



ACCOUNTING STANDARDS BOARD

**STANDARD OF GENERALLY RECOGNISED
ACCOUNTING PRACTICE**

**PROPERTY PLANT AND EQUIPMENT
(GRAP 17)**

Acknowledgement

The Standard of Generally Recognised Accounting Practice (GRAP) on *Property, Plant and Equipment* is based on the International Public Sector Accounting Standard (IPSAS) 17 on *Property, Plant and Equipment* from the *Handbook of International Public Sector Accounting Pronouncements* of the International Public Sector Accounting Standards Board (IPSASB), published by the International Federation of Accountants (IFAC) and is used with the permission of the IFAC.

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PROPERTY, PLANT AND EQUIPMENT

This Standard was originally issued by the Accounting Standards Board (the Board) in November 2004. Since then, it has been amended by:

- Improvements to the Standards of GRAP, issued by the Board in February 2010.
- Consequential amendments when the following Standards of GRAP became effective:
 - GRAP 21 *Impairment of Non-cash-generating Assets*
 - GRAP 23 *Revenue from Non-exchange Transactions (Taxes and Transfers)*
 - GRAP 26 *Impairment of Cash-generating Assets*
 - GRAP 103 *Heritage Assets*
- Improvements to the Standards of GRAP, issued by the Board in March 2012.
- Consequential amendments following the revisions to GRAP 5 *Borrowing Costs* and GRAP 100 *Discontinued Operations* in 2013.
- Improvements to the Standards of GRAP, issued by the Board in November 2013.
- Consequential amendments when the following Standards of GRAP became effective:
 - GRAP 105 *Transfers of Functions Between Entities Under Common Control*
 - GRAP 106 *Transfers of Functions Between Entities Not Under Common Control*
 - GRAP 107 *Mergers*
- Amendments to the Standards of GRAP on *Investment Property and Property, Plant and Equipment* (2014) issued on 26 May 2015.
- Improvements to the Standards of GRAP, issued by the Board in April 2017.
- Consequential amendments when the following Standard of GRAP became effective:
 - GRAP 32 *Service Concession Arrangements: Grantor*
- Consequential amendments when the following Standard of GRAP became effective:
 - GRAP 110 *Living and Non-living Resources*
- Improvements to the Standards of GRAP, issued by the Board in March 2020.



Introduction

This pronouncement is set out in paragraphs .01 to .103. All paragraphs in this pronouncement have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This pronouncement should be read in the context of its objective, its basis for conclusions and/or the basis for conclusions of its international equivalent, if applicable, the *Preface to the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*¹.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Directives should be read in conjunction with the applicable Standards of GRAP and Interpretations of the Standards of GRAP.

¹ In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.

Objective

- .01 The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that the 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 recognised in relation to them.

Scope

- .02 ***An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for property, plant and equipment, except:***
- (a) ***when a different accounting treatment has been adopted in accordance with another Standard of GRAP;***
 - (b) ***biological assets related to agricultural activity other than bearer plants (see Standard of GRAP on Agriculture (GRAP 27)). This Standard applies to bearer plants but does not apply to the produce on bearer plants;***
 - (bA) ***living and non-living resources other than land (see the Standard of GRAP on Living and Non-living Resources (GRAP 110));***
 - (c) ***heritage assets (see Standard of GRAP on Heritage Assets (GRAP 103));***
 - (d) ***the recognition and measurement of exploration and evaluation assets (see the IFRS Accounting Standard on Exploration for and Evaluation of Mineral Resources);***
 - (e) ***mineral rights; and***
 - (f) ***to the initial recognition and initial measurement of property, plant and equipment acquired in a transfer of functions between entities under common control (see the Standard of GRAP on Transfer of Functions Between Entities Under Common Control), a transfer of functions between entities not under common control (see the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control) or a merger (see the Standard of GRAP on Mergers).***
- However, this Standard applies to property, plant and equipment used to develop or maintain the assets described in (b) to (d).***
- .03 This Standard applies to property, plant and equipment including:
- (a) weapons systems;

- (b) infrastructure assets; and
 - (c) property, plant and equipment after its initial recognition and measurement in accordance with the Standard of GRAP on *Service Concession Arrangements: Grantor* (GRAP 32).
- .04 Other Standards of GRAP may require recognition of an item of property, plant and equipment based on an approach different from that in this Standard. For example, the Standard of GRAP on *Leases* (GRAP 13) requires an entity to evaluate its recognition of an item of leased property, plant and equipment on the basis of the transfer of risks and rewards. GRAP 32 requires an entity to evaluate the recognition of an item of property, plant and equipment used in a service concession arrangement on the basis of control of the asset. However, in such cases other aspects of the accounting treatment for these assets, including depreciation, are prescribed by this Standard.
- .05 An entity using the cost model for investment property in accordance with the Standard of GRAP on *Investment Property* (GRAP 16) shall use the cost model in this Standard.

Definitions

- .06 ***The following terms are used in this Standard with the meanings specified:***
- A bearer plant is a living plant that:***
- (a) is used in the production or supply of agricultural produce;***
 - (b) is expected to bear produce for more than one period; and***
 - (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.***
- (Paragraphs .07A to .07C of GRAP 27 elaborate on this definition of a bearer plant.)***
- Carrying amount (for the purpose of this Standard) is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.***
- Class of assets means a grouping of assets of a similar nature or function in an entity's operations, that is shown as a single item for the purpose of disclosure in the financial statements.***
- Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.***
- Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.***

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

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

Property, plant and equipment are tangible items that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and**
- (b) are expected to be used during more than one reporting period.**

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

Useful life is:

- (a) the period over which an asset is expected to be available for use by an entity; or**
- (b) the number of production or similar units expected to be obtained from the asset by an entity.**

Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

Recognition

- .07 The cost of an item of property, plant and equipment shall be recognised 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 fair value of the item can be measured reliably.**
- .08** Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this Standard when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory in accordance with the Standard of GRAP on *Inventories* (GRAP 12).
- .09** This Standard does not prescribe the unit of measure for recognition, i.e. what constitutes an item of property, plant and equipment. Thus, judgement 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.

- .10 An entity evaluates under this recognition principle all its property, plant and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.
- .11 Weapons systems will normally meet the definition of property, plant and equipment and should be recognised as an asset in accordance with this Standard. Weapons systems include vehicles and other equipment, such as warships, submarines, military aircraft, tanks, missile carriers and launchers that are used continuously in the provision of defence 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 on-going service of deterrence against aggressors and, therefore, can be classified as weapons systems.

Infrastructure assets

- .12 Some assets are commonly described as “infrastructure assets”. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:
 - (a) they are part of a system or network;
 - (b) they are specialised in nature and do not have alternative uses;
 - (c) they are immovable; and
 - (d) they may be subject to constraints on disposal.

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

Initial costs

- .13 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 recognised as an asset because,

without them, the entity is unable to operate the hospital in accordance with the regulations. However, the resulting carrying amount of such an asset and related assets is reviewed for impairment in accordance with the Standards of GRAP on *Impairment of Non-cash-generating Assets* (GRAP 21) or *Impairment of Cash-generating Assets* (GRAP 26), as appropriate.

Subsequent costs

- .14 Under the recognition principle in paragraph .07, an entity does not recognise 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 recognised in surplus or deficit as incurred. Costs of day-to-day servicing are primarily the costs of labour 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.
- .15 Parts of some items of property, plant and equipment may require replacement at regular intervals. For example, a road may need resurfacing every few years, a furnace may require relining after a specified number of hours of use, or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe. Items of property, plant and equipment may also be required to make a less frequently recurring replacement, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle in paragraph .07, an entity recognises 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 derecognised in accordance with the derecognition provisions of this Standard (see paragraphs .78 to .84).
- .16 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 recognised 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 the previous inspection (as distinct from physical parts) is derecognised. This occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired or constructed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired or constructed.

Measurement at recognition

- .17 *An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.***

- .18** *Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.*
- .19** An item of property, plant and equipment may be acquired through a non-exchange transaction. For example, land may be contributed to a municipality by a developer at nil or nominal consideration, to enable the municipality to develop parks, roads and paths. An asset may also be acquired through a non-exchange transaction by the exercise of powers of expropriation. Under these circumstances the cost of the item is its fair value as at the date it is acquired. In determining the fair value of an item of property, plant and equipment acquired through a non-exchange transaction, the entity applies the principles in paragraphs .35 to .38. Any transaction costs incurred are recognised in accordance with the requirements of paragraphs .21 to .27A.
- .20** For the purposes of this Standard, the measurement at recognition of an item of property, plant and equipment, acquired through a non-exchange transaction, at its fair value consistent with the requirements of paragraph .18 does not constitute a revaluation.

Elements of cost

- .21** The cost of an item of property, plant and equipment comprises:
- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
 - (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
 - (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.
- .22** Examples of directly attributable costs are:
- (a) costs of employee benefits (as defined in the Standard of GRAP on *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant and equipment;
 - (b) costs of site preparation;
 - (c) initial delivery and handling costs;
 - (d) installation and assembly costs;
 - (e) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that

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location and condition (such as samples produced when testing equipment); and

(f) professional fees.

- .23 An entity applies GRAP 12 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 GRAP 12 or this Standard are recognised and measured in accordance with the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*.
- .24 Examples of costs that are not costs of an item of property, plant and equipment are:
- (a) costs of opening a new facility;
 - (b) costs of introducing a new product or service (including costs of advertising and promotional activities);
 - (c) costs of conducting business in a new location or with a new class of customers (including costs of staff training); and
 - (d) administration and other general overhead costs.
- .25 Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an item are not included in the carrying amount of that item. For example, the following costs are not included in the carrying amount of an item of property, plant and equipment:
- (a) costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than full capacity;
 - (b) initial operating losses, such as those incurred while demand for the item's outputs build up; and
 - (c) costs of relocating or reorganising part or all of the entity's operations.
- .26 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

recognised in surplus or deficit and included in their respective classifications of revenue and expense.

- .27 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 business, the cost of the asset is usually the same as the cost of constructing an asset for sale (see GRAP 12). Therefore, any internal surpluses are eliminated in arriving at such costs. Similarly, the cost of abnormal amounts of wasted material, labour or other resources incurred in self-constructing an asset is not included in the cost of the asset. The Standard of GRAP on *Borrowing Costs* (GRAP 5) establishes criteria for the recognition of interest as a component of the carrying amount of a self-constructed item of property, plant and equipment.
- .27A Bearer plants are accounted for in the same way as self-constructed items of property, plant, and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to “construction” in this Standard should be read as covering activities that are necessary to cultivate bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.

Measurement of cost

- .28 The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the allowed alternative treatment in GRAP 5.
- .29 One or more items of property, plant and equipment may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an item of property, plant and equipment is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The acquired item is measured in this way even if an entity cannot immediately derecognise the asset given up.
- .30 The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If an entity is able to determine reliably the fair value of either the asset

received or the asset given up, then the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

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

Measurement after recognition

- .32 *An entity shall choose either the cost model in paragraph .33 or the revaluation model in paragraph .34 as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.***

Cost model

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

Revaluation model

- .34 *After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. The accounting treatment for revaluations is set out in paragraphs .44 and .45.***
- .35 The fair value of items of land and buildings is usually determined from market-based evidence by appraisal. The fair value of items of plant and equipment is usually their market value determined by appraisal. For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land, non-specialised buildings, motor vehicles and many types of plant and equipment. An appraisal of the value of the asset may be undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification, or by another expert with the requisite competence to undertake such appraisals in accordance with the requirements of the applicable Standards of GRAP. The valuer or other expert may be employed by the entity.
- .36 For some assets, it may be difficult to establish their market value because of the absence of market transactions for these assets. Some entities may have significant holdings of such assets.
- .37 If no evidence is available to determine the market value in an active and liquid market of an item of property, the fair value of the item may be established by

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reference to other items with similar characteristics, in similar circumstances and location. For example, the fair value of vacant land that has been held for a long period during which time there have been few transactions may be estimated by reference to the market value of land with similar features and topography in a similar location for which market evidence is available. In the case of specialised buildings and other man-made structures, an entity may need to estimate fair value using a depreciated replacement cost approach. In many cases, the depreciated replacement cost of an asset can be established by reference to the buying price of a similar asset with similar remaining service potential in an active and liquid market. In some cases, an asset's reproduction cost will be the best indicator of its replacement cost. For example, in the event of loss, a parliament building may be reproduced rather than replaced with alternative accommodation because of its significance to the community.

- .38 If there is no market-based evidence of fair value because of the specialised nature of the item of plant and equipment, an entity may need to estimate fair value using, for example, either reproduction cost or depreciated replacement cost. The depreciated replacement cost of an item of plant or equipment may be established by reference to the market buying price of components used to produce the asset or the indexed price for the same or a similar asset based on a price for a previous period. When the indexed price method is used, judgement is required to determine whether production technology has changed significantly over the period, and whether the capacity of the reference asset is the same as that of the asset being valued.
- .39 The frequency of revaluations depends upon the changes in the fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.
- .40 When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:
 - (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

- (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs .44 and .45.

.41 *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.*

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

- (a) land;
- (b) operational buildings;
- (c) roads;
- (d) machinery;
- (e) electricity transmission networks;
- (f) ships;
- (g) aircraft;
- (h) weapons systems;
- (i) motor vehicles;
- (j) furniture and fixtures;
- (k) office equipment; and
- (l) bearer plants.

.43 The items within a class of property, plant and equipment are revalued simultaneously 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.

.44 *If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.*

.45 *If the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease*

shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

- .46 Some or all of the revaluation surplus included in net assets in respect of an item of property, plant and equipment may be transferred directly to accumulated surpluses or deficits when the asset is derecognised. This may involve transferring some or the whole of the surplus when the assets to which the surplus relates are retired or disposed of. However, some of the surplus may be transferred as the assets are used by an 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.
- .47 Guidance on the effects of taxes on revenue, if any, resulting from the revaluation of property, plant and equipment are recognised and disclosed in accordance with the IAS Standard on *Income Taxes*.

Depreciation

- .48 ***Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.***
- .49 An entity allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. For example, in most cases, it would be required to depreciate separately the pavements, formation, curbs and channels, footpaths, bridges and lighting within a road system. Similarly, it may be appropriate to depreciate separately the airframe and engines of an aircraft, whether owned or subject to a finance lease.
- .50 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.
- .51 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.
- .52 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.

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

.54 The depreciation charge for a period is usually recognised in surplus or deficit. However, sometimes, the future economic benefits or service potential embodied in an asset are 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 GRAP 12). Similarly, depreciation of property, plant and equipment used for development activities may be included in the cost of an intangible asset recognised in accordance with the Standard of GRAP on *Intangible Assets* (GRAP 31).

Depreciable amount and depreciation period

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

.56 *An entity shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3).*

.57 *In assessing whether there is any indication that the expected useful life of an asset has changed, an entity considers the following indications:*

(a) *The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.*

(b) *The use of the asset has changed, because of the following:*

(i) *The entity has changed the manner in which the asset is used.*

(ii) *The entity has changed the utilisation rate of the asset.*

(iii) *The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.*

(iv) *Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.*

(v) *Legal or similar limits placed on the use of the asset have changed.*

(vi) *The asset was idle or retired from use during the reporting period.*

- (c) The asset is approaching the end of its previously expected useful life.**
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.**
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.**
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.**
- (g) The asset is assessed as being impaired in accordance with GRAP 21 and GRAP 26.**

.58 In assessing whether there is any indication that the expected residual value of an asset has changed, an entity shall consider whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included in paragraph .57.

.59 The list of indicators in paragraphs .57 and .58 are not exhaustive. There may be other indications that the expected useful lives or residual values of the assets have changed.

.60 The use of an asset may have changed, or will change, based on a variety of events that occurred during the reporting period. These events are listed in paragraph .57(b). These events may also indicate that there has been a change in the residual value of an asset.

- (a) The entity has changed how an asset is used in its operations, e.g. a vehicle used in making deliveries and performing other administrative tasks is now used to undertake site inspections of infrastructure in rural areas.
- (b) The entity has changed the utilisation rate of an asset, e.g. a substation previously only operated at 50% of its capacity but because of new developments in an area, it now operates at 80% capacity.
- (c) The entity decides to dispose of an asset in a future reporting period (which includes its sale, or transfer to another entity) which affects the period over which an asset will be used (as well as its residual value). For example, an entity previously agreed to replace a particular class of assets every 10 years, but changes its policy during the year to replace these assets every seven years.
- (d) Changes both external and internal to the entity can affect the useful lives of assets. Examples of these changes are listed below.
 - (i) External changes: New technology available in the market may make infrastructure obsolete either in the current or future reporting period.
 - (ii) Internal changes: The entity institutes a policy to make infrastructure more

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environmentally friendly or sustainable, which means that existing infrastructure will be replaced at specific intervals.

(iii) Internal changes: Due to the high cost of maintaining specific infrastructure, the entity makes a commercial decision to replace this infrastructure over a specific time period.

(e) An entity often operates or uses assets subject to specific legal or other limits, e.g. a lease, a license, safety or environmental specifications etc. Any changes in these legal or other limits affect the period over which related assets can be utilised.

(f) If an asset is not used during the reporting period or is taken out of active use, then the useful life may need to be reconsidered.

.61 An entity should assess whether there is any indication that the expected useful life of the asset has changed based on whether the condition of the asset has improved or declined. This is based on any condition assessments undertaken by the entity on its assets during the reporting period. Paragraph .60(f) should not be read as requiring a condition assessment at each reporting date. Condition assessments will be undertaken by entities on selected or identified assets as part of its on-going asset management. Instead, any information available from any condition assessments undertaken during the reporting period should be used to assess whether the useful life of particular assets should be changed.

.62 In assessing whether the condition of an asset has improved or declined, the stage of the asset's lifecycle needs to be considered. As assets age, a certain level of deterioration is expected. It is only where a decline in the condition is above what is expected, would a thorough analysis of the impact on the useful life of the asset be required. The same applies if an asset is in a better condition than expected.

Useful life

.63 The useful life of an asset is defined in terms of the asset's expected utility to the entity. The asset management policy of the 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.

.64 The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets. An entity considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

Depreciable amount

.65 Depreciation is recognised even if the fair 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 do not negate the need to depreciate it.

- .66 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.
- .67 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.

Depreciation

- .68 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 date that the asset is derecognised. 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.
- .69 Land and buildings are separable assets and are accounted separately, even when they are acquired together. Land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.
- .70 If the cost of land includes the costs of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs.

Depreciation method

- .71 ***The depreciation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity.***
- .72 ***The depreciation method applied to an asset shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of 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 GRAP 3.***
- .73 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

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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.

- .73A A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits or service potential of the asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed.

Impairment

- .74 To determine whether an item of property, plant and equipment is impaired, an entity applies GRAP 21 or GRAP 26, as appropriate. These Standards explain how an entity reviews the carrying amount of its assets, how it determines the recoverable amount or recoverable service amount of an asset and when it recognises, or reverses the recognition of, an impairment loss.
- .75 A plan to dispose of an asset before the previously expected date is an indicator of impairment, which requires the calculation of an asset's recoverable amount or recoverable service amount for the purpose of determining whether the asset is impaired.

Compensation for impairment

- .76 ***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.***
- .77 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:
- impairments of items of property, plant and equipment are recognised in accordance with GRAP 21 or GRAP 26, as appropriate;
 - derecognition of items of property, plant and equipment retired or disposed of is determined in accordance with this Standard;
 - compensation from third parties for items of property, plant and equipment that were impaired, lost, or given up is included in determining surplus or deficit when it becomes receivable; and

- (d) the cost of items of property, plant and equipment restored, purchased or constructed as replacements is determined in accordance with this Standard.

Derecognition

- .78 *The carrying amount of an item of property, plant and equipment shall be derecognised:***
- (a) *on disposal (including disposal through a non-exchange transaction); or***
- (b) *when no future economic benefits or service potential are expected from its use or disposal.***
- .79 *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 derecognised (unless GRAP 13 requires otherwise on a sale and leaseback).***
- .80** However, an entity that in the course of its ordinary activities sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognised in accordance with the Standard of GRAP on *Revenue from Exchange Transactions* (GRAP 9).
- .81** 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 through a non-exchange transaction). In determining the date of disposal of an item, an entity applies the criteria in GRAP 9, for recognising revenue from the sale of goods. GRAP 13 applies to disposal by a sale and leaseback.
- .82** If, under the recognition principle in paragraph .07, an entity recognises in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item, then it derecognises the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.
- .83 *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.***
- .84** The consideration receivable on disposal of an item of property, plant and equipment is recognised initially at its fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance GRAP 9 reflecting the effective yield on the receivable.

Disclosure

.85 *The financial statements shall disclose, for each class of property, plant and equipment recognised in the financial statements:*

- (a) the measurement bases used for determining the gross carrying amount;*
- (b) the depreciation methods used;*
- (c) the useful lives or the depreciation rates used;*
- (d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and*
- (e) a reconciliation of the carrying amount at the beginning and end of the period showing:*
 - (i) additions;*
 - (ii) disposal;*
 - (iii) acquisitions through a transfer of functions between entities under common control, transfer of functions between entities not under common control or a merger;*
 - (iv) increases or decreases resulting from revaluations under paragraphs .34, .44 and .45 (if any);*
 - (v) impairment losses recognised in surplus or deficit in accordance with GRAP 21 or GRAP 26, as appropriate (if any);*
 - (vi) impairment losses reversed in surplus or deficit in accordance with GRAP 21 or GRAP 26, as appropriate (if any);*
 - (vii) depreciation;*
 - (viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and*
 - (ix) other changes.*

.86 *The financial statements shall also disclose for each class of property, plant and equipment recognised in the financial statements:*

- (a) the existence and amounts of restrictions on title and property, plant and equipment pledged as securities for liabilities;*
- (b) the amount of contractual commitments for the acquisition of property, plant and equipment; and*

(c) if it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit.

.87 An entity shall disclose the following in the notes to the financial statements in relation to property, plant and equipment which is in the process of being constructed or developed:

(a) The cumulative expenditure recognised in the carrying value of property, plant and equipment. These expenditures shall be disclosed in aggregate per class of asset.

(b) The carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, including reasons for any delays.

(c) The carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s). The entity shall also disclose reasons for halting the construction or development of the asset and indicate whether any impairment losses have been recognised in relation to these assets.

In providing the disclosures in paragraphs .87(b) and (c) an entity shall decide how to present the information required, i.e. individually or in aggregate, for example per project, per class or another relevant basis.

.88 An entity shall separately disclose expenditure incurred to repair and maintain property, plant and equipment in the notes to the financial statements.

.89 As entities may apply different bases for determining expenditure on repairs and maintenance, an entity shall disclose information about the specific costs included in the amount of repairs and maintenance disclosed in the notes. In determining the amount disclosed in the notes to the financial statements on expenditure incurred to repair and maintain property, plant and equipment, an entity may include amounts paid to service providers, as well as amounts spent on materials and time spent by employees in repairing and maintaining the asset(s).

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

(a) depreciation, whether recognised in surplus or deficit or as part of the cost of other assets, during a period; and

- (b) accumulated depreciation at the end of the period.
- .91 In accordance with GRAP 3 an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the current period, or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:
- (a) residual values;
 - (b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;
 - (c) useful lives; and
 - (d) depreciation methods.
- .92 ***If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:***
- (a) the effective date of the revaluation;***
 - (b) the methods and significant assumptions applied in estimating the items' fair values;***
 - (c) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques; and***
 - (d) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to owners of net assets.***
- .93 In accordance with GRAP 21 or GRAP 26, as appropriate, an entity discloses information on impaired property, plant and equipment in addition to the information required by paragraphs .85(e)(iv) to (vi).

Transitional provisions

Initial adoption of the Standards of GRAP

- .94 ***The transitional provisions to be applied by entities on the initial adoption of this Standard are prescribed in a directive(s). The provisions of this Standard should be read in conjunction with each applicable directive.***

Amendments to Standards of GRAP

- .95 ***Paragraphs .05, .19 and .20 were amended and paragraph .80 was added by the Improvements to GRAP issued on 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact.***

- .96** Paragraphs 44, .45, .78, .81 and .85 were amended by the Improvements to the Standards of GRAP issued on 1 April 2012. An entity shall apply these amendments prospectively in accordance with GRAP 3.
- .97** Paragraphs .06, .08 and .29 were amended by the Improvements to the Standards of GRAP issued on 1 April 2014. An entity shall apply these amendments retrospectively for annual periods beginning on or after 1 April 2015. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- .98** Paragraphs .56, .57 to .65, .86, .87 and .92 were amended by the Amendments to the Standards of GRAP on Investment Property and Property Plant and Equipment (2014) issued on 26 May 2015. An entity shall apply these amendments prospectively in accordance with GRAP 3.
- .99** Amendments to paragraph .86, relating to the deletion of encouraged disclosures, should be applied retrospectively.
- .100** Amendments to paragraphs .88 and .89 relating to the disclosure of expenditure incurred to repair and maintain property, plant and equipment, shall be applied prospectively.
- .100A** The following paragraphs were amended by the Improvements to the Standards of GRAP issued in April 2017. These amendments are effective for annual periods beginning on or after 1 April 2018. An entity shall apply these amendments as follows:
- (a)** paragraphs .19 and .73A shall be applied prospectively in accordance with GRAP 3;
 - (b)** paragraphs .03, .11, .29 and .42 shall be applied retrospectively in accordance with GRAP 3;
 - (c)** paragraph .40 shall be applied to all revaluations recognised in annual periods beginning on or after the date of initial application of the amendment and in the immediately preceding annual period; and
 - (d)** paragraphs .02, .06, .27A and .42 shall be applied retrospectively in accordance with GRAP 3;
 - (i)** in the reporting period when these amendments are first applied an entity need not disclose the quantitative information required by paragraph .30(f) of GRAP 3 for the current period. However, an entity shall present the quantitative information required by paragraph .30(f) of that Standard for each prior period presented; and
 - (ii)** an entity may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies



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these amendments and use that fair value as its deemed cost at that date. Any differences between the previous carrying amount and fair value shall be recognised in opening accumulated surpluses/deficits at the beginning of the earliest period presented.

Earlier application is encouraged. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Effective date

Initial adoption of the Standards of GRAP

- .101** *An entity shall apply this Standard for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.*

Entities already applying Standards of GRAP

- .102** *[Deleted].*
- .102A** *Paragraphs .03 and .04 were amended by GRAP 32 issued in August 2013. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 April 2019. Earlier application is encouraged. If an entity applies the amendments for a period beginning before 1 April 2019, it shall disclose that fact.*
- .102B** *Paragraph .02 was amended by GRAP 110 issued March 2017. An entity shall apply this amendment retrospectively for annual financial periods beginning on or after 1 April 2020. If an entity elects to apply this amendment earlier, it shall disclose this fact.*
- .102C** *Paragraphs .69 and .70 were amended by the Improvements to the Standards of GRAP (2020) issued March 2020. These amendments are effective for annual periods beginning on or after 1 April 2023. These amendments are accounted for as a change in accounting policy in accordance with GRAP 3. Earlier application is permitted. If an entity elects to apply these amendments earlier, it shall disclose this fact.*
- .102D** *When an entity initially adopts the amendments to paragraphs .69 and .70, it needs to assess if the quarry or site used for landfill is impaired. An entity shall apply the impairment requirements prospectively in accordance with GRAP 3.*



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Withdrawal of the Standard of GRAP on *Property, Plant and Equipment* (2004)

.103 This Standard supersedes the Standard of GRAP on *Property, Plant and Equipment* issued in November 2004.

Basis for conclusions

This basis for conclusions gives the Accounting Standards Board's (the Board's) reasons for accepting or rejecting certain proposals related to the accounting for property, plant and equipment. This basis for conclusions accompanies, but is not part of this Standard.

Introduction

BC1. The Board completed the first post-implementation review of the previous version of this Standard in 2014. Based on the responses received as part of that review, it was requested that the Board re-consider certain requirements in the Standard. These are as follows:

- Introducing an indicator-based assessment of the useful lives of assets.
- Clarifying whether the use of an external valuer to determine the fair value of assets is required or merely encouraged.
- Reviewing the encouraged disclosures to determine if they could be deleted, or if any should be made mandatory.
- Developing additional disclosures related to capital work-in-progress.
- Separately disclosing repairs and maintenance in the notes to the financial statements.

Amendments identified as part of the post-implementation review

Indicator-based assessment of the useful lives of assets

BC2. Preparers noted that undertaking a detailed assessment of the useful lives of assets on an annual basis is onerous, particularly given the nature and volume of assets held by entities in the public sector. Preparers also noted that the requirement of the previous version of this Standard had been interpreted as requiring a conditional assessment of all assets at each reporting date. Preparers suggested that using an indicator-based assessment, similar to that used to assess whether an asset is impaired, may provide sufficient relief from the requirements of this Standard, but still achieve the overall objective of the requirement.

BC3. The Board agreed that an indicator approach is a feasible compromise as it would still require entities to assess the useful lives of assets on a regular basis. The key difference is that entities would not be required to review the useful lives of assets every year, only when specific circumstances exist or have changed from the prior year.

BC4. The Board developed a list of indicators, in consultation with preparers and engineers, which reflect those circumstances or events that would require a more detailed assessment of the useful lives of assets to be undertaken. The indicators have been developed based on key principles of asset management. One of the key

principles of asset management is that conditional assessments are done on specific assets more frequently than others, based on an entity's risk assessment of its assets. As a result, the revised requirements in this Standard make it clear that only where conditional assessments have been undertaken, is this information used in assessing the appropriateness of the useful lives of assets; it is not a requirement that conditional assessments should be undertaken for all assets annually.

Use of external valuers

- BC5. Preparers that responded to the post-implementation review observed that the Standards of GRAP are ambiguous about whether external valuers must be used to determine the fair values of assets or whether this is encouraged. Preparers also noted that internal experts employed by entities, such as property valuation experts and engineers, are often used because they are knowledgeable about their respective entities' assets and because it is more cost effective to use employees rather than appoint consultants.
- BC6. The Board agreed that the existing wording could be more precise about the encouragement to use external valuation experts to determine the fair value of assets, and has been revised accordingly. The Board also agreed that internal experts could be used, as long as they possessed the requisite competence to undertake these valuations. Additional wording has therefore been added to this effect. The Board debated whether or not it should require an entity to disclose whether the expert is internal or external to the entity, but agreed that this may perpetuate the existing issue as this may be seen as giving more prominence to the use of external valuers.
- BC7. The Board debated whether it is clear what is meant by another 'competent expert' and whether this would result in the appropriate expert being used and whether the expert would have the necessary skills and ethics. The Board agreed that this Standard could not describe when an expert is competent, but that it could describe that the valuations should be undertaken in accordance with the principles established in the applicable Standards of GRAP.
- BC8. Following comments received during the consultation process, respondents were of the view that an entity should disclose whether 'or not' a valuer or expert is used in appraising the value of the assets. It was felt that this requirement will ensure that where valuations are performed by someone other than a valuer or an expert, this fact is disclosed to users. The Board debated whether this requirement is necessary and agreed that the disclosure would not have any informational value for users as valuations have to be performed in accordance with the principles in the applicable Standards of GRAP.
- BC9. As a result of the change made to the text of this Standard, consequential amendments have been made to similar paragraphs in other Standards of GRAP. Consequential amendments have been made to GRAP 16, GRAP 31 and



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GRAP 103. Following comment received during the consultation process, an amendment was made to GRAP 16 by deleting the term “independent” when referring to a valuer to avoid inconsistencies within the Standards of GRAP.

Encouraged disclosures

BC10. With the exception of the disclosure of fully depreciated assets still in use, users and preparers noted the limited informational value of the encouraged disclosures. Preparers also noted that there is often insufficient information available to support some of the disclosures, in particular, the disclosure of assets that were not used during the reporting period.

BC11. As users find limited value in these disclosures, the Board agreed to delete the following encouraged disclosures:

- Disclosure of fair values of assets where the cost model applied.
- Information on assets that were not utilised during the reporting period.
- Assets retired from active use but not classified as a discontinued operation.

Consequential amendments were made to GRAP 16 in relation to the disclosure of fair values of investment property where the cost model is applied.

BC12. Users and preparers indicated mixed views about the encouragement to disclose information on fully depreciated assets still in use. Some argued that if the requirements of the previous version of this Standard are applied correctly, then this situation should not exist, or it would be immaterial. Others argued that this disclosure is useful because it provides information about whether entities have in fact regularly reviewed the useful lives of assets. The Board agreed to eliminate the disclosure because providing this information in the notes to the financial statements contradicts the principle in this Standard that requires regular assessments of the useful lives of assets. A similar consequential amendment has been made to the GRAP 16 and GRAP 31.

BC13. The Board noted that eliminating encouraged disclosures goes some way to simplifying and streamlining the requirements of the Standards of GRAP, as it requires entities to apply less judgement in deciding whether or not to provide these disclosures.

Capital work-in-progress

BC14. Given the amount of resources that are spent annually on assets, whether to construct or develop new assets, or refurbish and maintain existing, users expressed a strong need for more disclosure about capital work-in-progress and expenditure on repairs and maintenance.

BC15. For capital work-in-progress, users indicated that they needed more information about the types of assets being constructed or developed. The Board has therefore required that entities disclose the expenditure incurred on capital work-in-progress

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per class of asset. Users also observed that capital work-in-progress often includes amounts spent on projects that are taking a significant amount of time to complete, or have been halted. They therefore requested information about the ageing of projects included in capital work-in-progress. As a result, the Board has added a requirement for entities to disclose information on amounts that are included in capital work-in-progress that are long outstanding or relate to projects that have been stopped, and whether impairment has been considered. The Board acknowledged that this disclosure may not be relevant to all entities as materiality should be considered when making the assessment.

- BC16. Respondents required clarification on how information relating to capital work-in-progress that is long outstanding, or relate to projects that have been stopped, should be presented. Given the information available at entities is likely to differ, the Board agreed that each entity should decide how it wants to disclose the information, i.e. individually or in aggregate, for example per project, per class or another relevant basis. A similar requirement has been added to GRAP 16, GRAP 31 and GRAP 103.
- BC17. Respondents raised a concern that the term “significant” was not used consistently in relation to the time expected to complete the work. As a result, editorial changes were made to amend the wording in this Standard, GRAP 16, GRAP 31 and GRAP 103 to ensure the term ‘significant’ is used consistently. In addition, reference to the term ‘item’ was deleted in this Standard in relation to disclosure of capital work in progress to ensure consistency with how reporting is prescribed within the paragraph.

Expenditure incurred on repairs and maintenance

- BC18. Users measure the adequacy of repairs and maintenance by comparing this expenditure to the value of assets recognised in the statement of financial position. There is however no requirement to separately present this information in the financial statements. Given the importance of this information, a requirement to disclose this information in the notes to the financial statements has been added to the Standard of GRAP on *Presentation of Financial Statements* (GRAP 1). Consequential amendments have been made to GRAP 16 and GRAP 103. The Board acknowledged that this disclosure may not be relevant to all entities as materiality should be considered when making the assessment.
- BC19. During the consultation process, users and preparers that supported the disclosure of repairs and maintenance noted that additional information supporting the disclosure was necessary in order for users to measure the adequacy of repairs and maintenance in relation to the carrying amount of assets. There were divergent views received on what other information should be presented, for example repairs and maintenance per asset class, unplanned or abnormal expenditure on repairs and maintenance and employee costs attributable to repairs and maintenance. The Board debated whether it should require entities to disclose any other information that is relevant to users, and that judgement should be applied when determining



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which information is relevant. The Board agreed that because the application of judgement in determining what is relevant for disclosure is a pervasive issue, it should not be included in this context. It was further noted that there is an existing requirement in GRAP 1 for entities to disclose, in the notes to the financial statements, any other information that is relevant to users, which may not reported elsewhere in the financial statements.

- BC20. The Board debated the comparability of the expenditure on repairs and maintenance disclosed in the notes if, for example, some entities included a portion of employee costs attributable to repairs and maintenance whilst other entities did not. To ensure consistency in the reporting of repairs and maintenance expenditure, a requirement has been added to this Standard and GRAP 103, for entities to disclose information about the specific costs included in the amount of repairs and maintenance disclosed in the notes.

Comparison with International Public Sector Accounting Standard on *Property, Plant and Equipment* (December 2006)

This Standard is drawn primarily from the International Public Sector Accounting Standard on *Property, Plant and Equipment* (IPSAS 17). The main differences between this Standard and IPSAS 17 are as follows:

- IPSAS 17 provides guidance on property, plant and equipment that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance. This guidance has been excluded from this Standard, as guidance is included in GRAP 9.
- This Standard has deleted the example indicating that quarries and land used for landfill sites may be depreciated in certain cases as land has an unlimited useful life and cannot be consumed through its use.
- Under IPSAS 17, revaluation increases and decreases may be offset on a class of asset basis. Under this Standard, revaluation increases and decreases may only be offset against the individual asset.
- This Standard indicates that an assessment of the useful lives and residual values of assets shall be made, annually, based on whether there is any indication that previous expectations of useful lives and residual values have changed since the preceding reporting period. Indicators to be used in making this assessment have been outlined in this Standard.
- In addition to the use of an independent member of the valuation profession to undertake appraisals, this Standard allows appraisals to be performed by a member of a valuation profession, or they may also be performed by an expert with the requisite competence to undertake such appraisals in accordance with the requirements of the applicable Standards of GRAP. The valuer or expert may be internal or external to an entity and there is no requirement to disclose the independence of the valuer or expert.
- This Standard requires additional disclosure on property, plant and equipment that is in the process of being constructed or developed. It requires the disclosure of the carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, including reasons for any delays. Disclosure is also required on the carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s), including reasons for halting as well as whether any impairment losses that have been recognised in relation to these assets.
- This Standard has removed the encouraged disclosures relating to property, plant and equipment.



GRAP 17

- This Standard requires the separate disclosure of expenditure incurred to repair and maintain property, plant and equipment in the notes to the financial statements, as well as the basis used to determine such expenditure.
- Transitional provisions applicable to this Standard are dealt with differently than in IPSAS 17.