national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

GRAP 17 – Property, Plant and Equipment

Effective 1 April 2021

DEFINITION

Property, plant and equipment are tangible items that:
- Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Are expected to be used during more than one reporting period

RECOGNITION AND INITIAL MEASUREMENT

Recognised when:
- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably

Measurement:
- Initially recorded at cost
- Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition

Cost comprises:
- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates
- 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
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

MEASUREMENT SUBSEQUENT TO INITIAL RECOGNTION

Cost Model
The asset is carried at cost less accumulated depreciation and accumulated impairment

Revaluation Model
The asset is carried at a revalued amount, being its fair value at the date of the revaluation, less subsequent depreciation and subsequent impairment, provided that the fair value can be measured reliably

Depreciation
- The depreciable amount (cost less residual value) should be allocated on a systematic basis over the assets useful life
- The residual value, the useful life and depreciation method of an asset should be reviewed at least each reporting date
- Change in residual value, depreciation method and useful life represent changes in estimates
- Depreciation is charged to surplus or deficit, unless it is included in the carrying amount of another asset
- Depreciation begins when the asset is available for use

- Revaluations should be carried out regularly (the carrying amount should not differ materially from its fair value at the reporting date)
- If an item is revalued, the entire class to which it relates is revalued
- Revalued assets are depreciated the same way as under the cost model
- An increase in value is credited to a revaluation surplus unless it represents the reversal of a revaluation decrease of the same asset previously recognised in surplus or deficit; in this case the increase in value is recognised in surplus or deficit

OTHER MATTERS

Derecognition
- ✓ Remove the asset from the statement of financial position on disposal / when no future economic benefits or service potential are expected from its use or disposal
- ✓ The gain or loss on derecognition is the difference between the net disposal proceeds, if any, and the carrying amount and should only be recognised in surplus or deficit

Component accounting
- Significant parts / components should be depreciated over their estimated useful life
- Costs of replacing parts should be capitalised and the existing parts being replaced should be derecognised

Spare parts, stand-by or servicing equipment
- Are classified as property, plant and equipment when they meet the definition thereof, else are classified as inventories