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NOTES	<b><u>DRAFT IPSAS [X] (ED 78), Property, Plant, and Equipment</u></b>	<b>IAS 16?</b>
	<p>of such assets to the delivery of the entity's objectives would nonetheless be useful to users of the financial statements.</p> <p>BC32. The IPSASB decided to include a requirement for additional disclosures on heritage property, plant, and equipment that is not recognized because it cannot be measured reliably on the basis that such information contributes to:</p> <ul style="list-style-type: none"> <li>(d) Achievement of the objectives of financial reporting; and,</li> <li>(e) Users' understanding of the entity's finances and ability to deliver services for accountability and decision-making purposes.</li> </ul> <p>Therefore, [draft] IPSAS [X] (ED 78) includes paragraph 79, which establishes that additional disclosures are required, and has application guidance for such disclosures in paragraphs AG44-AG45.</p>	
<p><i>Treatment of subsequent expenditure: BC paragraphs included as per IPSASB decisions in Sept 2020 (Agenda paper 9.2.4) Text revised for IPSASB comments in September.</i></p>	<p><b>Treatment of Subsequent Expenditure on Unrecognized Heritage Assets</b></p> <p>BC33. The IPSASB considered constituents' views on additional guidance on decisions to capitalize or expense subsequent expenditure on unrecognized heritage assets. The IPSASB concluded that there is sufficient authoritative guidance to address heritage-related concerns. The IPSASB's decision to not have a heritage scope exclusion in [draft] IPSAS [X] (ED 78) resulted in the [draft] Standard's authoritative guidance fully applying to heritage assets. Therefore, heritage assets that satisfy the recognition criteria will be recognized. Given measurement difficulties associated with heritage assets however, the IPSASB acknowledged that some may not be able to be recognized. The IPSASB decided that application guidance should be added (see paragraph AG20) to establish that paragraph 7's principles apply to the recognition of subsequent expenditure on unrecognized heritage assets. The IPSASB further decided to include additional implementation guidance (see paragraph IG9), which) is needed to support decisions on when to capitalize/ expense subsequent expenditure on unrecognized heritage property, plant, and equipment.</p>	No
<p><i>Current value measurement: BC paragraphs included as per IPSASB decisions in Sept 2020 (Agenda paper 9.2.6) Text revised for IPSASB comments in September.</i></p>	<p><b>Measurement</b></p> <p><b>Current value measurement of heritage assets</b></p> <p>BC34. The IPSASB considered constituents' views on the need for guidance on application of the current value model to heritage assets. The IPSASB decided that, on the basis that entities need support to ensure consistent implementation of the [draft] Standard's principles, additional implementation guidance is needed on the measurement at current value when heritage assets are viewed as irreplaceable and have restrictions on their use (see paragraphs IG15-IG18).</p>	



NOTES	DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
	<b>Initial Measurement</b>  <b>Elements of Cost</b>	
	<i>Costs to Dismantle Infrastructure Assets</i>	
<i>Paragraphs BC35-BC36 are added to reflect the IPSASB decision at the March 2020 meeting not to add guidance on costs to dismantle infrastructure assets (Agenda Item 6.2.5).</i>	BC35. The IPSASB considered whether sufficient guidance existed for accounting for costs to dismantle infrastructure assets because there is a need to highlight the impact of the future environmental or decommissioning costs on the value of acquired property, plant, and equipment, including infrastructure assets.	
	BC36. The IPSASB decided that this issue is not specific to infrastructure assets, and no additional guidance is necessary, because sufficient authoritative guidance exists in: <ul style="list-style-type: none"> <li>(a) This [draft] IPSAS [X] (ED 78) which states 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; and</li> <li>(b) IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> which requires a public sector entity to recognize a provision for decommissioning costs to the extent that the public sector entity is obliged to rectify damage already caused.</li> </ul>	
	<b>Subsequent Measurement</b>  <b>Accounting Policy Choice</b>	
<i>Paragraph BC36A added in June 2022. See Agenda item <a href="#">7.2.9</a></i>	BC36A. The IPSASB noted the accounting policy choice is often determined by factors outside of the entity's control. This may occur when the policy choice is made by: <ul style="list-style-type: none"> <li>(a) A more senior level of government for all entities in a sector or jurisdiction; or</li> <li>(b) An applicable regulatory framework in the sector or jurisdiction.</li> </ul>	
<i>Paragraphs BC37-BC38 are added to explain the accounting policy choice for measurement of PP&amp;E (see Agenda Item 9.2.2).</i>	BC37. The IPSASB considered whether additional guidance was necessary to assist in making the accounting policy choice of subsequently measuring classes of property, plant, and equipment either on a current value or historical cost model.	

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	IAS 16?
	<p>BC38. The IPSASB concluded no additional guidance was needed. Management should continue to apply its judgment in choosing an accounting policy that results in information that:</p> <ul style="list-style-type: none"> <li>(a) Is relevant to the accountability and decision-making needs of users,</li> <li>(b) Faithfully represents the financial position, financial performance, and cash flows of the entity,</li> <li>(c) Meets the qualitative characteristics of understandability, timeliness, comparability, and verifiability; and</li> <li>(d) Considers the constraints on information included in general purpose financial reports and the balance between the qualitative characteristics.</li> </ul>	
	<b>Current Value Model</b>	
	<i>Current Operational Value</i>	
<p><i>Paragraph BC39 is added to address in-period comment regarding retention of FV (Agenda Item 5.2.2).</i></p>	<p>BC39. During the development of [draft] IPSAS ([X] (ED 77)), the IPSASB considered concerns raised by respondents with regard to the application of fair value in the public sector. While respondents agreed fair value was applicable in some circumstances, they raised concerns about its applicability to public sector assets held for their operational capacity. Respondents suggested it was inappropriate to apply fair value to those assets because the following concepts are not applicable:</p> <ul style="list-style-type: none"> <li>(a) Highest and best use; and</li> <li>(b) Maximizing the use of market participant data.</li> </ul>	-
<p><i>Paragraph BC40 is added to address in-period comment regarding retention of FV (Agenda Item 5.2.2).</i></p>	<p>BC40. The IPSASB addressed respondents' concerns by developing a public sector specific measurement basis—Current Operational Value. This measurement basis addresses the measurement of assets held for their operational capacity</p>	-
<p><i>Paragraph BC41 is added to address in-period comment regarding retention of FV (Agenda Item 5.2.2).</i></p>	<p>BC41. However, the IPSASB concluded an item of property, plant, and equipment falling within the scope of this [draft] Standard may be held for its financial capacity and so, using the measurement hierarchy as developed in [draft] IPSAS [X] ED 77, would typically be accounted for using the fair value measurement basis. This may be the case where a jurisdiction determines that the difference between fair value and current operational value might be material in the context of consolidation and measuring the difference between the two bases may be onerous. However, the principle of generally measuring assets held for their financial capacity at fair value and assets held for their operational capacity at current operational value remains appropriate and a jurisdiction may determine that no consolidation adjustments are required where assets are held for different objectives.</p>	-

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
<p><i>Paragraph BC42 is added to address in-period comment regarding retention of FV (December Issue 1).</i></p>	<p>BC42. In reaching its conclusion to include fair value measurement in this [draft] Standard, the IPSASB considered allowing only current operational value as the measurement basis when applying the current value model in this [draft] Standard. In discussing this view the IPSASB considered:</p> <ul style="list-style-type: none"> <li>(a) Scoping – Current operational value provides useful information when assets are held for their operating capacity. Based on this scope of the [draft] Standard, most items of property, plant, and equipment will be held for their operational capacity, i.e., to deliver services. Land or buildings that are held for their financial capacity are most likely accounted for in accordance with IPSAS 16, Investment Property.</li> <li>(b) Valuation – In cases where an item of property, plant, and equipment is held for its financial capacity and is in scope of this [draft] Standard, it is likely held in its highest and best use. When the current use of an asset is its highest and best use, differences in measurement between fair value and current operational value are likely immaterial; and</li> <li>(c) Precedent – Whether including a fair value option in this [draft] Standard creates a precedent whereby a fair value option should be included throughout the IPSASB literature to allow for items held for their financial capacity to be measured at fair value and items held for their operational capacity to be measured at current operational value. The IPSASB concluded the inclusion of fair value in this [draft] Standard does not set a precedent for measurement requirements in other Standards.</li> </ul>	<p>-</p>
	<p><i>Valuing Land Under or Over Infrastructure Assets</i></p>	
<p><i>Paragraphs BC43-BC44 and IG19-IG21 are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on valuing land under or over infrastructure assets (Agenda Item 9.2.7).</i></p>	<p>BC43. The IPSASB considered whether existing guidance in IPSAS 17, addressed the approach to valuing land under or over infrastructure assets such as land under roads and railways.</p> <p>BC44. The IPSASB decided to add non-authoritative implementation guidance to [draft] IPSAS [X] (ED 78) to clarify the existing principles related to the valuation of land under or over infrastructure assets (see paragraphs IG19-IG21)</p>	

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<i>IAS 16?</i>
	<b>Depreciation</b>	
	<i>Finite and Indefinite Useful Lives</i>	
<p><i>New paragraph BC36-added to reflect the IPSASB September 2020 decision (Agenda paper 9.2.8)</i></p>	<p>BC45. When considering accounting for land under or over infrastructure the IPSASB noted that generally land has an indefinite useful life and is not, therefore, depreciated. Exceptions, where land should be depreciated, include where:</p> <ul style="list-style-type: none"> <li>(a) Land is being consumed due to depletion (such as mines and quarries or landfill sites); or</li> <li>(b) Land is being lost or displaced as a result of natural phenomena such as climate change (for example, rock or soil erosion, or desertification).</li> </ul> <p>BC46. The IPSASB decided that the IPSAS 17 discussion of useful lives should be revised to better address situations where land has a finite useful life and should be depreciated (see paragraphs 53-56)). During its consideration of this issue and those raised by heritage assets' useful lives the IPSASB decided that the terminology of finite and indefinite useful lives, as used in IPSAS 31, should be used in [draft] IPSAS [X] (ED 78). This provides consistent terminology across IPSAS when considering useful lives for asset depreciation.</p> <p>BC47. The IPSASB further decided that the revised core text and related application guidance should also provide guidance to address situations where items of property, plant, and equipment (e.g., heritage assets, discussed further below) could have indefinite useful lives and should not, therefore be depreciated.</p>	
<p><i>New</i></p>	<p>BC48. The IPSASB considered that most non-land property, plant, and equipment have finite useful lives. On this basis, the IPSASB decided to include a rebuttable presumption that non-land property, plant, and equipment has a finite useful life, so that an entity must have evidence to rebut that presumption before it can treat non-land property, plant, and equipment as having an indefinite useful life (see paragraph 53.</p>	

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
<i>New</i>	<p><i>Depreciation of Heritage Assets</i></p> <p>BC49. Responses to the CP Financial Reporting for Heritage in the Public Sector showed support for applying the same depreciation requirements to heritage assets as those applied to other types of property, plant, and equipment. Where respondents disagreed with that approach, some argued against depreciation, while others stated that guidance is needed on how to estimate heritage assets' useful lives and identify heritage assets for which there is no depreciation expense. On the basis that many heritage assets are consumed over time, as they deliver services and/or economic benefits, the IPSASB concluded that heritage assets can be depreciable assets.</p> <p>BC50. 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 useful lives should be clarified to apply to situations where property, plant, and equipment have indefinite useful lives.</p>	
<p><i>New Paragraph BC52-added to reflect the IPSASB September 2020 decision (Agenda paper 9.2.8)</i></p>	<p>BC51. To support entities' assessments of whether a heritage asset has a finite or indefinite useful life the IPSASB decided to add non-authoritative implementation guidance (see paragraphs IG26-IG29).</p>	
	<p><i>Identifying Parts of Infrastructure Assets that Should Be Separately Depreciated</i></p>	

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
<p>Paragraph AG31 was revised and paragraphs BC52-BC56 and IG30-IG34 are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on componentization – identifying significant parts of infrastructure assets (Agenda Item 9.2.9).</p>	<p>BC52. The IPSASB considered whether it was a challenge to determine the appropriate unit of account when identifying significant parts of infrastructure assets that should be separately depreciated.</p> <p>BC53. The IPSASB noted the existing principles are clear that an asset could have different units of account for depreciation because parts of an item of property, plant, and equipment with a significant cost in relation to the total cost of the item shall be depreciated separately. This principle holds true for infrastructure assets, but judgment needs to be exercised in determining or identifying the units of account, which may be separate assets in their own right.</p> <p>BC54. The IPSASB decided to revise the example in paragraph AG31 in the application guidance which listed a number of assets (such as curbs and channels, pavements and bridges) that make up the road system as the units of account or parts that should be identified for separate recognition and depreciation to illustrate the principle of depreciating separately the parts of items of property, plant, and equipment at the appropriate level.</p> <p>BC55. The IPSASB acknowledged that the separate units of account described in the replaced example may be relevant in some jurisdictions but considered that jurisdictions will apply judgment in determining the appropriate units of accounts for their circumstances.</p> <p>BC56. The IPSASB also added implementation guidance (see paragraphs IG30-IG34)</p>	
<p>New. Paragraph BC53-added to reflect the IPSASB September 2020 decision (Agenda paper 9.2.8)</p>	<p><i>Annual Impairment Tests for Property, Plant, and Equipment with Indefinite Useful Lives</i></p> <p>BC57. The IPSASB decided that where an entity has assessed property, plant, and equipment as having indefinite useful lives it is important that the assets be reviewed regularly for indicators of impairment. On this basis the IPSASB decided to insert a requirement for annual reviews for indicators of impairment applied to such assets into [draft] IPSAS [X] ED 78 (see paragraph 53).</p>	
	<p><i>Separately Accounting for Land and Infrastructure Assets</i></p>	

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
<p><i>Paragraphs BC58-BC59 are added to reflect the IPSASB decision at the September 2020 meeting not to add guidance on separately accounting for land under or over infrastructure assets (Agenda Item 9.2.7).</i></p>	<p>BC58. The IPSASB considered the issue of whether land and infrastructure assets are separate assets that should be separately accounted for.</p> <p>BC59. The IPSASB decided that no additional authoritative guidance should be included in [draft] IPSAS [X] (ED 78) because the guidance is clear that:</p> <ul style="list-style-type: none"> <li>(a) Land and buildings are separable assets and are accounted for separately (e.g., separate recognition and measurement) even when they are acquired together (see paragraph 539); and</li> <li>(b) Land, buildings, roads and electricity transmission networks are examples of separate classes of property, plant, and equipment that should be separately disclosed (see paragraphs 43 and 78).</li> </ul>	
	<i>Renewals Accounting</i>	
<p><i>Paragraphs BC60-BC61 are added to reflect the IPSASB decision at the September 2020 meeting not to use the term, “renewals accounting” (Agenda Item 9.2.10).</i></p>	<p>BC60. The IPSASB considered whether “renewals accounting” was an appropriate technique to estimate depreciation of property, plant, and equipment when they are managed in accordance with a detailed asset management plan.</p> <p>BC61. The IPSASB concluded there is no definitive “renewals accounting” method and that this technique should not be used in its literature to estimate depreciation of property, plant, and equipment given the numerous interpretations across different jurisdictions.</p>	
	<i>Use of Information in Asset Management Plans for Financial Reporting</i>	
<p><i>Paragraphs IG35-IG36 and BC62-BC64 have been updated to reflect the IPSASB decision at the December 2020 meeting on the Use of Information in Asset Management Plans for Financial Reporting. (Agenda Item 5.2.3).</i></p>	<p>BC62. Many public sector entities have asset management plans that facilitate the proper management of an item of property, plant, and equipment over its life cycle. These asset management plans are usually developed by qualified experts and focus on the operational aspects of the item of property, plant, and equipment.</p> <p>BC63. The IPSASB noted that, where these asset management plans are kept up to date by qualified experts and the information is reliable, these plans could provide detailed information relevant for accounting for property, plant, and equipment.</p> <p>BC64. The IPSASB developed implementation guidance to clarify when asset management plans might provide information useful for financial reporting purposes when accounting for property, plant, and equipment (see paragraphs IG35-IG36)).</p>	
	<b>Impairment</b>	
	<i>Liabilities for Future Preservation/ Maintenance of Heritage and Infrastructure Assets</i>	

NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	IAS 16?
	BC65. 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.	
	BC66. 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 because an entity does not have an unavoidable present obligation to incur future expenditure. 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.	
	<i>Impairment of Heritage and Infrastructure Assets</i>	
<i>These paragraphs are added to reflect the IPSASB decision at the September 2020 meeting. (Agenda Item 9.2.12).</i>	<p>BC67. The IPSASB considered whether sufficient guidance existed on whether an infrastructure asset network or system is impaired when one part becomes damaged or inoperable. The IPSASB also considered whether additional guidance is needed to address the impairment of heritage assets.</p> <p>BC68. The IPSASB decided no additional guidance is necessary because sufficient authoritative impairment guidance exists in IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and IPSAS 26, <i>Impairment of Cash-Generating Assets</i>, to adequately address the impairment of both heritage and infrastructure assets, including guidance for entities to determine when a network is impaired.</p>	
	<i>Under-Maintenance of Assets</i>	
<i>Paragraphs BC69-BC71 and IG37-IG40; and are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on "under-maintenance" of assets" (Agenda Item 9.2.11).</i>	<p>BC69. The IPSASB considered the issue that guidance did not articulate whether "backlog maintenance" or "deferred maintenance" should be recognized.</p> <p>BC70. The IPSASB decided not to use the terms, "backlog maintenance" or "deferred maintenance" because the terms have several interpretations and applications. The IPSASB clarified that the issue highlighted by constituents related to the "under-maintenance of assets."</p> <p>BC71. Even though IPSAS 17 principles are clear on the accounting for assets that are "under-maintained", the IPSASB added implementation guidance to clarify the accounting for "under-maintenance of assets" in [draft] IPSAS [X] (ED 78) (see paragraphs IG37-IG40).</p>	
	Recoverable Amount	



NOTES	<b>DRAFT IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i></b>	<b>IAS 16?</b>
<p><i>Paragraphs <b>Error!</b> Reference source not found. is added to reflect the IPSASB instruction from December 2020. (Issue 8).</i></p>	<p>BC72. IAS 16 defines recoverable amount as “the higher of an asset’s fair value less costs of disposal and its value in use.” [Draft] IPSAS [X] (ED 78) refers to the IPSAS 26 definition of recoverable amount which is defined as “the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use.” The definition in IPSAS 17 is the same as in IPSAS 26, but differs slightly from the definition in IAS 16. The IPSASB is of the view that the definition in IPSAS 26 is appropriate for use in [draft] IPSAS[X] (ED 78).</p>	
	<p><b>Derecognition</b> <b>Derecognition of Infrastructure Assets</b></p>	
<p><i>Paragraphs BC73-BC74 are added to reflect the IPSASB decision at the September 2020 meeting not to add guidance on derecognition of infrastructure assets (Agenda Item 9.2.13).</i></p>	<p>BC73. The IPSASB considered whether sufficient derecognition guidance with respect to accounting for infrastructure assets existed. The IPSASB noted the derecognition issue arises because parts of infrastructure assets are constantly replaced and there could be a lack of detailed accounting records to support the derecognition of the carrying amounts of the parts that are replaced.</p> <p>BC74. The IPSASB decided not to add additional derecognition guidance in [draft] IPSAS [X] (ED 78) because sufficient authoritative derecognition guidance exists and the challenges identified by constituents when accounting for derecognition of parts of infrastructure assets appear administrative and related to record keeping.</p>	
	<p><b>Presentation—Display and Disclosure</b></p>	
	<p><b>Heritage: Focus on Information in the Financial Statements</b></p>	
	<p>BC75. The IPSASB noted that some jurisdictions disclose supplementary information about heritage assets as a substitute for recognizing 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 performance.</p>	
	<p>BC76. The IPSASB concluded that it would focus on guidance related to the financial statements on the basis that the <i>Recommended Practice Guidelines</i> (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.</p>	

NOTES	[DRAFT] IPSAS [X] (ED 78), <i>Property, Plant, and Equipment</i>	IAS 16?
	<p><b><u>Implementation Guidance</u></b></p> <p><i>This guidance accompanies, but is not part of, [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment</i></p>	
	<p><b><u>Definition of Property, Plant, and Equipment</u></b></p> <p><b><u>Assessment of Control</u></b></p>	
<p><i>These IG paragraphs originally related to control over heritage items. They have been moved here given their generally applicability.</i></p> <p><i>These paragraphs were reviewed by the IPSASB at its September 2020 meeting to add guidance on control over items in a heritage collection (Agenda Item 9.2.3)</i></p>	<p>IG1. <b>Apply [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment:</b> When assessing control an entity applies [draft] IPSAS [X] (ED 78)'s application guidance on control assessment contained in paragraphs AG13-AG15. Paragraph AG13 that 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. Paragraph AG14 identifies the indicators of control as follows:</p> <ul style="list-style-type: none"> <li>(a) Legal ownership;</li> <li>(b) Access to the resource, or the ability to deny or restrict others to access the resource;</li> <li>(c) The means to ensure that the resource is used to achieve its objectives; or</li> <li>(d) The existence of an enforceable right to service potential or the ability to generate economic benefits arising from the resource.</li> </ul> <p>IG2. <b>Control over tangible items:</b> This implementation guidance focuses on control over items of property, plant, and equipment, where the resource is represented by a tangible item. Intangible assets arising from a loan, lease or other type of "right to use" are not addressed in this implementation guidance because they are outside of [draft] IPSAS [X] (ED 78)'s scope.</p> <p>IG3. <b>Apply professional judgment:</b> The entity applies professional judgment to the facts of each situation when:</p> <ul style="list-style-type: none"> <li>(a) Assessing the existence of indicators of control; and</li> <li>(b) Reaching a view on whether or not control exists.</li> </ul>	
	<i>Control of Land Under or Over Property, Plant, and Equipment</i>	
	<p><b>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?</b></p>	

<p><i>Paragraphs IG4-IG5; and IE1-IE5 are added to reflect the IPSASB decision at the July 2020 meeting to add guidance on control of land under or over infrastructure assets (Agenda Item 2.2.3).</i></p>	<p>IG4. 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 held by 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.</p>	
	<p>IG5. 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 of property, plant, and equipment. If the ongoing operation of the item of property, plant, and equipment 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.</p>	
	<p><u>Control over Items in a Heritage Collection</u></p>	

*These IG paragraphs have been added to reflect the IPSASB decision at the September 2020 meeting to add guidance on control over items in a heritage collection (Agenda Item 9.2.3)*

**Does an entity have control over items in its heritage collection, when it only has the right to hold the items temporarily, for a defined period under an agreement (or agreements) with another entity (or entities) or individual (group of individuals)?**

IG6. No. The entity does not have control over these items in its heritage collection. Applying the application guidance in [draft] IPSAS [X] (ED 78) and professional judgment to the facts of the situation the entity does not have control over the resource represented by the items. This is indicated by the entity only holding the item temporarily, for a defined period. The entity does not have the ability to use the items or direct other parties on their use or prevent other parties from using the items so as to derive service potential or economic benefits embodied in the items in the achievement of its service delivery or other objectives. However, another Standard could apply, for example one that addresses leases or similar arrangements, which includes intangible rights to use a tangible resource within its scope.

**Does an entity have control over items in its heritage collection, when it does not have legal ownership but has the right to hold the items for an indefinite period through an arrangement that both parties to the agreement understand to be open-ended?**

IG7. Yes. The entity has control over these items in its heritage collection. In applying the application guidance in [draft] IPSAS [X] (ED 78) and professional judgment to the facts of the situation the entity has control over the resource represented by the items. This is because it has the ability to use the resource or direct other parties about their use or prevent other parties from using the resource so as to derive service potential or economic benefits embodied in the items in the achievement of its service delivery or other objectives.

**Does an entity retain control over items in its heritage collection if it holds them in storage, instead of displaying them to the public?**

IG8. Yes. The entity still controls items in its heritage collection when it holds them in storage (for example, in a warehouse or research laboratory) instead of displaying them to the public. The entity's decision to hold the items in storage does not affect the entity's control over the resource represented by the items. In applying the application guidance in [draft] IPSAS [X] (ED 78) and professional judgment to the facts of the situation the entity has control over the resource represented by the items. This is because it has the ability to use the resource or direct other parties about their use or prevent other parties from using the resource so as to derive service potential or economic benefits embodied in the items in the achievement of its service delivery or other objectives.

<p><i>These IG paragraphs have been added to reflect the IPSASB decision at the September 2020 meeting to add guidance on treatment of subsequent expenditure on unrecognized heritage assets (Agenda Item 9.2.4)</i></p>	<p><b>Recognition</b></p> <p><b>Treatment of Subsequent Expenditure on Unrecognized Heritage Assets</b></p> <p><b>Should an entity capitalize subsequent expenditure on an unrecognized heritage asset when the expenditure meets <u>[draft] IPSAS [X] (ED 78)</u>'s recognition principle?</b></p> <p>IG9. Yes. A reporting entity should capitalize subsequent expenditure that it incurs on an unrecognized heritage asset where that expenditure meets <u>[draft] IPSAS [X] (ED 78)</u>'s recognition principle.</p>	
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These IG paragraphs have been added to reflect the IPSASB decision at the September 2020 meeting to add guidance on capitalization thresholds for costs (Agenda Item 9.2.5)

## Capitalization Threshold for Costs

### What factors should be considered when choosing a capitalization threshold?

- IG10. [Draft] IPSAS [X] (ED 78) paragraph 13 establishes the recognition principle for determining whether costs should be recognized as an asset, i.e., “capitalized.” Paragraph 13 states that the cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:
- (a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
  - (b) The cost or current value of the item can be measured reliably
- IG11. In practice, entities expense some costs that meet this recognition principle, because they fall below a “capitalization threshold,” established by management. Capitalization thresholds assume application of the materiality principle. As such, not all property, plant, and equipment with useful lives extending beyond a single reporting period will be capitalized. Many can be expensed without having a material impact on the information reported in the financial statements. Capitalization thresholds guide entities on whether costs should be capitalized and included in the *statement of financial position* or expensed and included in the *statement of financial performance*.
- IG12. Factors to consider when setting capitalization thresholds include:
- (a) **Meeting the information needs of users:** Capitalization thresholds should result in reported information that meets the needs of external users of the financial statements. Capitalization thresholds should result in reported amounts for recognized assets that achieve the qualitative characteristics, including relevance and representational faithfulness.
  - (b) **Materiality:** Capitalization thresholds should be such as to ensure that material asset values are captured. Appropriate capitalization thresholds guide entities to capitalize items that would materially impact on the information about assets and expenses in the financial statements and expense those items that would not materially impact on that information.
  - (c) **Cost-benefit:** When capitalization thresholds are set at appropriate levels, they reduce the cost of tracking large numbers of small-value items, while still conferring the benefits of meeting users’ needs and capturing material values. If a capitalization threshold is set too low, this could create significant additional costs – in the form of work for staff - without any benefit.
- IG13. An entity should consider whether different classes of property, plant, and equipment need different capitalization thresholds.
- IG14. Capitalization thresholds are often applied to individual items rather than to groups of similar items. However, the cumulative effect on a group of similar assets should be

	considered when relevant. This may be the case when a group of assets are acquired at the same time as part of a single project, for example assets acquired for an extensive building program.	
	<b><u>Measurement after Recognition</u></b> <b><u>Current Value Model</u></b>	

*These IG paragraphs have been added to reflect the IPSASB decision at the September 2020 meeting to add guidance on current value measurement of heritage assets (Agenda Item 9.2.6)*

## **Current Value Measurement of Heritage Assets**

### **1. (1) Do restrictions on the use of heritage assets affect an entity's ability to derive its [current value] either on initial recognition (if, for example, the asset is donated), or subsequently (when the entity subsequently revalues its heritage assets)?**

IG15. No. Restrictions on the use of heritage assets do not affect an entity's ability to derive [current values] for them. However, restrictions will need to be taken into account when deriving a [current value].

### **2. (2) Where a heritage asset is viewed as irreplaceable does this affect an entity's ability to derive its current value?**

IG16. No. A view that a heritage asset is irreplaceable does not affect an entity's ability to derive a current value.

IG17. Many heritage assets are viewed as irreplaceable from a heritage perspective. From a financial reporting perspective, the ability to derive a current value involves the ability to ascertain values for equivalent assets. "Equivalent assets" do not have to be identical assets when deriving a current value. Where an entity needs to estimate a current value for a heritage asset, it will need to consider information available on current values, even when, from the perspective of its heritage nature, the asset is irreplaceable. Obtaining current values for heritage assets may be complex and difficult. It could involve professional judgment to reach an estimate that is derived from a range of possible values. These measurement challenges are a normal part of financial reporting, and not unique to the valuation of heritage assets. The need for professional judgement, expert valuation advice, and/or the use of estimates to derive a current value is not a sufficient basis for concluding that a current value cannot be derived.

IG18. A consideration of the following factors will support an entity's assessment of whether it can derive a current value for a heritage asset:

(a) Replacement of service potential: A current value is likely to be derivable, if the service potential of the heritage asset could be replaced, if necessary, through either:

3. (i) Purchasing a similar asset; or,
4. (ii) Reproducing or reconstructing the asset, with reproduction applying to either the whole asset or parts of the asset on either an "as needed" basis or through application of a replacement cycle for the asset.

5. By contrast, the heritage asset's current value may not be derivable if its service potential cannot be replaced through purchasing another, similar asset or through reproduction.

(b) Significance of the heritage asset: A current value is likely to be derivable, if the heritage asset's service potential mainly relates to its ability to represent an



	<p>era or type, such that another heritage asset of the same era or same type could be similarly representative.</p> <p>6. By contrast, a heritage asset's current value may not be derivable if its service potential is independent of the heritage asset's ability to represent an era or type and depends, instead, on something unique and specific to that heritage asset.</p>	
	<u>Valuing Land Under or Over Infrastructure Assets</u>	
<p>Paragraphs BC43-BC44 and IG19-IG21 are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on valuing land under or over infrastructure assets (Agenda Item 9.2.7).</p>	<p><b>How should the land under or over infrastructure assets, such as land under roads or railways, be valued because the related infrastructure assets on top of the land are specialized and held for operational capacity?</b></p>	

	<p>IG19. [Draft] IPSAS [X] (ED 78) is clear that:</p> <ul style="list-style-type: none"> <li>(a) Land should be separately accounted for. This requirement applies to all land, including land under or over infrastructure assets; and</li> <li>(b) Land under or over infrastructure assets accounted for under the current value model should be valued at current operational value or fair value. Because the infrastructure asset itself is a specialized asset, it will often be the case that the market approach will be challenging to apply, and that the asset will be more easily valued using the cost approach.</li> </ul> <p>IG20. [Draft] IPSAS [X] (ED 77), <i>Measurement</i> defines the cost approach as a measurement technique that reflects the amount that will be required currently to replace the service capacity of an asset (often referred to as the current replacement cost).</p> <p>IG21. The replacement cost of the land is based on the current value of the land based on the existing site. For example, if the road runs through agricultural land, then the current value of the land under that section of the road will be agricultural and if the road runs through an industrial area, then the current value placed on the land under that section of the road will be industrial.</p> <p><b>Frequency of Revaluation of Property, Plant, and Equipment</b></p> <p><b>How often should property, plant, and equipment be revalued?</b></p> <p>IG22. Paragraph 35 of [draft] IPSAS [X] (ED 78) requires entities that adopt the revaluation model to measure assets at a revalued amount that does not differ significantly from that which would be determined using current value at the reporting date. Paragraph 39 of [draft] IPSAS [X] (ED 78) specifies that the frequency of revaluations depends upon the changes in current value of the items of property, plant, and equipment being revalued. When the current value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. The purpose of this guidance is to assist entities that adopt the revaluation model to determine whether carrying amounts differ materially from the current value as at reporting date.</p> <p>IG23. An entity assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, the entity determines the asset's current value and revalues the asset to that amount.</p> <p>IG24. In assessing whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date, an entity considers, as a minimum, the following indications:</p> <p>External sources of information</p> <ul style="list-style-type: none"> <li>(a) Significant changes affecting the entity have taken place during the period, or will take place in the near future, in the technological, market, economic, or legal</li> </ul>	
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	<p>environment in which the entity operates or in the market to which the asset is dedicated;</p> <p>(b) Where a market exists for the assets of the entity, market values are different from their carrying amounts;</p> <p>(c) During the period, a price index relevant to the asset has undergone a material change;</p> <p>7. Internal sources of information</p> <p>(d) Evidence is available of obsolescence or physical damage of an asset;</p> <p>(e) Significant changes affecting the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. Adverse changes include the asset becoming idle, or plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite. Favorable changes include capital expenditure incurred during the period to improve or enhance an asset in excess of its standard of performance assessed immediately before the expenditure is made; and</p> <p>(f) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse or better than expected.</p> <p>IG25. The list in paragraph IG24 is not exhaustive. An entity may identify other indications that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. The existence of these additional indicators would also indicate that the entity should revalue the asset to its current value as at the reporting date.</p>	
	<b>Depreciation</b>	

Paragraphs IG22-IG25 are added to reflect the IPSASB decision at the September 2020 meeting to add guidance to identify heritage assets with indefinite useful lives (Agenda Item 9.2.8)

## Heritage Assets' Useful Lives

### What are the main factors to consider when assessing whether a heritage asset has an indefinite useful life?

IG26. Paragraph 53 states that there is a rebuttable presumption that non-land property, plant, and equipment have finite useful lives. For a heritage asset to have an indefinite useful life an analysis of the relevant factors should show that it is reasonable for the entity to consider that there is no foreseeable limit to the period over which it is expected to provide service potential or be used operationally to generate net cash inflows for the entity. Paragraph 55 states that estimates of useful life should reflect evidence at the time the estimate is made and realistic, rather than optimistic, projections of the relevant factors.

IG27. Paragraph AG31 states that a heritage painting or sculpture held in a protective environment that is carefully controlled to preserve the asset is an example of an asset that could have an indefinite useful life.

IG28. The main factors to consider when assessing whether a heritage asset has an indefinite useful life are:

- (a) **Period providing service potential:** The entity should expect that, to the best of its knowledge, the period over which the heritage asset will continue to provide service potential and/or future economic benefits will continue indefinitely. The assets' heritage value for future generations should be demonstrable, such that it is reasonable to expect that its heritage value will continue indefinitely.
- (b) **Usage:** The usage of the heritage asset should not result in physical wear and tear to the heritage asset.
- (c) **Preservation:** The entity should be able to describe the actions it has taken in the past and plans to continue to take to preserve the heritage asset, including adequate protection of heritage assets from the natural elements, where relevant. Preservation plans should include information on the likely availability of staff and financial resources to carry out the entity's preservation activities.

IG29. Entities apply professional judgment to estimate the useful life of an asset with reference to experience with similar assets. If circumstances change, the entity will need to consider whether the heritage asset still has an indefinite useful life. If the heritage asset is found to have a finite useful life the entity will then treat it as a depreciable asset and account for it accordingly.

### Identifying Parts of Infrastructure Assets that Should be Separately Depreciated

<p>Paragraph AG31 was revised and paragraphs BC52-BC56 and IG30-IG34 are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on componentization – identifying significant parts of infrastructure assets (Agenda Item 9.2.9).</p>	<p><b>What should be considered when identifying parts of infrastructure asset networks or systems for financial reporting purposes?</b></p> <p>IG30. 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 part that will have a material impact or effect on determining the annual depreciation expense.</p> <p>IG31. Property, plant, and equipment including infrastructure assets do not require separate recognition beyond the level required for financial reporting purposes. [Draft] IPSAS [X] (ED 78) requires:</p> <ul style="list-style-type: none"> <li>(a) Items with a cost or value that is significant in relation to the total cost of the item shall be depreciated separately and;</li> <li>(b) Significant parts of property, plant, and equipment to be grouped with other significant parts that have a similar useful life and / or depreciation method when determining the depreciation charge.</li> </ul> <p>IG32. Infrastructure assets are networks or systems that comprise a number of assets. Each of those assets or groups of similar assets may be a separate unit of account and may have parts.</p> <p>IG33. Judgment is required in determining whether those parts of the assets or similar group of assets that make up the infrastructure asset networks or systems are significant in relation to the whole infrastructure asset network or system when determining whether or not to treat them separately. For financial reporting purposes, the following indicators can be helpful in identifying significant parts of an item of property, plant, and equipment:</p> <ul style="list-style-type: none"> <li>(a) Parts should be separately identifiable and measurable;</li> <li>(b) Parts should have significant value in relation to the asset; and</li> <li>(c) Parts should have different estimated useful lives.</li> </ul> <p>IG34. The entity must consider the facts and circumstances of its transaction as a whole, and materiality to determine the significant parts for the purposes of calculating depreciation.</p>	
	<p><i>Use of Information in the Asset Management Plans for Financial Reporting</i></p>	

<p>Paragraphs IG35-IG36 and BC62-BC64 have been updated to reflect the IPSASB decision at the December 2020 meeting on the Use of Information in Asset Management Plans for Financial Reporting. (Agenda Item 5.2.3).</p> <p><u>Revision was done to reflect comment received in SCM 7. See Agenda Item 7.2.9 from June 2022</u></p>	<p><b>Can asset management plans provide information useful for accounting for property, plant, and equipment?</b></p> <p>IG35. Yes. Information in asset management plans may be used to account for property, plant, and equipment when the items of property, plant, and equipment are maintained in accordance with a sufficiently detailed asset management plan that is subject to <u>good effective</u> internal controls and has reliable and up to date information.</p> <p>IG36. Information from asset management plans can be a useful source of input to:</p> <ul style="list-style-type: none"> <li>(a) Calculate depreciation - Paragraphs 56, 66, AG35 and that depreciation reflects the consumption of the asset's future economic benefits or service potential by allocating the depreciable amount using a systematic basis over its useful life. Asset management plans may contain information on: <ul style="list-style-type: none"> <li>(i) The asset's expected useful life - Asset management plans may include information about the expected useful life based on its design/function/expected use; and</li> <li>(ii) Expected patterns of asset consumption - Asset management plans may include information about the condition and maintenance history;</li> </ul> </li> <li>(b) Determine the significant parts of property, plant, and equipment - Paragraphs 50 and AG31 stipulate that 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 part. Asset management plans may include information useful to determine or identify these significant parts of property, plant, and equipment which could in turn be useful to calculate depreciation, impairment and/or facilitate derecognition of items of property, plant, and equipment;</li> <li>(c) Calculate the estimated costs to maintain, restore and refurbish assets; and</li> <li>(d) Determine whether there is an indication that property, plant, and equipment may be impaired. The relevant guidance for impairment is available in paragraph 62 of this [draft] Standard and IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> or IPSAS 26, <i>Impairment of Cash-Generating Assets</i>.</li> </ul>	
<p>Paragraphs BC69-BC71 and IG37-IG40; and are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on "under-maintenance" of</p>	<p><b>Impairment</b></p> <p><i>Under-Maintenance of Assets</i></p> <p><b>What is under-maintenance of assets?</b></p> <p>IG37. Under-maintenance of assets occurs when the level of maintenance of an asset is insufficient to maintain the service potential or the useful life of the asset.</p>	

<p>assets" (Agenda Item 9.2.11).</p>	<p><b>Could under-maintenance impact the measurement of items of property, plant, and equipment that require constant maintenance such as infrastructure assets?</b></p> <p>IG38. Yes. Under-maintenance may affect the measurement of property, plant, and equipment. It may be an indicator for impairment and may also impact the residual value and useful life of the property, plant, and equipment.</p> <p>IG39. The relevant guidance for impairment is available in paragraph 62 of this [draft] Standard and IPSAS 21, or IPSAS 26, and the relevant guidance for assessing the residual value and useful life of property, plant, and equipment is available in paragraphs 51 and 52 of this [draft] Standard.</p> <p>IG40. No liability should be recognized when property, plant, and equipment are not adequately maintained because IPSAS 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i> is clear there is no present obligation to recognize maintenance expenses that will be incurred in the future.</p>	
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NOTES		IAS 16?
	<p><b><u>Illustrative Examples</u></b></p> <p><i>These examples accompany but are not part of, [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment.</i></p>	
	<p><b><u>Definition of Property, Plant, and Equipment</u></b></p> <p><b><u>Assessment of Control</u></b></p> <p><i>Control of Land under or over Property, Plant, and Equipment</i></p>	
<p>Paragraphs IG4-IG5; and IE1-IE5 are added to reflect the IPSASB decision at the July 2020 meeting to add guidance on control of land under or over infrastructure assets (Agenda Item 2.2.3).</p>	<p><b>8.</b> <i>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.</i></p>	
	<p>IE1. 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.</p>	
	<p>IE2. The Provincial Government concludes that the National Government controls the land because the National Government:</p> <ul style="list-style-type: none"> <li>(a) Legally owns the land;</li> <li>(b) Retains all the rights to the land as it can cancel the binding arrangement at any point in time; and</li> <li>(c) 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.</li> </ul>	
	<p>IE3. 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 (province) concludes this is insufficient to support its control of the land. Other indicators support control being retained by the national government.</p>	
	<p><i>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 unlimited and unrestricted use of the land.</i></p>	



	IE4. 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 and does not legally own the land.	
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	<p>IE5. Even though, the Provincial Government does not legally own the land, the provincial government concludes it controls the land because it:</p> <ul style="list-style-type: none"> <li>(a) Has the right to direct access to the land and to restrict or deny access of others to land because it has unlimited and unrestricted use of the land. The Provincial Government can decide how the land will be used;</li> <li>(b) Has the ability to generate benefits in the form of economic benefits or service potential from the use of the land; and</li> <li>(c) 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.</li> </ul> <p>(a) Disclosures</p> <p>IE6. The Department of the Interior is a public sector entity that controls a wide range of property, plant, and equipment, and is responsible for replacement and maintenance of the property. The following are extracts from the notes to its Statement of Financial Position for the year ended 31 December 20X1 and illustrate the principal disclosures required in accordance with this [draft] Standard.</p> <p>Notes</p> <p><b>1. Land</b></p> <ul style="list-style-type: none"> <li>(a) Land consists of twenty thousand hectares at various locations. Land is valued at fair value as at 31 December 20X1, as determined by the Office of the National Valuer, an independent valuer.</li> <li>(b) Restrictions on Titles: Five hundred hectares of land (carried at 62,500 currency units) is designated as national interest land and may not be sold without the approval of the legislature. Two hundred hectares (carried at 25,000 currency units) of the national interest land and a further two thousand hectares (carried at 250,000 currency units) of other land are subject to title claims by former owners in an international court of human rights and the Court has ordered that the land may not be disposed of until the claim is decided; the Department recognizes the jurisdiction of the Court to hear these cases.</li> </ul> <p><b>2. Buildings</b></p> <ul style="list-style-type: none"> <li>(a) Buildings consist of office buildings and industrial facilities at various locations.</li> <li>(b) Buildings are initially recognized at cost, but are subject to revaluation to fair value on an ongoing basis. The Office of the National Valuer determines fair value on a rolling basis within a short period of time. Revaluations are kept up to date.</li> <li>(c) Depreciation is calculated on a straight-line basis over the useful life of the building. Office buildings have a useful life</li> </ul>	
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	<p>of twenty-five years, and industrial facilities have a useful life of fifteen years.</p> <p>(d) The Department has entered into five contracts for the construction of new buildings; total contract costs are 250,000 currency units.</p> <p><b>3. Machinery</b></p> <p>(a) Machinery is measured at cost less depreciation.</p> <p>(b) Depreciation is calculated on a straight-line basis over the useful life of the machine.</p> <p>(c) The machinery has various useful lives:</p> <p>Tractors: 10 years</p> <p>Washing Equipment: 4 years</p> <p>Cranes: 15 years</p> <p>(d) The Department has entered into a contract to replace the cranes it uses to clean and maintain the buildings – the contracted cost is 100,000 currency units.</p> <p><b>4. Furniture and Fixtures</b></p> <p>(a) Furniture and fixtures are measured at cost less depreciation.</p> <p>(b) Depreciation is calculated on a straight-line basis over the useful life of the furniture and fixtures.</p> <p>(c) All items within this class have a useful life of five years.</p>	
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