

ED 166

Accounting for landfill sites



Accounting Standards Board





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.



Guideline on Accounting for Landfill Sites

ED 166






Objective of Guideline

- **Authority:** explain existing principles in the Standards to a specific transaction or arrangement – do not replace principles in GRAP
- **Objective:** provide guidance to entities that manage and operate landfill sites to address inconsistent accounting practices
 - improve comparability
 - provide necessary information to users

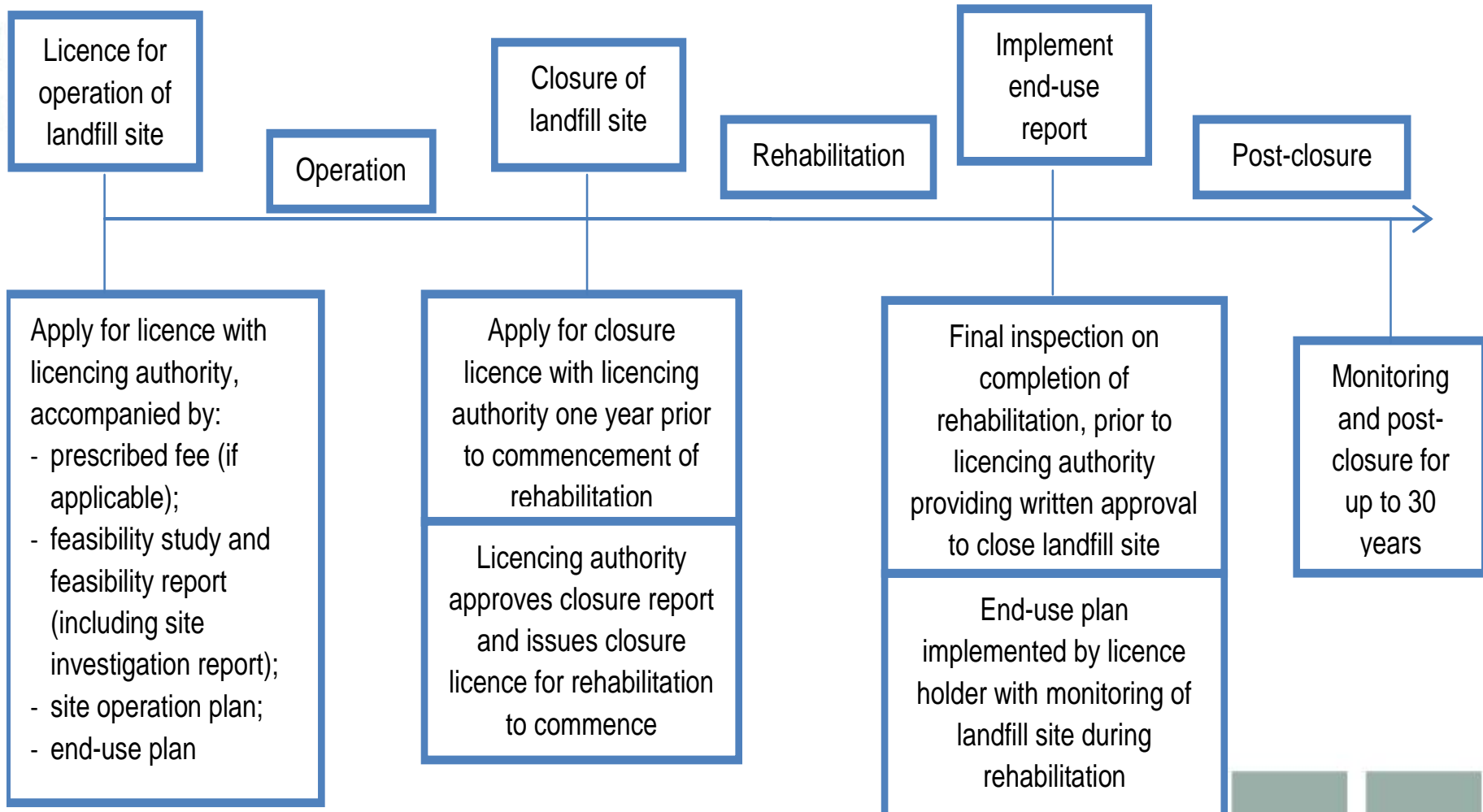




Scope of Guideline

- Accounting for landfill site (asset and land) and related landfill rehabilitation provision in so far as it applies to:
 - general waste and hazardous waste
 - Applicable to entities required to comply Waste Act and Environmental Conservation Act and related regulations, norms and standards
 - 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 (chapter 2)
- Landfill site asset (chapter 3)
- Provision for rehabilitation, closure, end use and monitoring (chapter 4)
- Other considerations (chapter 5)





Chapter 2

Accounting for land in a landfill




Recognition of land in a landfill

- GRAP 17: land accounted for separately from buildings & other structures
 - **thus separate accounting of land and landfill site asset**
- Land is recognised when entity meets:
 - definition of asset and
 - recognition criteria
- Apply IGRAP 18 to assess control of land
 - legal ownership and/or
 - right to direct access to land and restrict/deny access



Classification of land in a landfill


- Land in landfill meets definition of property, plant and equipment (GRAP 17)
 - Land **already owned** by entity
 - Already recognised as asset in its f/s
 - Reclassify to PPE using existing GRAPs when decision taken by management
 - **Acquisition of new land**
 - Classified as PPE on acquisition
- 




Measurement of land in a landfill



On initial recognition

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- Existing land → GRAP 21 or GRAP 26 (significant long term change in use has taken place)
 - Newly acquired → cost or fair value (non-exchange)

After initial recognition

- Cost model or revaluation model and GRAP 21/26
 - Depreciation
 - land generally has unlimited useful life and therefore NOT depreciated
 - **HOWEVER** apply judgement to assess if land in a landfill has limited useful life
- 



Change in use of land in a landfill

- When landfilling has stopped and end-use plan is endorsed
- Apply principles in GRAP when end-use plan is implemented to account for change in use if appropriate
 - inventory (GRAP 12)
 - investment property (GRAP 16)
 - heritage assets (GRAP 103)





Chapter 3

Accounting for the landfill site asset



Recognition and classification of landfill site asset

- 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

Measurement landfill site asset

- Initially measure at cost or FV (non-exchange)
- Costs during development and construction can either be capitalised or expensed
 - Apply existing accounting policies, based on GRAPs

Also consider:

Probable that landfill site asset will generate FEB/ SP

Technically feasible that licence authority will approve

Ability to complete & use asset for waste disposal

Adequate tech, financial and other resources

Expenditure and other costs can be reliably measured

Measurement landfill site asset

- Elements of cost: GRAP 17

a) Purchase price

b) Costs directly attributable

c) Initial estimate costs to dismantle & restore


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



Measurement landfill site asset



Measurement after development or construction:

- apply cost or revaluation model
 - subsequent costs only capitalised when (a) probable FEB/SP and (b) measured reliably
 - monitoring and inspection incurred during operation
 - do not result in improvement / enhancement of FEB/SP → therefore **expense**
 - **capitalise** if improvement/enhancement to landfill asset
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Derecognition landfill site asset

- Derecognise when no FEB/SP expected
 - Trench or cell vs whole of site used for landfilling
 - Apply judgement
- Only derecognise part of asset if that part was recognised separately
- Landfill site asset is fully derecognised when site is closed and rehabilitation commences





Construction of assets for use in rehabilitation

- Certain assets need to be in place when final rehabilitation commences
- Initial estimate of landfill rehabilitation provision includes estimate of these costs
- When development or construction of these assets commence – apply GRAPs






Chapter 4

Accounting for the landfill rehabilitation provision





Recognition of landfill rehabilitation provision

- Recognise liability when:
 - present obligation (legal or constructive) as a result of past event
 - probable outflow of FEB/SP
 - reliable estimate of obligation amount
 - Larger sites → trench/cell: obligation to rehabilitate when construction commences
 - Smaller site → obligation when commence with landfilling
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Measurement of landfill rehabilitation provision

Cash flows

- 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 → if material
- Risks and uncertainties → either adjust discount rate or future cash flows

Measurement of landfill rehabilitation provision

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



Measurement of landfill rehabilitation provision

- Use of provision:
 - as expenditure incurred the provision reduced
 - when all or part of provision no longer needed → derecognise to statement of fin performance
- Change in estimate
 - IGRAP 2 applied
 - Cost model → adjusted against cost of asset
 - Revaluation model → adjusted against revaluation surplus or surplus/deficit
- Changes after closure → surplus/deficit






Chapter 5

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 on its behalf
 - Assess if principal-agent arrangement
 - Account for arrangement based on nature and rights and obligations in arrangement
 - Fines and penalties due to non-compliance
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Other considerations

- To align existing accounting policies with the principles in this Guideline
 - Apply principles in GRAP 3
 - Apply **judgement** to assess if:
 - (a) change in accounting policy
 - (b) change in accounting estimate
 - (c) error
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Comment period

Comment on ED 166 due

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THANK YOU





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