

Guideline on ***Accounting for*** ***Landfill sites***





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.





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2. Lifecycle of landfill site
3. Accounting considerations:
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Objective and scope of the guideline





Objective of Guideline

- ***Objective:***

- Provide guidance to address inconsistent accounting practices
- Improve comparability
- Provide necessary information to users

- ***Authority:***

- Guideline
- Explains existing principles in Standards to specific transaction or arrangement



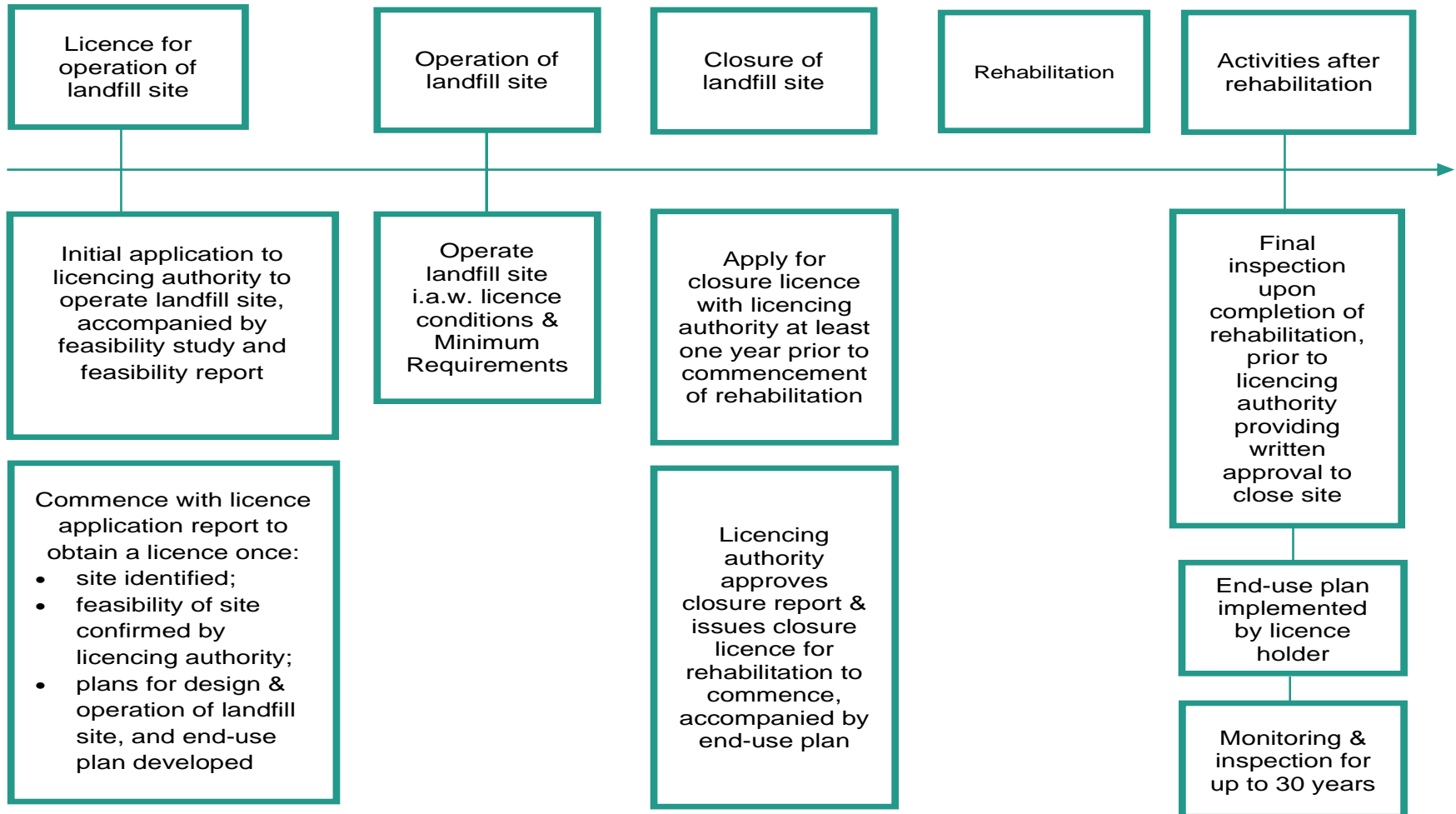
Scope of Guideline

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

Lifecycle of a landfill site



Lifecycle of landfill site



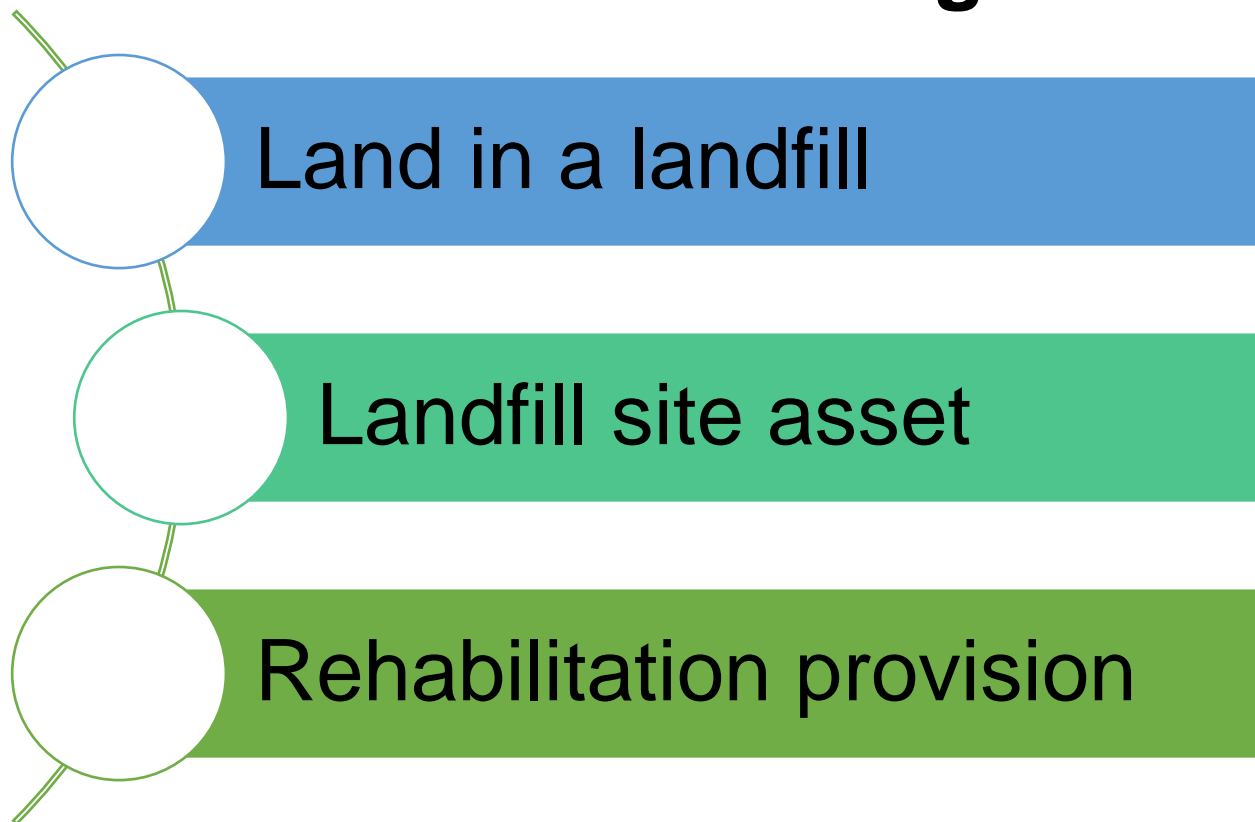


Accounting considerations



Accounting considerations

Guidance on accounting for:



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 &
 - recognition criteria
- IGRAP 18: criteria to assess control of land



Accounting for Land: Classification

- 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: Initial measurement

- Acquired: measured at cost
- Non-exchange transaction: FV
- Transferred: GRAP 105/106/107
- Pre-existing land reclassified: apply applicable Standards
 - Consider GRAP 21 and GRAP 26



Accounting for Land: Subsequent measurement

- Cost or revaluation model
- Depreciation: land unlimited U/L and not depreciated
- Assessed for impairment, or reversal of impairment, annually

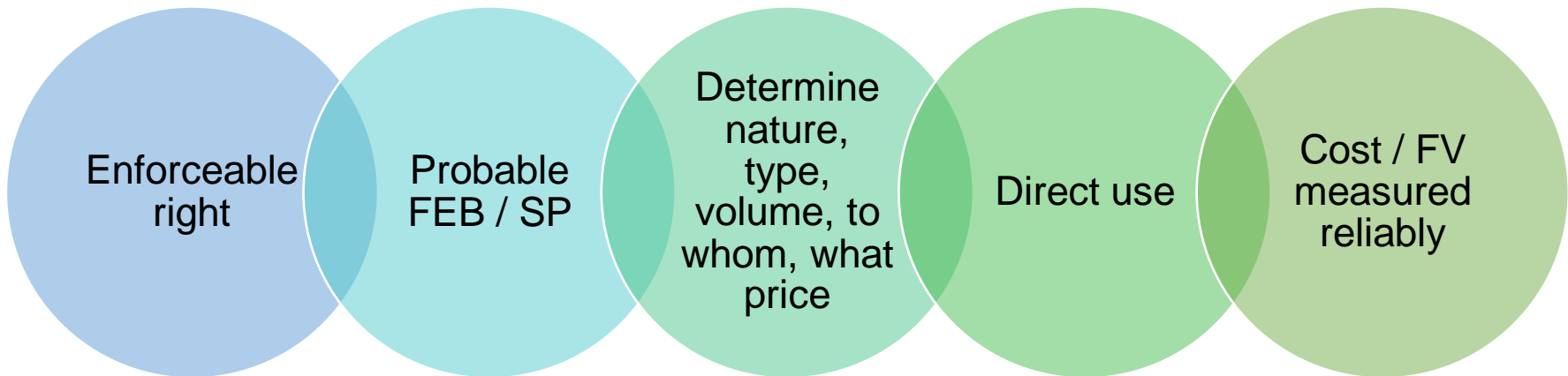


Guidance on accounting for landfill site asset



Recognition and classification

- Recognise when definition and recognition criteria met



- Classify as PPE

Measurement: development and construction

- Initially at cost; non-exchange: FV
- Development & construction costs capitalised or expensed?
 - Distinguish prior / after approval from licencing authority to commence with licence application report

Prior approval	After approval
Likely to expense	Expense or capitalise based on criteria and judgment

Measurement: development and construction (cont.)

- Apply accounting policies i.t.o. GRAP

a) Probable FEB / SP

b) Technically feasible will be approved

c) Able to complete & use for waste disposal activities

d) Adequate resources

e) Reliably measurable

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

Measurement: development and construction (cont.)

- Elements of cost: GRAP 17

a) Purchase price

- Cash price equivalent
- Deferred payment: interest

b) Directly attributable costs

- Judgement to assess costs that are:
- Directly attributable
 - Separate assets

c) Initial estimate costs to dismantle & restore

- May include estimates of costs to be incurred

- Assess for impairment



Measurement: completed asset

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

Measurement: completed asset

Depreciation:

Judgement

Available for use

Derecognised

- Each significant component separate
- Useful life
 - Landfill site asset = period available for use
i.e. while in operation + stores waste
 - Significant components: same assessment as for landfill site
- Method: reflect pattern of consumption



Measurement: completed asset

- Impairment
 - GRAP 21 / GRAP 26 assess annually for indicators
- Changes in cost of rehabilitation
 - Impacts cost of landfill site asset

Derecognition

- When no FEB / SP
- Trenches / cells vs. whole landfill site
- Can derecognise parts when not identified separately
- Fully derecognised by end of post-closure monitoring & inspection

Guidance on accounting for rehabilitation provision



Recognition

- Obligation to rehabilitate – GRAP 19

Trenches / cells

- Obligations to:
 - Dismantle and remove constructed assets and rehabilitate land *when construction commences*
 - Rehabilitate environmental damage *when waste disposal commences*

Smaller landfill site

- Obligation to rehabilitate land *when waste disposal commences*

- Recognition does not depend on funding

Measurement

Cash flows

Amount

- Best estimate of expenditure required to settle present obligation at reporting date
- Time value for money
- May include:

a) Costs to dismantle, remove, restore

b) Pre-closure planning & approval

c) Final rehabilitation & closure

d) Monitoring & inspection after closure



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

Consistent with estimated cash flows required to settle provision

Includes / excludes inflation, depending on cash flows



Measurement (cont.)

- Use of provision:
 - As expenditure 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 the guideline





Applying the Guideline

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

Keep informed



Keep informed

- FAQs.
- COVID-19 - www.asb.co.za/covid-19/
- Research papers.
- Newsletter.
- Social media.
- Translations of Standards.



Keep informed

Accounting Guidelines by OAG –
<https://oag.treasury.gov.za>

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