



# Accounting for Landfill Sites






# Objective of Guideline

- **Objective:** provide guidance to address inconsistent accounting practices
  - Improve comparability
  - Provide necessary information to users
- **Format:** Guideline

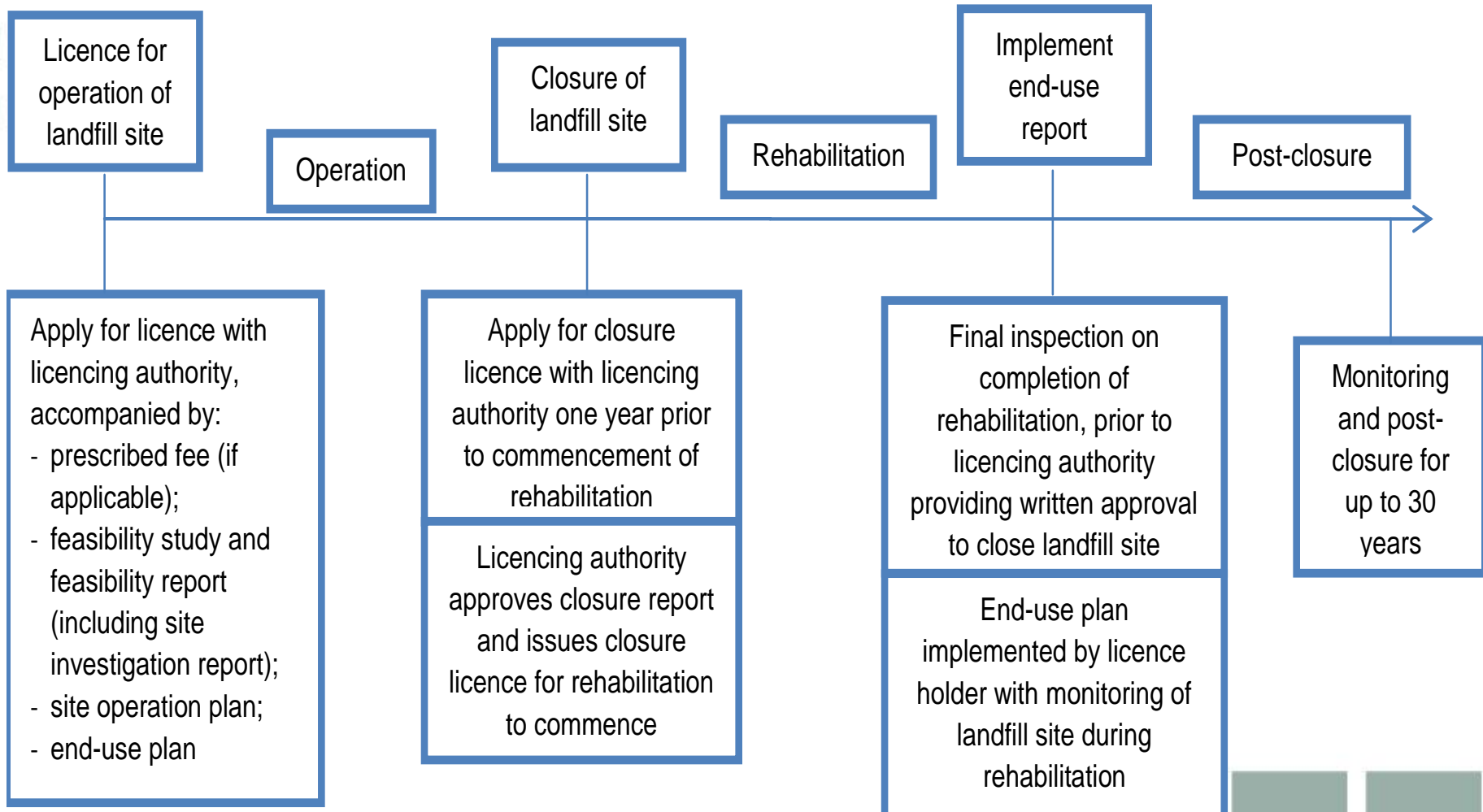




# Scope of Guideline

- Accounting for landfill site asset & related rehabilitation provision
    - general waste
    - hazardous waste
  - Entities required to comply Waste Act and Environmental Conservation Act
  - By analogy: other rehabilitation provisions, but mindful of specific legislation
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# Lifecycle of landfill site





# Accounting Considerations



## Guidance on accounting for:



Land in a landfill



Landfill site asset



Rehabilitation provision





# **Guidance on accounting for land in a landfill**





# Accounting for Land: Recognition

- GRAP 17: land separate from buildings & other structures
  - i.e. separate from landfill site asset
- Recognise land when meet:
  - Definition and
  - Recognition criteria
- IGRAP 18: criteria to assess control of land





# Accounting for Land: Recognition (cont.)


- IGRAP 18 criteria:
  - Legal ownership; and/or
  - Right to direct access, and to restrict or deny access of others
- Assess separately







# Accounting for Land: Classification

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- Meets definition of PPE
  - Initially reclassify to PPE if pre-existing land, using principles in relevant Standards
  - Assess change in use when implementing end-use plan





# Accounting for Land: Measurement

- Acquired: measured at cost; non-exchange: FV
- Reclassified: apply applicable Standards
  - Consider GRAP 21 and GRAP 26
- Depreciation: land generally unlimited U/L
  - Judgement applied





# **Guidance on accounting for landfill site asset**



# Accounting for landfill site asset: Recognition

- Recognise landfill site asset when meet definition & recognition

Enforceable  
right

Probable  
FEB / SP

Determine  
nature,  
type,  
volume, to  
whom, what  
price

Direct use

Cost / FV  
measured  
reliably

# Accounting for landfill site asset: Measurement

- Initially at cost; non-exchange: FV
- Development & construction costs capitalised or expensed?
  - Accounting policies, based on Standards

## Also consider:

Probable FEB / SP

Technically feasible will be approved

Able to complete & use for waste disposal activities

Adequate resources

Reliably measurable

# Accounting for landfill site asset: Measurement (cont.)

- Elements of cost: GRAP 17

a) Purchase price


b) Costs directly attributable

c) Initial estimate costs to dismantle & restore

- Assess for impairment
- Cease capitalisation when in location & condition necessary to operate in manner intended by management

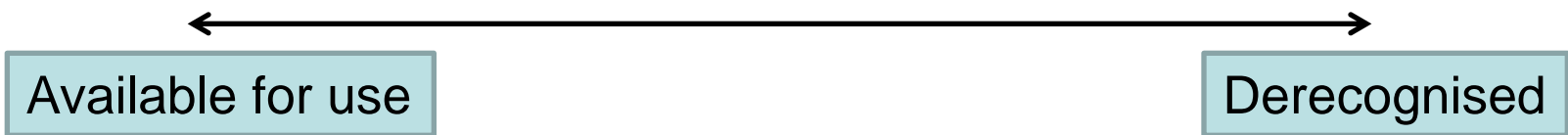


# Accounting for landfill site asset: Measurement (cont.)

- Completed asset: cost / revaluation model
  - Only capitalise further costs if:
    - Probable FEB / SP
    - Measured reliably
  - Monitoring & inspection while operating:
    - No improvement / enhancement of FEB / SP: ***Expense***
    - Improvement / enhancement: ***Capitalise***
- 

# Accounting for landfill site asset: Measurement (cont.)

## Depreciation:




- Each significant component separate
- Useful life:
  - landfill site asset  $\equiv$  period site in operation
  - significant components  $\leftarrow \equiv$  U/L landfill site





# Accounting for landfill site asset: Derecognition

- 
- When no FEB / SP - judgement
  - Trenches / cells vs. whole landfill site
  - Only derecognise part if recognised separately
  - Fully derecognised when landfill site closed and rehabilitation commences





# **Guidance on accounting for rehabilitation provision**





# Accounting for rehabilitation provision: Recognition

- Trench / cell: obligation to rehabilitate when construction commences
- Smaller landfill site: when commence with landfilling



# Accounting for rehabilitation provision: Measurement

## Cash flows Rands

- Best estimate expenditure required to settle present obligation
- May include:

a) Costs to dismantle, remove, restore

b) Pre-closure planning & approval

c) Final rehabilitation & closure

d) Monitoring & inspection after closure

- Time value for money
- Risks and uncertainties

# Accounting for rehabilitation provision: Measurement (cont.)

## Discount rate %

Pre-tax

Reflect current market assessment of time value of money & risks specific to liability

Adjust for factors relevant to landfill site

Includes / excludes inflation, depending on cash flows

Alternatives, consistent with provision term:

- Government bond rate
- Corporate bond rate

# Accounting for rehabilitation provision: Measurement (cont.)

- Use of provision:
  - When costs incurred provision reduced
  - All / part no longer needed → derecognise
- Change in estimate:
  - IGRAP 2
- Change after closure:
  - Surplus / deficit



# Other considerations





# Other considerations

- Funding received to rehabilitate: apply GRAP 23
  - By entity itself: non-exchange revenue
  - To another party: service received in-kind
- Arrangement with other party to undertake waste disposal activities
  - Assess nature of relationship based on rights and obligations in arrangement
- Fines and penalties







# Applying Guideline

- Apply GRAP 3 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Judgement





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