Disclosure of Repairs and Maintenance in the Financial Statements

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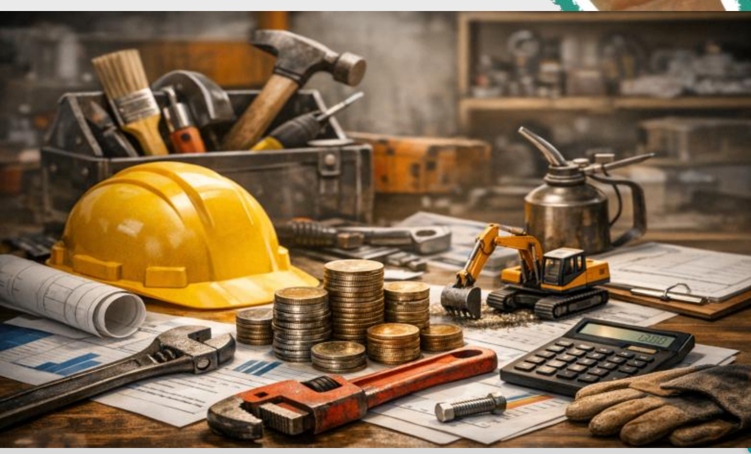
Purpose of the presentation



- Explain the disclosure requirements for repairs and maintenance of assets.
- Clarify the different requirements in:
  - ✓ the notes to the financial statements, and
  - ✓ the statement of financial performance

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What are Repairs and Maintenance?

- Expenditure incurred to **restore or maintain** an asset's service potential
- Does **not include** capital improvements or enhancements
- May include:
  - ✓ Payments to external service providers.
  - ✓ Materials and consumables.
  - ✓ Employee time and internal works department costs.

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What the Standards require (GRAP 1)

GRAP 1 requires that:

- The Statement of Financial Performance (SFP) presents **summarised expenditure information.**
- Expenses are presented by **nature or function.** When presentation is by nature, repairs and maintenance are unlikely to be shown separately, separate presentation is more likely when expenses are presented by function *(See FAQ 4.4 on nature vs function presentation).*
- Repairs and maintenance is shown separately **only if**:
  - ✓ the amount is **material**, and
  - ✓ separate presentation is **appropriate**

What the Standards require

GRAP 17 requires that:

- An entity shall separately disclose expenditure incurred to repair and maintain property, plant and equipment.
- Disclosure must be made in the notes to the financial statements.
- Entities may apply different bases to determine the amount of repairs and maintenance to be disclosed.
- The entity must explain what the disclosed amount includes.
- This applies regardless of presentation in the statement of financial performance.

Other asset Standards have similar requirements.

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Applying the requirements in practice

- **Firstly: Statement of financial performance (GRAP 1)**
  - ✓ Prepare the statement of financial performance based on **nature or** function.
  - ✓ Assess whether repairs and maintenance should be presented separately, based on materiality and,
  - ✓ Whether separate SFP presentation would be useful.
- **Then**: **Notes to the financial statements (GRAP 17 and other asset Standards)**
  - ✓ Separately disclose repairs and maintenance in the notes, where required.
  - ✓ Explain what costs are included in the disclosed amount.
- **Do not** assume that:
  - ✓ no separate SFP line item means no disclosure is required.

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Access the content

Latest FAQ published

[Refer specifically to FAQ 4.7 and 4.4]

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https://www.youtube.com/playlist?list=PLku97Kuc72ICTpqRcOqcDwaAGnWG_ySFo

Slides on ASB website

https://www.asb.co.za/enhancing-the-application-of-standards-of-grap/

GRAP Knowledge Hub:

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