Development Document
April 2021

Development Document

Exposure Draft 78, *Property, Plant, and Equipment*

International Public Sector Accounting Standards Board®

DOCUMENT COMPARISON

This Development Document was prepared for information purposes only. It is not a Standard or pronouncement of the IPSASB. It has not been reviewed, approved or otherwise acted upon by the IPSASB.

Objective of the Document Comparison

The objective of this Development Document is to support constituents in their review of ED 78, *Property, Plant, and Equipment*. This Development Document has been developed to highlight the source of the ED 78 material.

This Development Document references IPSASB meetings where decisions were made. Constituents may access the Agenda Items from the IPSASB meetings on the IPSASB meetings page.

Development of the Exposure Draft

This ED proposes updates to IPSAS 17, *Property, Plant, and Equipment* by adding general measurement guidance and measurement options when accounting for assets within its scope, identifying the characteristics of and heritage and infrastructure assets, and proposing new guidance on how these important types of public sector assets should be recognized and measured. ED 78, *Property, Plant, and Equipment* proposes the following:

(a) Additional general measurement guidance and options when accounting for assets within its scope;

(b) Characteristics to identify heritage and infrastructure assets; and

(c) Additional guidance on how heritage and infrastructure assets should be recognized and measured.

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
	Objective	
Paragraph 1 is IPSAS 17.1	1. The objective of this [draft] Standard is to prescribe the accounting treatment for property, plant, and equipment so that 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 recognized in relation to them.	*IAS 16.1*
	Scope	
Paragraph 2 is IPSAS 17.2 amended for IPSASB December 2019 decision to remove heritage assets scope exclusion. (Reviewed by the IPSASB in June 2020. *IPSAS 17.3 and IPSAS 17.4 had already been deleted in IPSAS 17.* *IPSAS 17.5 is moved to AG (IPSASB instruction in June 2020).*	2. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this [draft] Standard in accounting for property, plant, and equipment (see paragraphs AG1-AG7 in Appendix A), except when another Standard requires or permits a different accounting treatment.**	*IAS 16.2 (amended)*
Paragraphs 3 to 5 are IPSAS 17.6 to IPSAS 17.8, amended for IPSASB decisions in June 2020 on measurement models and for cross-references. *Paragraph 3 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 79, Non-current Assets Held for Sale and Discontinued Operations.*	3. This [draft] Standard does not apply to: (a) Biological assets related to agricultural activity other than bearer plants (see IPSAS 27, Agriculture). This [draft] Standard applies to bearer plants but does not apply to the produce on bearer plants; (b) Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources (see the relevant international or national accounting standard dealing with mineral rights, mineral reserves, and similar non-regenerative resources); (c) Property, plant, and equipment classified as held for sale in accordance with [draft]- IPSAS- [X] [ED 79)], *Non-Ccurrent Assets Held for Sale and Discontinued Operations*[1]. (d) The recognition and measurement of exploration and evaluation assets (see the relevant international or national accounting standard dealing with measurement of exploration and evaluation assets).	*IAS 16.3 (amended)*

[1] Paragraph 3(c) incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from ED 79, *Non-current Assets Held for Sale and Discontinued Operations*. This amendment reflects the IPSASB's current views in ED 79. This amendment is subject to change based on responses received to this [draft] Standard and ED 79.

NOTES	**[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
	However, this [draft] Standard applies to property, plant, and equipment used to develop or maintain the assets described in 9(a), 9(b) and 9(d).	
The IPSASB has a project to replace IPSAS 13, Leases. Refer to [draft] IPSAS [X] (ED 75), Leases. Paragraph 4 incorporates the amendment to IPSAS 17, Property, Plant, and Equipment from [draft] IPSAS [X] (ED 75). This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 75). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 75).	4. [Deleted]	
IPSAS 17.9, IPSAS 17.11 and IPSAS 17.12 are deleted. *IPSAS 17.10 is moved to AG.* *Paragraph 5 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 75, Leases.*	5. An entity using the historical cost model for investment property in accordance with IPSAS 16, *Investment Property* shall use the historical cost model in this [draft] Standard for owned investment property[2].	*IAS 16.5*
Paragraph 6 is IPSAS 17.13	**Definitions** 6. **Carrying amount (for the purpose of this [draft] Standard) is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.** **<u>Class of property, plant, and equipment</u> 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.** **<u>Depreciable amount</u> is the cost of an asset, or other amount substituted for cost, less its residual value.**	*IAS 16.6 (amended)*

[2] Paragraph 5 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from ED 75, *Leases*. This amendment reflects the IPSASB's current views in ED 75. This amendment is subject to change based on responses received to this [draft] Standard and ED 75.

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
	Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.	
	Entity-specific value is the present value of the cash flows 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 assets 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.**	*Class of PP&E is not a defined term in IAS 16.*
Impairment loss of cash / non-cash generating asset is not used in IPSAS 17 or ED 78. Deleted.	**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 were already of the age and in the condition expected at the end of its useful life.**	*Impairment loss is not separately defined for CG asset vs non-CG asset.*
	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 IPSAS are used in this [draft] Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.	
Recoverable (service) amount is defined in IPSAS 21 and IPSAS 26. Reference made to those definitions.	**The following terms are defined in [draft] IPSAS [X] (ED 77), *Measurement* and are used in this [draft] Standard with the same meaning as in [draft] IPSAS [X] (ED 77):** **(a) Current operational value;** **(b) Fair value; and** **(c) Historical cost.**	*Recoverable amount is not separately defined for CG asset vs non-CG asset.*
Definition amended by IPSASB decision in June 2020 (Agenda Item 10.2.3).	**The term recoverable service amount is defined in IPSAS 21, *Impairment of Non-Cash-Generating Assets* and is used in this [draft] Standard with the same meaning as in IPSAS 21:**	
Reference to ED 78 definitions added by IPSASB decision in July 2020 (Agenda Item 2.2.2).	**The term recoverable amount is defined in IPSAS 26, *Impairment of Cash Generating Assets* and is used in this [draft] Standard with the same meaning as in IPSAS 26:** **The term bearer plant is defined in IPSAS 27, Agriculture and is used in this [draft] Standard with the same meaning as in IPSAS 27.**	

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
Paragraph 7 is IPSAS 17.14, amended by (a) IPSASB decision to change reference to Fair Value to [Current Value] in June 2020 (Agenda Item 8.2.2), and for consequences of defining PP&E to be assets. *IPSAS 17.15 and IPSAS 17.16 had been deleted in IPSAS 17.*	**Recognition** 7. **An item of property, plant, and equipment shall be recognized 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 current value of the item can be measured reliably[3].** 8. **If an entity holds heritage property, plant and equipment that meets the definition of an asset, but which does not meet the recognition criteria in paragraph 13, information as required by paragraph 86 shall be disclosed in the notes to the financial statements. When information about the cost or current value of the heritage property, plant and equipment becomes available, the entity shall, from that date, recognize the heritage property, plant, and equipment in accordance with paragraph 13 and apply the measurement principles in this Standard.**	*IAS 16.7*
IPSAS 17.17 is moved to AG by IPSASB decision in July 2020 (Agenda Item 2.2.2).		
Paragraphs 9 to 10 are IPSAS 17.18 to IPSAS 17.19.	9. This [draft] Standard does not prescribe the unit of measure for recognition, i.e., what constitutes an item of property, plant, and equipment. Thus, judgment 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.	*IAS 16.9*
IPSAS 17.20 is moved to AG. *Paragraph 10 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 75, Leases.*	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 construct and/or develop an item of property, plant, and equipment and costs incurred subsequently to add to, replace part of, or service it. The cost of an item of property, plant, and equipment may include costs incurred relating to leases of assets that are used to construct, add to, replace part of or service an item of property, plant, and equipment, such as depreciation of right-of-use assets[4].	*IAS 16.10*

[3] Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC16 of IPSAS 1, *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

[4] Paragraph 9 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 75), *Leases*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 75). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 75).

NOTES	**[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
Paragraph 11 is IPSAS 17.22. Text retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2). *IPSAS 17.23 to 25 moved to AG. by IPSASB decision in June 2020 (Agenda Item 8.2.2).*	11. 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 recognized 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 IPSAS 21 and IPSAS 26.	*IAS 16.11*
Paragraphs 12-14 are IPSAS 17.26, IPSAS 17.27 and IPSAS 17.29 amended by IPSASB decisions. *IPSAS 17.28 is moved to AG*	**Initial Measurement** 12. **An item of property, plant, and equipment that qualifies for recognition shall be measured at its cost, unless it is acquired through a non-exchange transaction[5]. Property, plant, and equipment acquired through a non-exchange transaction shall be measured at its deemed cost.**	*IAS 16.15*
Paragraph 12 was combined with following paragraph by IPSASB decision in July 2020 (Agenda Item 2.2.2). *Paragraph 12 has not been amended to incorporate the consequential amendments to IPSAS 17 from ED 71, Revenue without Performance Obligations.*		*No*
Paragraph has been deleted as no reference to ED 77 is required for initial measurement. Guidance is included directly in ED 78.	13. **When measuring an item of property, plant, and equipment at recognition, an entity shall apply [draft] IPSAS [X], (ED-77).**	

[5] Paragraph 11 does not incorporate the amendment to IPSAS 17, *Property, Plant, and Equipment* from ED 71, *Revenue without Performance Obligations* because the IPSASB decided not to replace the term "non-exchange transaction" with the term "revenue transaction without performance obligations" in this [draft] Standard because the term "non-exchange" continues to be relevant in the context of acquiring property, plant, and equipment at no or reduced consideration and in the overall IPSASB literature.

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
IPSAS 17.30 to IPSAS 17.31 are moved to IPSAS, Measurement by IPSASB decision in June 2020 (Agenda Item 8.2.2).	14. For the purposes of this [draft] Standard, the measurement at recognition of an item of property, plant, and equipment, acquired at no or nominal cost, at its deemed cost consistent with the requirements of paragraph 18, does not constitute a revaluation. Accordingly, the revaluation requirements in paragraph 35, and the supporting Application Guidance, only apply where an entity elects to revalue an item of property, plant, and equipment in subsequent reporting periods.	*No*
	Elements of Cost	
Paragraph 15 is IPSAS 17.30. *This paragraph was moved to ED, Measurement in June 2020. It has been moved back to ED 78 during the development of the historical cost appendix in ED, Measurement. See Agenda Item 7.2.15 for additional details.*	15. 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.	*IAS 16.16*
Paragraph 16 is IPSAS 17.31. *This paragraph was moved to ED, Measurement in June 2020. It has been moved back to ED 78 during the development of the historical cost appendix in ED, Measurement. See Agenda Item 7.2.15 for additional details.* *Amendment made to pick up May 2020 Improvements to IAS 16 to prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use*	16. Examples of directly attributable costs are: (a) Costs of employee benefits (as defined in IPSAS 39, *Employee Benefits*) arising directly from the acquisition construction and/or development 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 (i.e., assessing whether technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes and (f) Professional fees.	*IAS 16.17*

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
(proceeds before intended use).		
Paragraph 17 is IPSAS 17.32	17. An entity applies IPSAS 12, *Inventories*, 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 IPSAS 12 and this [draft] Standard are recognized and measured in accordance with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.	*IAS 16.18*
IPSAS 17.33 is moved to AGs by IPSASB decision in July 2020 (Agenda Item 2.2.2)		*IAS 16.19*
Paragraph 18 is IPSAS 17.34.	18. 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 output builds up; and (c) Costs of relocating or reorganizing part or all of the entity's operations.	*IAS 16.20*
Paragraph 19 added to reflect May 2020 Improvements to IAS 16 to prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use (proceeds before intended use).	19. Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly). An entity recognizes the proceeds from selling any such items, and the cost of those items, in surplus or deficit in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IPSAS 12.	*IAS 16.20A*

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
Paragraph 20 is IPSAS 17.35.	20. 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 recognized in surplus or deficit, and included in their respective classifications of revenue and expense.	*IAS 16.21*
IPSAS 17.36 and IPSAS 17.36A moved to AG by IPSASB decision in June 2020 (Agenda Item 8.2.2).		
	Measurement of Cost	
Paragraph 20 is IPSAS 17.37.	21. The cost of an item of property, plant, and equipment is the cash price equivalent or, for an item referred to in paragraph 12, its deemed cost at the recognition date. If payment is deferred and the time value of money is material , the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit, unless such interest is recognized in the carrying amount of the item in accordance with the allowed alternative treatment in IPSAS 5, *Borrowing Costs*.	*IAS 16.23*
Paragraph 22 is IPSAS 17.38.	22. 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 its fair value unless the exchange transaction lacks commercial substance, or the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired item is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired item is not measured at value, its cost is measured at the carrying amount of the asset given up.	*IAS 16.24*
Paragraph 23 is IPSAS 17.39.	23. An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. An exchange transaction has commercial substance if: (a) The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or	*IAS 16.25*

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
	(b) The entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and (c) The difference in (a) or (b) is significant relative to the ~~fair~~ value of the assets exchanged. For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the entity's operations affected by the transaction shall reflect post-tax cash flows, if tax applies. The result of these analyses may be clear without an entity having to perform detailed calculations.	
Paragraph 24 is IPSAS 17.40.	24. The fair value of an asset is reliably measurable if the variability in the range of reasonable fair value measurements is not significant for that asset, or the probabilities of the various estimates within the range can be reasonably assessed and used when measuring fair current value. If an entity is able to measure 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.	*IAS 16.26*
Paragraph 24 is IPSAS 17.41. *Paragraph 25 incorporates the amendment to IPSAS 17, Property, Plant, and Equipment from [draft] IPSAS [X] (ED 75), Leases. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 75). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 75).*	25. [Deleted]	*Based on IAS 16.28*
There is no equivalent heading in IPSAS 17. Paragraph 26 is derived from IPSAS 17.42.	**Subsequent Measurement** 26. **An entity shall choose either the historical cost model in paragraph 28 or the current value model in paragraph 35 as its accounting policy and shall apply that policy to an entire class of property, plant, and equipment.**	*IAS 16.29 (amended)*

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
There is no equivalent in IPSAS 17 to paragraph 27.This paragraph was added by March 2020 Decision.	27. **When the measurement requirements are applied to the item of property, plant, and equipment after recognition, an entity shall apply [draft] IPSAS [X] (ED 77).**	*No*
	Current Value Model	
Paragraph 28 is IPSAS 17.43	28. **After recognition, an item of property, plant, and equipment shall be carried at its historical cost, less any accumulated depreciation and any accumulated impairment losses.**	*IAS 16.30*
Paragraph 29 is IPSAS 17.44	**Current Value Model** 29. **After recognition, an item of property, plant, and equipment whose current value can be measured reliably shall be carried at a revalued amount, being its current operational value or fair value at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment losses. The primary objective for which an entity holds an asset guides the selection of the current value measurement basis. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the reporting date. The accounting treatment for revaluations is set out in paragraphs 39-41.**	*IAS 16.31 (amended to add last two sentences)*
Paragraph 30 is added to address in-period comment regarding retention of FV (Agenda Item 5.2.2).	30. The measurement basis selected to measure current value, either fair value or current operational value, shall be applied consistently to the class of property, plant, and equipment at each measurement date. A change in the current value measurement basis, for example, from current operational value to fair value, or vice versa, is appropriate if the change results in a measurement that is more representative of the current value of the item of property, plant, and equipment.	-
Paragraph 31 is IPSAS 17.45	31. The current value of items of property plant, and equipment is usually determined from market-based evidence by appraisal. . An appraisal of the value of an asset is normally undertaken by a member of the valuation profession, who holds a recognized and relevant professional qualification. For some non-specialized items of property, plant, and equipment, a current 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-specialized buildings, motor vehicles, and many types of plant and equipment.	-
Paragraph 32 is IPSAS 17.46	32. For many public sector items of property, plant, and equipment, it may be difficult to establish their current value because of the absence of market transactions for these assets(see [draft]	-

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
IPSAS 17.47 and IPSAS 17.48 are removed from ED 78 as the concepts are now addressed in ED, Measurement. See *IPSASB decision in June 2020 (Agenda Item 8.2.2)*.	IPSAS [X] (ED 77)).. Some public sector entities may have significant holdings of such assets.	
Paragraphs 33-34 are IPSAS 17.49 and IPSAS 17.50. They are retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2).	33. The frequency of revaluations depends upon the changes in current values of the items of property, plant, and equipment being revalued. When the current 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 current value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant, and equipment with only insignificant changes in current value. Instead, it may be necessary to revalue the item only every three or five years.	*IAS 16.34*
	34. 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 45 and 46.	*IAS 16.35*
Paragraphs 35-38 are IPSAS 17.51-53.	35. **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.**	*IAS 16.36*
	36. Impairment losses and reversals of impairment losses of an asset under IPSAS 21 and IPSAS 26 do not necessarily give rise to the need to revalue the class of assets to which that asset, or group of assets, belongs.	*No*

NOTES	**[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
Paragraphs 37-38 (IPSAS 17.52-53) are retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2). *Paragraphs 37(n) and (o) were added by IPSASB decision in July 2020 (Agenda Item 2.2.2)*	37. 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; (l) Oil rigs; (m) Bearer plants; (n) Heritage collections; and (o) Infrastructure items. When grouping property, plant, and equipment into classes, an entity may identify items with similar nature, but held for different functions, or vice versa. For example, while various parcels of land might be similar in nature, some may be held for agricultural purposes and others for commercial purposes. This may result in the entity identifying two classes of land and presenting information using historical cost for one class and current value for the other.	*IAS 16.37*
	38. The items within a class of property, plant, and equipment are revalued simultaneously in order 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.	*IAS 16.38*
Paragraphs 39-43 are IPSAS 17.54 to IPSAS 17.58	39. **If the carrying amount of a class of assets is increased as a result of a revaluation, the increase shall be credited directly to revaluation surplus. However, the increase shall be recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized in surplus or deficit.**	*IAS 16.39 (amended)*
	40. **If the carrying amount of a class of assets is decreased as a result of a revaluation, the decrease shall be recognized in surplus or deficit. However, the decrease shall be debited directly to revaluation surplus to the extent of any**	*IAS 16.40 (amended)*

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
	credit balance existing in the revaluation surplus in respect of that class of assets.	
	41. **Revaluation increases and decreases relating to individual assets within a class of property, plant, and equipment must be offset against one another within that class but must not be offset in respect of assets in different classes.**	*No*
	42. Some or all of the revaluation surplus included in net assets/equity in respect of property, plant, and equipment may be transferred directly to accumulated surpluses or deficits when the assets are derecognized. This may involve transferring some or the whole of the surplus when the assets within the class of property, plant, and equipment to which the surplus relates are retired or disposed of. However, some of the surplus may be transferred as the assets are used by the 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.	*IAS 16.41 (amended)*
	43. Guidance on the effects of taxes on surpluses, if any, resulting from the revaluation of property, plant, and equipment can be found in the relevant international or national accounting standard dealing with income taxes.	*IAS 16.42 (amended)*
	Depreciation	
Paragraph 44 is IPSAS 17.59. *IPSAS 17.60 is moved to AG.*	44. **Each part of an item of property, plant, and equipment with a cost or value that is significant in relation to the total cost or value of the item shall be depreciated separately.**	*IAS 16.43*
Paragraphs 45 - 49 are IPSAS 17.61 to IPSAS 17.65.	45. 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.	*IAS 16.45*
	46. 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.	*IAS 16.46*
	47. 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.	*IAS 16.47*
	48. **The depreciation charge for each period shall be recognized in surplus or deficit, unless it is included in the carrying amount of another asset.**	*IAS 16.48*

NOTES	[DRAFT] IPSAS [X] (ED 78), *Property, Plant, and Equipment*	IAS 16?
	49. The depreciation charge for a period is usually recognized in surplus or deficit. However, sometimes, the future economic benefits or service potential embodied in an asset is 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 IPSAS 12). Similarly, depreciation of property, plant, and equipment used for development activities may be included in the cost of an intangible asset recognized in accordance with IPSAS 31, *Intangible Assets*.	*IAS 16.49*
	Depreciable Amount and Depreciation Period	
Paragraphs 50-52 are IPSAS 17.66 to IPSAS 17.68.	50. **The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.**	*IAS 16.50*
	51. **The residual value and the useful life of an asset shall be reviewed at least at each annual reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.**	*IAS 16.51*
IPSAS 17.69-73 are moved to AG	52. Depreciation is recognized even if the current 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 does not negate the need to depreciate it. Conversely, some assets may be poorly maintained or maintenance may be deferred indefinitely because of budgetary constraints. Where asset management policies exacerbate the wear and tear of an asset, its useful life should be reassessed, and/or the asset tested for impairment in accordance with paragraph 62, and adjusted accordingly.	*IAS 16.52 (amended to add last two sentences)*
Paragraphs 53-54 are IPSAS 17.74 and IPSAS 17.75. (Revised for IPSASB decisions in September 2020.)	53. Land and buildings are separable assets and are accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an indefinite useful life and therefore is not depreciated. Buildings generally have a finite 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.	*IAS 16.58*
	54. If the carrying amount of land includes the cost of site dismantlement, removal, and restoration, that portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs. In some cases, the land itself may have a finite useful life, in which case it is depreciated in a manner that reflects the benefits or service potential to be derived from it.	*IAS 16.59 (amended)*
See July 2020, agenda paper 2.2.4	**<u>Finite and Indefinite Useful Lives</u>**	

IPSAS 31.87 with minor revisions (e.g. to refer to "PP&E" instead of "intangible.)	55. An entity shall assess whether the useful life of property, plant, and equipment is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. Land usually has an indefinite useful life. There is a rebuttable presumption that non-land property, plant, and equipment have finite useful lives. Property, plant, and equipment shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to provide service potential to, or be used to generate net cash inflows for the entity.	*No*
IPSAS 31.88 with minor revisions.	56. An item of property, plant, and equipment with a finite useful life is depreciated. An item of property, plant, and equipment asset with an indefinite useful life is not depreciated.	*No*
IPSAS 31.90 revised to refer to property, plant and equipment. *Revision to address mid-period review comment that projections should be described in terms of the Conceptual Framework's qualitative characteristics. See CF 6.8 for discussion of estimates.*	57. The term "indefinite" does not mean "infinite." The useful life of property, plant, and equipment should reflect evidence on factors that could affect the useful life at the time of estimating the asset's useful life. Projections of those factors and the estimated useful life should be realistic rather than optimistic or pessimistic, which means that they should be supported by objective evidence and generate relevant and faithfully representative measures of asset value and depreciation, rather than optimistic, projections of those factors. For example, a conclusion that the useful life of property, plant, and equipment is indefinite should not depend on planned future expenditure in excess of that required to maintain the asset at its current standard of performance. Nor should such a conclusion depend on preservation actions for which there is no realistic likelihood under present or projected budget constraints.	*No*
IPSAS 31.92 revised to refer to property, plant and equipment.	58. The useful life of a property, plant, and equipment asset may be very long or even indefinite. Uncertainty about an asset's useful life when it is very long does not justify choosing a life that is unrealistically short.	*No*
Paragraph inserted by IPSASB decision of September 2020 (Agenda Item 9.2.8)	*Annual Impairment Reviews for Assets with Indefinite Useful Lives* 59. An entity is required to review property, plant, and equipment with an indefinite useful life annually for indications of impairment in accordance with IPSAS 21 and IPSAS 26.	
Paragraphs are IPSAS 17.76 and IPSAS 17.77. They are retained in core text by IPSASB decision in June 2020 (Agenda Item 8.2.2).	60. **The depreciation method shall reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity.**	*IAS 16.60*
IPSAS 17.78 and IPSAS 17.78A are moved to AG.	61. **The depreciation method applied to an asset shall be reviewed at least at each annual reporting date and, if there has been a significant change in the expected pattern of the consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern.**	*IAS 16.61*

	Such a change shall be accounted for as a change in an accounting estimate in accordance with IPSAS 3.	
	Impairment	
Paragraphs are IPSAS 17.79 to IPSAS 17.81, amended as shown	62. To determine whether an item of property, plant, and equipment is impaired, an entity applies IPSAS 21 or IPSAS 26, as appropriate. These Standards explain how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount or recoverable amount of an asset, and when it recognizes, or reverses the recognition of, an impairment loss.	*IAS 16.63* *IAS 16.64 has been deleted.*
	Compensation for Impairment	
	63. **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.**	*IAS 16.65*
	64. 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: (a) Impairments of items of property, plant, and equipment are recognized in accordance with IPSAS 21 or IPSAS 26, as appropriate; (b) Derecognition of items of property, plant, and equipment retired or disposed of is determined in accordance with this [draft] Standard; (c) 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 replacement is determined in accordance with this [draft] Standard.	*IAS 16.66*
	Derecognition	
Paragraphs 67-73 are IPSAS 17.82 to IPSAS 17.87	65. **The carrying amount of an item of property, plant, and equipment shall be derecognized:** **(a) On disposal; or** **(b) When no future economic benefits or service potential is expected from its use or disposal.**	*IAS 16.67*
Paragraph 68 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 75, Leases.	66. **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 derecognized (unless**	*IAS 16.68 (excluding last sentence on gains)*

	[draft] IPSAS [X] (ED- 75), *Leases* requires otherwise on a sale and leaseback)[6].	
Paragraph 69 was amended to add reference to ED 79 by IPSASB decision in July 2020 (Agenda Item 2.2.2) and was amended to incorporate the consequential amendments to IPSAS 17 from ED 70, Revenue with Performance Obligations and ED 79, Non-current Assets Held for Sale and Discontinued Operations.	67. However, an entity that, in the course of its activities, routinely provides 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 amount of consideration from the disposal of such assets shall be recognized as revenue in accordance with [draft] IPSAS [X] (ED 70), *Revenue with Performance Obligations*. [Draft] IPSAS [X] (ED 79) does not apply when assets that are held for sale in the ordinary course of its operations are transferred to inventories[7].	*IAS 16.68A (amended)*
Paragraph 70 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 70, Revenue with Performance Obligations and ED 75, Leases.	68. 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 by donation). The date of disposal of an item of property, plant, and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in [draft] IPSAS [X] (ED 70). [Draft] IPSAS [X] (ED 75) applies to disposal by a sale and leaseback[8].	*IAS 16.69*
	69. If, under the recognition principle in paragraph 13, an entity recognizes in the carrying amount of an item of property, plant, and equipment the cost of a replacement for part of the item, then it derecognizes 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 constructed and/or developed.	*IAS 16.70*
	70. **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.**	*IAS 16.71*

[6] Paragraph 68 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 75), *Leases*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 75). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 75).

[7] Paragraph 69 incorporates the amendments to IPSAS 17, *Property, Plant, and Equipment* from ED 70, *Revenue with Performance Obligations* and [draft] IPSAS [X] (ED 79), *Non-current Assets Held for Sale and Discontinued Operations*. These amendments reflect the IPSASB's current views in [draft] IPSAS [X] (ED 70) and [draft] IPSAS [X] (ED 79). These amendments are subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 70) and [draft] IPSAS [X] (ED 79).

[8] Paragraph 70 incorporates the amendments to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 70), *Revenue with Performance Obligations* and [draft] IPSAS [X] (ED 75), *Leases*. These amendments reflect the IPSASB's current views in [draft] IPSAS [X] (ED 70) and [draft] IPSAS [X] (ED 75). These amendments are subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 70) and [draft] IPSAS [X] (ED 75).

Paragraph 73 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 70, Revenue with Performance Obligations.	71. The amount of consideration to be included in the surplus or deficit arising from the derecognition of an item of property, plant, and equipment is determined in accordance with the requirements for determining the transaction price in paragraphs 46–71 of [draft] IPSAS [X] (ED 70). Subsequent changes to the estimated amount of consideration included in surplus or deficit shall be accounted for in accordance with the requirements for changes in the transaction price in [draft] IPSAS [X] (ED 70)[9].	*IAS 16.72 (amended)*
	Disclosure	
Paragraphs 74-81 are IPSAS 17.88 to IPSAS 17.94 amended for cross references and with a new subheading by March 2020 IPSASB instruction. *Paragraph 74(e)(ii) was amended to add reference to ED 79 by IPSASB decision in July 2020 (Agenda Item 2.2.2)* *Paragraph 74 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 79, Non-current Assets Held for Sale and Discontinued Operations.*	**General Disclosure for Property, Plant, and Equipment** 72. **The financial statements shall disclose, for each class of property, plant, and equipment recognized 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) Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with [draft] IPSAS [X] (ED 79) and other disposals[10];** **(iii) Acquisitions through public sector combinations;** **(iv) Increases or decreases resulting from revaluations under paragraphs 35,45, and 46 and from impairment losses (if any) recognized or reversed directly in net assets/equity in accordance with IPSAS 21 or IPSAS 26, as appropriate;** **(v) Impairment losses recognized in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate;**	*IAS 16.73*

[9] Paragraph 73 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 70), *Revenue with Performance Obligations*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 70). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 70).

[10] Paragraph 74(e)(ii) incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 79), *Non-current Assets Held for Sale and Discontinued Operations*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 79). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 79).

	(vi) Impairment losses reversed in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate; **(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.**	
Paragraph 75 added to reflect May 2020 Annual Improvement to IAS 16 to prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use (proceeds before intended use).	73. **The financial statements shall also disclose for each class of property, plant, and equipment recognized 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 expenditures recognized in the carrying amount of an item of property, plant, and equipment in the course of its construction; and** **(c) The amount of contractual commitments for the acquisition of property, plant, and equipment.**	*IAS 16.74 (amended)*
Paragraph 76 added to reflect May 2020 Annual Improvement to IAS 16 to prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use (proceeds before intended use).	74. **If not presented separately in the statement of financial performance, the financial statements shall also disclose:** **(a) 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; and** **(b) The amounts of proceeds and cost included in surplus or deficit in accordance with paragraph 25 that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of financial performance include(s) such proceeds and cost.**	*IAS 16.74A*
	75. Selection of the depreciation method and the estimation of the useful life of the assets are matters of judgment. 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 recognized in surplus or deficit or as a part of the cost of other assets, during a period; and (b) Accumulated depreciation at the end of the period.	*IAS 16.75*
	76. In accordance with IPSAS 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	*IAS 16.76*

	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.	
	77. **If a class of property, plant, and equipment is stated at revalued amounts, the following shall be disclosed in addition to the disclosures required by [draft] IPSAS [X] (ED 77)[11]:** **(a) The effective date of the revaluation;** **(b) Whether an independent valuer was involved;** **(c) [Deleted]** **(d) [Deleted]** **(e) The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to owners;** **(f) The sum of all revaluation surpluses for individual items of property, plant, and equipment within that class; and** **(g) The sum of all revaluation deficits for individual items of property, plant, and equipment within that class.**	*IAS 16.77 (amended)*
	78. In accordance with IPSAS 21 and IPSAS 26, an entity discloses information on impaired property, plant, and equipment in addition to the information required by paragraphs 78(e)(iv)-78(e)(vi).	*IAS 16.78*
Paragraph 81 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 79, Non-current Assets Held for Sale and Discontinued Operations.	79. Users of financial statements may also find the following information relevant to their needs: (a) The carrying amount of temporarily idle property, plant, and equipment; (b) The gross carrying amount of any fully depreciated property, plant, and equipment that is still in use; (c) The carrying amount of property, plant, and equipment retired from active use and not classified as held for sale in accordance with [draft] IPSAS [X] (ED 79)12; and	*IAS 16.79*

[11] Paragraph 76 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 77), *Measurement.* This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 77). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 77).

[12] Paragraph 81(c) incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 79), *Non-current Assets Held for Sale and Discontinued Operations*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 79). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 79).

	(d) When the historical cost model is used, the current values (current operational value or fair value) of property, plant, and equipment when this is materially different from the carrying amount. Therefore, entities are encouraged to disclose these amounts.	
	Disclosure of Unrecognized Heritage Property, Plant, and Equipment	
	80. Where heritage property, plant, and equipment—or class of heritage property, plant, and equipment—is not recognized in the financial statements because, at initial measurement, its cost or current value cannot be measured reliably, the entity shall disclose: (a) The difficulties in obtaining a reliable measurement that prevented recognition; and (b) The significance of the unrecognized asset(s) in relation to delivery of the entity's objectives. 81. Where subsequent expenditures on unrecognized heritage property, plant, and equipment are recognized, the disclosure requirements in paragraphs 76-83 will apply.	
	Current Value Measurement	
Disclosures associated with ED 77, Measurement	82. **An entity shall disclose information that helps users of its financial statements assess both of the following:** **(a) For property, plant, and equipment that are measured at current operational value or fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements.** **(b) For recurring fair value measurements using significant unobservable inputs (Level 3), or for recurring current operational value measurements estimated using unobservable inputs, the effect of the measurements on surplus or deficit or net assets/equity for the period.**	
	83. To meet the objectives in paragraph 88, an entity shall consider all the following: (a) The level of detail necessary to satisfy the disclosure requirements; (b) How much emphasis to place on each of the various requirements; (c) How much aggregation or disaggregation to undertake; and (d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.	

	If the disclosures provided in accordance with this IPSAS and other IPSASs are insufficient to meet the objectives in paragraph 88, an entity shall disclose additional information necessary to meet those objectives.		
	84. To meet the objectives in paragraph 88, an entity shall disclose, at a minimum, the following information for each class of property, plant, and equipment (see paragraph 91 for information on determining appropriate classes of property, plant, and equipment) measured at current operational value or fair value (including measurements based on current operational value or fair value within the scope of [draft] IPSAS [X] (ED 77), Measurement) in the statement of financial position after initial recognition: (a) For recurring and non-recurring current operational value or fair value measurements, the current operational value or fair value measurement at the end of the reporting period, and for non-recurring current operational value or fair value measurements, the reasons for the measurement. Recurring current operational value or fair value measurements of property, plant, and equipment are those that this Standard requires or permits in the statement of financial position at the end of each reporting period. Non-recurring current operational value or fair value measurements of property, plant, and equipment are those that this Standard requires or permits in the statement of financial position in particular circumstances. (b) For recurring and non-recurring current operational value measurements, whether the current operational value measurements are estimated using observable or unobservable inputs. For recurring and non-recurring fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3). (c) For recurring and non-recurring current operational value or fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the current operational value or fair value measurement. If there has been a change in measurement technique (e.g. changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or fair value measurements estimated using unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the current operational value or fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring current operational value or fair value (e.g. when an entity uses prices from prior transactions or		

		third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the current operational value or fair value measurement and are reasonably available to the entity. (d) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for recurring current operational value measurements estimated using unobservable inputs, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following: (i) Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized. (ii) Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized. (iii) Purchases, sales, issues and settlements (each of those types of changes disclosed separately). (e) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for recurring current operational value estimated using unobservable inputs, the amount of the total gains or losses for the period in (d)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those property, plant, and equipment held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized. (f) For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, or for recurring and non-recurring current operational value measurements estimated using unobservable inputs, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in current operational value or fair value measurements from period to period). (g) For recurring fair value measurements categorized within Level 3 of the fair value hierarchy or for recurring current operational value measurements estimated using unobservable inputs: (i) For all such measurements, a narrative description of the sensitivity of the current operational value or fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower current operational value or fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the current operational	

	value or fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the current operational value or fair value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with (c).	
	85. An entity shall determine appropriate classes of property, plant, and equipment on the basis of the following: (a) The nature, characteristics and risks of the property, plant, and equipment; and (b) The level of the fair value hierarchy within which the fair value measurement is categorized, or whether the current operational value is observable or unobservable. The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value measurements estimated using unobservable inputs, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of property, plant, and equipment for which disclosures about current operational value or fair value measurements should be provided requires judgement. A class of property, plant, and equipment will often require greater disaggregation than the line items presented in the statement of financial position. However, an entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position. If another IPSAS specifies the class for an property, plant, and equipment, an entity may use that class in providing the disclosures required in this Standard if that class meets the requirements in this paragraph.	
	86. For each class of property, plant, and equipment not measured at current operational value or fair value in the statement of financial position but for which the current operational value or fair value is disclosed, an entity shall disclose the information required by paragraph 90(b), (c) and (g). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or fair value measurements estimated using unobservable inputs, required by paragraph 90(c). For such property, plant, and equipment, an entity does not need to provide the other disclosures required by this Standard.	

	87. An entity shall present the quantitative disclosures required by this Standard in a tabular format unless another format is more appropriate.	
	Transitional Provisions	
IPSAS 17.95 to IPSAS 17.104 and IPSAS 17.106	88. An entity shall apply this [draft] Standard retrospectively, in accordance with IPSAS 3, except that an entity may elect to measure heritage assets at their deemed cost when reliable cost information about the asset is not available at the date of application of this [draft] Standard. An entity may elect to use deemed cost only when the acquisition cost of the asset is not available. Deemed cost assumes that had the entity initially recognized the heritage asset at the date it assumed control.	
IPSAS 17.105-106A have been deleted.	89. For entities that have previously applied IPSAS 17 (2006), Property, Plant, and Equipment , the requirements of paragraphs 28-30 21–23 regarding the initial measurement of an item of property, plant, and equipment acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.	
	Effective Date	
Paragraph 85 is IPSAS 17.107, modified for simplicity of ED 78 documentation. *IPSAS 17.107A to IPSAS 17.107P are deleted.*	90. **An entity shall apply this [draft] Standard for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is permitted for entities that apply [draft] IPSAS [X] (ED 70), [draft] IPSAS [X] (ED 75), [draft] IPSAS [X] (ED 77) and [draft] IPSAS [X] (ED 79), at or before the date of initial application of the [draft] Standard. If an entity applies this [draft] Standard for a period beginning before MM DD, YYYY, it shall disclose that fact.**	
Paragraph 86 is IPSAS 17.108.	91. When an entity adopts the accrual basis of accounting as defined in IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) for financial reporting purposes subsequent to this effective date, this [draft] Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSAS.	
	Withdrawal of IPSAS 17 (2006)	
Paragraph 87 is IPSAS 17.109.	92. This [draft] Standard supersedes IPSAS 17, , issued in 2006. IPSAS 17 remains applicable until [draft] IPSAS [X] (ED78), Property, Plant, and Equipment is applied or becomes effective, whichever is earlier.	

NOTES		*IAS 16?*
Paragraph AG1 is IPSAS 17.5, amended for decision by the IPSASB in December 2019 and as instructed by the IPSASB in June 2020.	**Appendix A** **Application Guidance** *This Appendix is an integral part of the [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment.* **Scope** AG1. This [draft] Standard applies to all property, plant, and equipment including: (a) Heritage; (b) Infrastructure; (c) Service concession arrangement assets after initial recognition and measurement in accordance with IPSAS 32, *Service Concession Arrangements: Grantor*; and (d) Weapons systems.	*No*
	Heritage Assets	
Paragraphs AG2-AG3 are IPSAS 17.10 amended for IPSASB instructions in June 2020 (Agenda Item 9.2.3)	AG2. Some property, plant, and equipment are described as heritage assets because of their rarity and/or significance in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific, or technological features. Entities usually intend to hold heritage assets for long periods and preserve them for the benefit of present and future generations. Examples of heritage assets include historic buildings, monuments, museum collections, and works of art.	*No*
	AG3. Heritage assets typically have the following distinguishing characteristics: (a) They have restrictions on their use; (b) They are irreplaceable; and (c) They have long and sometimes indefinite useful lives.	*No*
	Infrastructure Assets	
Paragraphs AG4-AG5 is IPSAS 17.21 amended for IPSASB decisions and instructions in March and June 2020 (Agenda Item 9.2.2)	AG4. Some property, plant, and equipment are described as infrastructure assets because they comprise a number of assets that make up networks or systems that serve the community at large. Generally, infrastructure assets have long lives because the number of assets that make up these networks or systems are continually maintained, replaced and refurbished.. If a number of these assets were removed, the network or system may not achieve its service potential objective.	*No*
Paragraph AG5 is IPSAS 17.21 amended for IPSASB decisions and instructions in March and June 2020	AG5. Infrastructure assets typically have the following distinguishing characteristics: (a) They are networks or systems; and (b) They have long useful lives.	

NOTES		*IAS 16?*
(Agenda Item 9.2.2)		
Paragraphs AG 6(a)-(c) are IPSAS 17.21 amended for IPSASB decisions and instructions in March and June 2020 (Agenda Item 9.2.2)	AG6. Although not confined to entities in the public sector, significant infrastructure assets are frequently found in the public sector. Examples include: (a) Electricity power systems, which may comprise assets such as power generating plants, substations, switchyards, transmission line towers, distribution system equipment, energy control centers, communication systems and equipment, emergency power backup equipment, emergency operations centers and service and maintenance facilities; (b) Road networks, which may comprise assets such as pavements, formation, curbs and channels, footpaths, bridges, signal and lighting; and (c) Water systems, which may comprise assets such as dams, pipelines, tunnels, canals, terminal reservoirs, tanks, wells, pumps and treatment plants.	*No*
	Weapons Systems	
Paragraph AG7 is IPSAS 17.20.	AG7. Weapons systems will normally meet the definition of property, plant, and equipment, and should be recognized in accordance with this [draft] 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 defense 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 ongoing service of deterrence against aggressors and, therefore, can be classified as weapons systems.	*No*

NOTES		*IAS 16?*
	Definitions	
	Property, Plant, and Equipment as Assets	*No*
Paragraphs AG 8(a)-(c) are amended here for IPSASB instructions in June 2020 (Agenda Item 10.2.3).	AG8. In the public sector, there may be uncertainty whether certain items of property, plant, and equipment meet the definition of an asset. An item of property, plant, and equipment meets the definition of an asset if it satisfies all of the following: (a) **Resource.** A resource provides benefits to an entity in the form of service potential or the ability to generate economic benefits. The service potential or ability to generate economic benefits can arise directly from the resource itself or from the rights to use the resource (see paragraphs AG10-AG12); (b) **Control.** An entity must have control of the resource (see paragraphs AG13-AG15); and (c) **Past Event.** The definition of an asset requires that a resource that an entity presently controls must have arisen from a past transaction or other past event. Past events that could indicate that an entity controls an asset include purchase from an external party, receipt by way of a donation, passing of legislation and construction or development. There are jurisdictions where public sector entities cannot enter into legal obligations, because they are not permitted to contract in their own name, but where there are alternative processes with equivalent effect to legal arrangements (described as enforceable through equivalent means).	
Paragraph AG9 is new to reflect IPSASB instructions in June 2020.	AG9. An item of property, plant, and equipment is recognized when it meets the definition of an asset and satisfies the recognition criteria. To satisfy the recognition criteria, it should be probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or [current value] of the item can be measured reliably.	*No*
	Resource	
Paragraphs AG10-AG12 are new paragraphs to reflect IPSASB instructions in June 2020.	AG10. In the public sector there may be uncertainty as to whether items of property, plant, and equipment are resources because it may appear that they do not provide benefits to the reporting entity in the form of service potential and/or economic benefits. For example, an entity may hold heritage items for the purposes of providing access to the public to view heritage items, and some may view this as providing services to the public in a way that does not contribute to the reporting entity's achievement of its objectives.	*No*
	AG11. A resource is an item with service potential or the ability to generate economic benefits. Economic benefits reflect the ability of an asset to generate net cash inflows. Most public sector entities hold assets primarily to deliver services rather than generate economic benefits. Service potential is the capacity of an asset to provide services that contribute to achieving an entity's service delivery and other objectives without necessarily generating net cash inflows.	

NOTES		IAS 16?
	AG12. Items that a reporting entity uses to deliver services to the public will be resources from the reporting entity's perspective when those services contribute to achieving the entity's service delivery and other objectives. For example, heritage items that are used purely for the benefit of the public (sometimes described as "for heritage purposes") can have service potential and be resources because the entity has the objective of making heritage accessible to the public. Where an entity's objectives are to provide heritage-related services such as the appreciation and study of heritage, the entity holds heritage items to achieve those objectives and the heritage items have service potential and are resources from the entity's perspective. Similarly, infrastructure assets that are used to deliver public services (e.g. road networks or water systems) will be resources to an entity that holds them if those services contribute to achieving the entity's service delivery and other objectives.	
	Control of an Asset	
Paragraphs AG 13-AG15 are amended here for IPSASB instructions in June 2020 (Agenda Item 10.2.3).	AG13. An entity controls the resource if it has the ability to use the resource or direct other parties on its use or prevent other parties from using the resource so as to derive service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives.	*No*
	AG14. In assessing whether it presently controls a resource, an entity assesses whether one or more of the following indicators of control exists: (a) Legal ownership; (b) Access to the resource, or the ability to deny or restrict others to access the resource; (c) The means to ensure that the resource is used to achieve its objectives; or (d) The existence of enforceable right to service potential or the ability to generate economic benefits arising from the resource. An entity is more likely to demonstrate control if it satisfies most of these indicators. However, assessments of control involve judgment, and control may exist when only some of these indicators are satisfied. Conversely, control may not exist even when most of these indicators are met.	*No*
	AG15. No one indicator is more important than another indicator. Legal ownership is only one indicator of demonstrating control of a resource. An entity may demonstrate that it controls the resource even when there is no legal ownership because it has the ability to direct the use of the resource and obtain the economic benefits or service potential that may flow from it. Conversely, an entity may have legal ownership but no rights to service potential or ability to generate future economic benefits. In such circumstances an entity considers substance over form in determining whether it controls an asset.	*No*

NOTES		IAS 16?
	Recognition	
	Spare Parts, Stand-By Equipment, and Servicing Equipment	
IPSAS 17.17 is moved to AG by IPSASB decision in July 2020 (Agenda Item 2.2.2).	AG16. Items such as spare parts, stand-by equipment and servicing equipment are recognized in accordance with this [draft] Standard when they meet the definition of property, plant, and equipment. Otherwise, such items are classified as inventory. (see IPSAS 12, *Inventories*).	*IAS 16.8*
	Subsequent Costs	
Paragraphs AG 17 - AG19 are IPSAS 17.23 to IPSAS 17.25. This move from core text to AG is based on the IPSASB discussion in June 2020 (Agenda Item 8.2.2).	AG17. Under the recognition principle in paragraph 13, an entity does not recognize 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 recognized in surplus or deficit as incurred. Costs of day-to-day servicing are primarily the costs of labor 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.	*IAS 16.12*
	AG18. 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. Under the recognition principle in paragraph 13, an entity recognizes 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 derecognized in accordance with the derecognition provisions of this [draft] Standard (see paragraphs 71-77) 65–71).	*IAS 16.13*
	AG19. 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 recognized 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 previous inspection (as distinct from physical parts) is derecognized. This occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired, constructed and/or developed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing	*IAS 16.14*

NOTES		*IAS 16?*
	inspection component was when the item was acquired or constructed.	
New. Reflects IPSASB's decisions with respect to requiring disclosures when PP&E that have heritage characteristics cannot be measured reliably as per ED78's paragraph 7.	**Subsequent Costs on Unrecognized Heritage Property, Plant, and Equipment** AG20. An entity recognizes subsequent expenditure on heritage property, plant, and equipment in accordance with the recognition principle in paragraph 7. Recognition of such subsequent expenditure as an asset is unaffected by whether or not the underlying heritage property, plant, and equipment was initially recognized If the subsequent expenditure relates to heritage property, plant, and equipment, that was not recognized initially because, , its cost or current value could not be measured reliably, it should nonetheless be reviewed in light of paragraph 7 to determine whether or not it meets the recognition principle and should be recognized as an asset.	
	Measurement at Recognition[13] **Elements of Cost**	
Paragraph AG21 is IPSAS 17.33. This move from core text to AG by the IPSASB in July 2020 (Agenda Item 2.2.2). *Paragraph AG21(e) is taken from IPSAS 17.23.*	AG21. 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 an operation in a new location or with a new class of purchasers (including costs of staff training); (d) Administration and other general overhead costs; and (e) Costs of day-to-day servicing or repairs and maintenance.	*IAS 16.19*
Paragraphs AG22-AG23 are IPSAS 17.36 and IPSAS 17.36A. This move from core text to AG by the IPSASB in June 2020 (Agenda Item 8.2.2).	AG22. 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 operations, the cost of the asset is usually the same as the cost of constructing an asset for sale (see IPSAS 12). Therefore, any internal surpluses are eliminated in arriving at such costs. Similarly, the cost of abnormal amounts of wasted material, labor, or other resources incurred in self-constructing an asset is not included in the cost of the asset. IPSAS 5, *Borrowing Costs*, establishes criteria for the recognition of interest as a component of the carrying amount of a self-constructed item of property, plant, and equipment.	*IAS 16.22*
	AG23. 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 [draft] Standard should be read as covering activities that are	*IAS 16.22A*

[13] Title is likely to change to reflect IPSASB's decisions with respect to the Measurement project.

NOTES		IAS 16?
	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.	
	Subsequent Measurement	
	Current Value Model (Paragraphs 29-43)	
Paragraph AG24 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG24. After recognition, an item of property, plant, and equipment whose current value can be measured in a faithfully representative manner shall be carried at a revalued amount, being its: a) Current operational value or Fair value, at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment losses	-
	Financial and Operating Capacity	
Paragraph AG25 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG25. The primary objective for which an entity holds an asset is an important consideration when selecting a current value measurement basis. Assets held for their: a) Financial capacity provide an entity with the means to fund its activities. This requires information on the amount that would be received on the sale of the asset or in the revenue it generates in use; and b) Operating capacity support the provision of services in future periods through physical and other resources. This requires information on the value of the asset as it is currently used by the entity.	*Based on CF 7.3, 7.34*
Paragraph AG26 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG26. Assets held with the primary objective of generating a financial return are held for their financial capacity. Holding an asset to generate a financial return indicates that an entity intends to generate positive cash inflows from the asset. Under a current value model, assets held for their financial capacity are generally measured at fair value.	*Based on IPSAS 21.16*
Paragraph AG27 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG27. Assets held with the primary objective of service delivery are held for their operational capacity. Holding an asset to provide services indicates that an entity intends to use the asset to achieve its service delivery objectives. Under a current value model, assets held for their operational capacity are generally measured at current operational value .	-
Paragraph AG28 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG28. In certain instances, an asset may generate a financial return although it is primarily held for service delivery purposes. For example, a waste disposal plant is operated to ensure the safe disposal of medical waste generated by state-controlled hospitals, but the plant also treats a small amount of medical waste generated by other private hospitals on a commercial basis.	*Based on IPSAS 21.18*
Paragraph AG29 is new to reflect when	AG29. In other instances, an asset may generate a financial return and also be used for service delivery purposes. For example, a	*Based on IPSAS 21.19*

NOTES		IAS 16?
fair value is applied in ED 78. See December 2020 (Issue 1).	public hospital has ten wards, nine of which are used for fee-paying patients on a commercial basis, and the other is used for non-fee-paying patients. Patients from both wards jointly use other hospital facilities (for example, operating facilities).	
Paragraph AG30 is new to reflect when fair value is applied in ED 78. See December 2020 (Issue 1).	AG30. In some cases, it may not be clear whether the intended primary objective of holding an asset is for its financial or operating capacity. Judgment is needed. An entity develops criteria so that it can exercise judgment consistently in concluding whether an asset is held primarily for its financial or operating capacity. When the intended primary objective of holding an asset cannot be determined, given the overall objectives of most public sector entities, the presumption is that assets are held for their operational capacity.	*Based on IPSAS 21.20*
	Depreciation	
Paragraph AG31 is IPSAS 17.60.This move from core text to AG is based on the IPSASB discussion in June 2020. *Paragraph AG31 was revised and paragraphs BC52-BC56 and IG30-IG34 are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on componentization – identifying significant parts of infrastructure assets (Agenda Item 9.2.9).* *Paragraph AG31 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 75, Leases.*	AG31. An entity allocates the amount initially recognized in respect of an item of property, plant, and equipment to its significant parts and depreciates separately each such part. For example, it may be required to depreciate separately the substructure and the surface of a road. Similarly, it may be appropriate to depreciate separately the airframe and engines of an aircraft. If an entity acquires property, plant, and equipment subject to an operating lease in which it is the lessor, it may also be appropriate to depreciate separately amounts reflected in the cost of that item that are attributable to favorable or unfavorable lease terms relative to market terms[14].	*IAS 16.44*
	Depreciable Amount and Depreciation Period	

[14] Paragraph AG31 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 75), *Leases*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 75). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 75).

NOTES		*IAS 16?*
Paragraphs AG 32 to AG37 are IPSAS 17.69 to IPSAS 17.71. This move from core text to AG is based on the IPSASB discussion in June 2020 (Agenda Item 8.2.2).	AG32. 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.	*IAS 16.53*
	AG33. 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.	*IAS 16.54*
Paragraph AG34 was amended to add reference to ED 79 by IPSASB decision in July 2020 (Agenda Item 2.2.2) *Paragraph AG34 has been amended to incorporate the consequential amendments to IPSAS 17 from ED 79, Non-current Assets Held for Sale and Discontinued Operations.* *AG27 and AG28 deleted because they repeat coverage in AG31 - as per comments received through IPSASB's mid-period review of ED 78. The coverage fits better in the section head "Depreciation –*	AG34. 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 earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with [draft] IPSAS [X] (ED 79), *Non-current Assets Held for Sale and Discontinued Operations*) and the date that the asset is derecognized[15]. 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.	*IAS 16.55*

[15] Paragraph AG36 incorporates the amendment to IPSAS 17, *Property, Plant, and Equipment* from [draft] IPSAS [X] (ED 79), *Non-current Assets Held for Sale and Discontinued Operations*. This amendment reflects the IPSASB's current views in [draft] IPSAS [X] (ED 79). This amendment is subject to change based on responses received to this [draft] Standard and [draft] IPSAS [X] (ED 79).

NOTES		IAS 16?
Useful life of an asset		
	Depreciation Method	
Paragraphs AG35 and AG36 are IPSAS 17.78 and IPSAS 17.78A. This move from core text to AG is based on the IPSASB discussion in June 2020 (Agenda Item 8.2.2).	AG35. 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 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.	*IAS 16.62*
	AG36. 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.	*IAS 16.62A*
	Depreciation – Useful life of an asset	
Paragraph AG37 is IPSAS 17.72 with revisions to align with IPSAS 31.89 and 31.94	AG37. The future economic benefits or service potential embodied in an item of property, plant, and equipment are consumed by the entity principally through the use of the asset. However, economic, political, social, and legal factors may also affect the useful life. Technical or commercial obsolescence and wear and tear while an asset remains idle may also result in the diminution of the economic benefits or service potential that might	*IAS 16.56*

NOTES		IAS 16?
	otherwise have been obtained from the asset. The useful life is the shorter of the periods identified through consideration of these factors. Consequently, the following factors are considered in determining the useful life of an asset: (a) Expected usage of the asset, which is assessed by reference to the asset's expected capacity or physical output. (b) Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance program, and the care and maintenance of the asset while idle. (c) The level of maintenance expenditure required to obtain the expected future economic benefits or service potential from the asset and the entity's ability and intention to reach such a level. (d) Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset. Expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset. (e) The period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases. (f) Typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way; (g) The stability of the industry in which the asset operates and changes in the market or government and service recipients' demand for the products or services output from the asset; (h) Expected actions by competitors or potential competitors. (i) Whether the useful life of the asset is dependent on the useful life of other assets of the entity.	
Paragraphs AG34 is IPSAS 17.73	AG38. The useful life of an asset is defined in terms of the asset's expected utility to the entity. The asset management policy of an 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. The estimation of the useful life of the asset is a matter of judgment based on the experience of the entity with similar assets.	*IAS 16.57*
	<u>Finite and Indefinite Useful Lives</u>	
New – example of a non-land asset with an	AG39. The useful lives of property, plant, and equipment, including buildings, are generally finite. However, there are circumstances in which property, plant, and equipment could have an indefinite useful life. For example, land is usually considered to have an indefinite useful life. A heritage painting or sculpture held in a	

NOTES		*IAS 16?*
indefinite useful life	protective environment that is carefully controlled to preserve the asset, could be considered to have an indefinite useful life, so long as those conditions continue to apply.	
IPSAS 31.91 revised to refer to property, plant and equipment.	AG40. Given the history of rapid changes in technology, it will often be the case that computers and other property, plant, and equipment susceptible to technological obsolescence have short useful lives. . Expected future reductions in the selling price of an item that was produced using property, plant, and equipment could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.	
IPSAS 17.74 sentence and new – sentence on land having a definite useful life	AG41. With some exceptions, such as quarries and sites used for landfill, land has an indefinite useful life and therefore is not depreciated. Another example of land with a finite useful life is when land is being encroached by rising sea levels with the result that the entity expects that, within a finite period of time, the land will no longer be useable due either to a severe and continual risk of regular flooding or actual submersion beneath the water.	
Paragraphs AG 42 and AG43 are new paragraphs to reflect IPSASB instructions in March 2020.	AG42. An entity that controls land that is being consumed as a result of, for example, mining or quarrying activities will need to consider the period over which economic benefits or service potential are expected to be derived from, and the effect of, carrying out those activities on the value of the land to determine the appropriate depreciable period and amount.	*No*
	AG43. Where land is being lost or displaced as a result of, for example, coastline erosion, the entity will need to apply: (a) The derecognition requirements in paragraphs 65–71 of this [draft] Standard; or (b) The impairment requirement in IPSAS 21 or IPSAS 26 depending on the circumstances. Depending on the factors associated with the loss or displacement of land, an entity may need to consider the appropriateness of depreciating the land in future reporting periods, and should continue to assess for impairment in accordance with the requirements of this [draft] Standard.	*No*
	Disclosure of Unrecognized Heritage Property, Plant, and Equipment when Cost or Current Value Cannot be Measured Reliably	
	AG44. The disclosures identified in paragraph 86 for unrecognized heritage property, plant, and equipment should ensure that, when read in the context of information about recognized property, plant, and equipment, the financial statements provide useful and relevant information about the entity’s overall holding of property, plant, and equipment, and thereby support users’ evaluation of the entity’s finances, including its net financial position, and understanding of its ability to deliver services.	

NOTES		*IAS 16?*
	AG45. These disclosures may be presented in aggregate for groups or classes of property, plant, and equipment, provided this aggregation does not obscure significant information.	

<table>
<tr><th>NOTES</th><th><u>DRAFT IPSAS [X] (ED 78), Property, Plant, and Equipment</u></th><th>IAS 16?</th></tr>
<tr><td></td><td><h2>Basis for Conclusions</h2>This Basis for Conclusions accompanies, but is not part of, <u>[draft] IPSAS [X]X (ED 78), Property, Plant, and Equipment).</u></td><td></td></tr>
<tr><td></td><td><u>Replacement of IPSAS 17: Revisions from the Heritage , Infrastructure and Measurement Projects</u>

<u>The IPSASB's Heritage, Infrastructure, and Measurement Projects</u></td><td></td></tr>
<tr><td>Paragraph update to remove reference to consultation process. Administrative process not relevant to understand IPSASB decisions.</td><td>BC1. [Draft] IPSAS [X] (ED 78) is based on and replaces IPSAS 17, Property, Plant, and Equipment. It reflects revisions to the underlying IPSAS 17 text as a result of the IPSASB's Heritage , Infrastructure Assets, and Measurement projects.</td><td></td></tr>
<tr><td></td><td>BC2. [Draft] IPSAS [X] (ED 78) is based on IAS 16, Property, Plant, and Equipment. The IASB's Basis for Conclusions is not reproduced here. In those cases where the IPSAS departs from its related IAS, this Basis for Conclusions explains the public sector-specific reasons for the departure.</td><td></td></tr>
<tr><td></td><td>BC3. This Basis for Conclusions focuses on heritage and infrastructure related revisions to the underlying IPSAS 17 text. The Basis for Conclusions in [Draft] IPSAS [X] (ED 77), Measurement explains the IPSASB's measurement-related decisions, which were to:
(a) Move IPSAS 17's generic measurement requirements into [Draft] IPSAS [X] (ED 77);
(b) Clarify the initial measurement principles; and
(c) Include the current operational value measurement basis where appropriate.
BC4. The IPSASB decided to move some of IPSAS 17's core text into application guidance where the original text expanded on (and did not add to) the generic principles already in core text. This results in a consistent approach to core text/application guidance across IPSAS.</td><td></td></tr>
<tr><td></td><td>Overview of Heritage and Infrastructure Revisions</td><td></td></tr>
<tr><td></td><td>BC5. This section provides an overview of revisions to address constituents' views with respect to IPSAS 17's application to heritage and infrastructure assets. Further detail on specific decisions is provided in subsequent sections.

BC6. After considering responses to the Consultation Paper (CP), Financial Reporting for Heritage in the Public Sector and constituents' feedback on infrastructure assets the IPSASB concluded that:
(a) [Draft] IPSAS [X] (ED 78) should fully apply to heritage assets that are property, plant, and equipment; and
(b) Additional authoritative and non-authoritative guidance should be included in</td><td></td></tr>
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NOTES	**DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
	[draft] IPSAS [X] (ED 78) to clarify its application to heritage and infrastructure assets.	
	Heritage Assets: Application of [Draft] IPSAS [X] (ED 78) and Additional Guidance	
	BC7. The IPSASB concluded that the principles in [draft] IPSAS [X] (ED 78) should fully apply to heritage assets, on the basis that: (a) Recognition of heritage assets will increase the transparency of heritage-related financial information so that users are better able to hold entities accountable for their heritage-related decisions, particularly those that support heritage preservation;; (b) Their heritage nature does not prevent heritage items being assets for financial reporting purposes;; (c) Many heritage items are assets and should be recognized in the statement of financial position when they meet the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) recognition criteria;; (d) Since the heritage nature of an item is not, by itself, a reason for special financial reporting requirements a separate, heritage focused IPSAS is unnecessary;; and (e) Where heritage items are within the scope of another IPSAS, that Standard should apply (for example, IPSAS 31, Intangible Assets should be applied for heritage assets that are intangible in nature).	
	BC8. The IPSASB considered whether [draft] IPSAS [X] (ED 78) should include additional authoritative and/or non-authoritative guidance to support its application to heritage assets. On the basis that no principles existed to address these topics the IPSASB decided to add authoritative guidance on: (a) Scope (see paragraphs AG2-AG3); (b) Resource (see paragraphs AG10-AG12); (c) Depreciation (see paragraphs 56-64and AG39; and (d) Disclosures on unrecognized heritage assets (see paragraph 79 and paragraphs AG44-AG45) BC9. On the basis that additional non-authoritative guidance was needed to enhance the consistency of entities' application of [draft] IPSAS [X] (ED 78), the IPSASB decided to add non-authoritative guidance on: (a) Control (see paragraphs IG6-IG8) (b) Recognition related to subsequent expenditure on unrecognized heritage assets (see paragraph IG9);IG9); and (c) Capitalization thresholds (see paragraphs IG10-IG14) (d) Measurement at current value (see paragraphsIG15-IG18 ; and (e) Depreciation related to useful lives (see paragraphs IG26-IG29).	

NOTES	**<u>DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment*</u>**	*IAS 16?*
	Infrastructure Assets: Additional Guidance	
	BC10. The IPSASB considered the issues raised by constituents related to accounting for infrastructure assets. When evaluating whether additional guidance should be included in [draft] IPSAS [X] (ED 78), the IPSASB concluded where existing principles were clear, non-authoritative guidance should be added. Where no principle existed, a principle should be developed. The IPSASB decided to add authoritative guidance to [draft] IPSAS [X] (ED 78) on the following topics: (a) Characteristics and examples of infrastructure assets (see paragraphs AG4-AG6); and (b) Resource and control (see paragraphs AG8-AG15); and (c) Identifying parts of infrastructure assets (see paragraph AG311.	
	BC11. On the basis that additional non-authoritative guidance is needed to enhance the consistency of the entities' application of [draft] IPSAS [X] (ED 78), the IPSASB further concluded that the following guidance should be added to address: (a) Control of land under or over infrastructure assets (see paragraphsIG1-IG5 and IE1-IE5) (b) Capitalization thresholds (see paragraphsIG10-IG14) (d) Valuing land under or over infrastructure assets (see paragraphs IG19-IG21); (e) Depreciation (see paragraphs IG37-IG40); (f) Under-maintenance of assets (see paragraphs IG37-IG40); (g) Use of information in asset management plans for financial reporting (see paragraphs IG35-IG36), and (h) Identifying parts of infrastructure assets (see paragraphs IG30-IG34)	
	BC12. On the basis that sufficient guidance exists, the IPSASB concluded that no additional guidance is needed in [draft] IPSAS [X] (ED 78) to address: (a) A separate definition for infrastructure assets because they are property, plant, and equipment; (b) Spare parts for infrastructure assets; (c) Costs to dismantle infrastructure assets; (d) Separately accounting for land under or over infrastructure assets; (e) Renewals accounting; (f) Impairment; and (g) Derecognition. The IPSASB included its rationale for not adding guidance to address these issues in the Basis for Conclusions to inform constituents that the IPSASB considered these issues.	
	Scope	

NOTES	**<u>DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment*</u>**	*IAS 16?*
	Remove the Heritage Scope Exclusion Paragraphs	
	BC13. As explained in paragraph BC7, the IPSASB concluded that IPSAS 17 should fully apply to heritage items that are property, plant, and equipment. Therefore, IPSAS 17's scope exclusion for heritage assets and related paragraphs have been deleted in the replacement Standard, [draft] IPSAS [X] (ED 78).	
	Move List of Property, Plant, and Equipment to Application Guidance	
	BC14. In reaching its decision on heritage assets, the IPSASB noted that the list of different types of property, plant, and equipment included in the IPSAS 17 section on scope is more in the nature of application guidance than that of principles to include in core text. On this basis the IPSASB decided that the list and related descriptions should be moved to application guidance in [draft] IPSAS [X] (ED 78).	
	Definition of Property, Plant, and Equipment	
	Definition, Description and Characteristics of Heritage and Infrastructure Assets	
	BC15. The IPSASB decided neither heritage nor infrastructure assets need to be defined, because they are subsets of property, plant, and equipment and the [draft] IPSAS [X] (ED 78's) principles on property, plant, and equipment therefore apply to heritage and infrastructure. Based on responses to the Heritage CP and constituents' comments related to infrastructure, the IPSASB concluded that the [draft] IPSAS [X] (ED 78) should include application guidance, including the characteristics of heritage and infrastructure, to help entities identify their heritage assets (see paragraphs AG2-AG3) and infrastructure assets (see paragraphs AG4-AG6).	
	BC16. The IPSASB decided that the characteristics should be those that distinguish heritage and infrastructure assets from other property, plant, and equipment, while also presenting complexities in the application and implementation of [draft] IPSAS [X] (ED 78) principles. On this basis, the IPSASB decided: (a) Heritage assets are characterized as irreplaceable and having restrictions and long and sometimes indefinite useful lives; and (b) Infrastructure assets are characterized as networks or systems that have long useful lives.	
	BC17. For infrastructure assets the IPSASB also decided to update the examples of infrastructure assets and include the various assets that make up these "networks or systems" and link these examples to the revised	

NOTES	DRAFT IPSAS [X] (ED 78), ***Property, Plant, and Equipment***	*IAS 16?*
	characteristics of infrastructure assets of "networks or systems" and "long useful lives" (see paragraph AG6 .	
	Replace the term 'Tangible Items' with 'Tangible Assets'	
	BC18. The definition of property, plant, and equipment in IPSAS 17 referred to 'tangible items' with no reference to 'asset'. A strict application of this definition could lead to the recognition of an item that did not meet the definition of an asset in the Conceptual Framework or IPSAS 1, *Presentation of Financial Statements*[16].	
	BC19. IPSAS 17 only provided guidance on when to recognize an asset but did not provide guidance on what constitutes control of an asset and what constitutes a resource.	
	BC20. There are two types of uncertainty that need to be considered when determining whether an asset should be recognized. The first is existence uncertainty—whether the definition of an asset has been satisfied. The second is measurement uncertainty—whether the asset can be measured in a manner that achieves the qualitative characteristics.	
	BC21. The uncertainty about the existence of an asset relates to certain characteristics of an asset—in particular whether an item such as a heritage item is a resource and whether an entity controls the resource.	
	BC22. The lack of reference to 'asset' caused confusion in practice because there are instances when it is uncertain that an item is a resource or that it is controlled by an entity. To address the uncertainty, the IPSASB: (a) Replaced the term "tangible items" with "'tangible assets," in the [draft] IPSAS [X] (ED 78) definition of property, plant, and equipment (see paragraph 12); (b) Added authoritative guidance on and resource and control in [draft] IPSAS [X] (ED 78) (see paragraphsAG8-AG15) ; and (c) Added non-authoritative implementation guidance and illustrative examples on control in [draft] IPSAS [X] (ED 78) (see paragraphs IG1-IG8 and IE1-IE5). Weapons Systems BC23. When IPSAS 17 was revised as a result of Part III of Improvements to IPSASs 2015, the IPSASB had considered that Government Finance Statistics (GFS) reporting guidelines use the term "weapons systems" to comprise items that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. At that time, the IPSASB concluded that replacing the IPSAS term "specialist military	

[16] An asset is defined in The *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) and IPSAS 1, *Presentation of Financial Statements* and contains three common components: resource(s), control and past event.

NOTES	**DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
	equipment" with the GFS term "weapons systems" and including a description would clarify the applicability of IPSAS 17 while increasing consistency with GFS reporting guidelines. In developing [draft] IPSAS [X] (ED 78), the IPSASB concluded that the same principles should apply and continued to use the term "weapons systems" with a description (see paragraph AG7).	
	Recognition **Heritage Assets: The Operational/Non-Operational Distinction**	
	BC24. The IPSASB considered whether only those heritage assets that are used for non-heritage purposes, called "operational" heritage assets, should be recognized. Operational heritage assets include, for example, a heritage bridge that functions as a bridge or a heritage railway station that is used as a railway station. Some national jurisdictions use the term "non-operational" to describe heritage assets that are used purely for heritage purposes. For example, museum collections held for public appreciation are non-operational heritage assets. Some constituents argued that non-operational heritage assets should not be recognized.	
	BC25. However, the IPSASB concluded that both operational and non-operational heritage items can be assets, since both can meet the Conceptual Framework's definition of an asset (resource, control, past event). On this basis the IPSASB decided that the distinction is not relevant to a decision on whether or not to recognize an asset.	
	Spare Parts for Infrastructure Assets	
	BC26. The IPSASB considered whether [draft] IPSAS [X] (ED 78) provided sufficient guidance on the accounting treatment of spare parts for infrastructure assets. The IPSASB concluded that accounting for spare parts is a generic issue and that sufficient authoritative guidance exists in [draft] IPSAS [X] (ED 78) for infrastructure asset spare parts that meet the definition of property, plant, and equipment, and in IPSAS 12, *Inventories* for spare parts that meet the definition of inventory.	
Capitalization thresholds: BC paragraphs included as per IPSASB decisions in Sept 2020 (Agenda paper 9.2.5) Text revised for IPSASB comments in September.	**Capitalization Thresholds** BC27. The IPSASB considered the issues identified by constituents with respect to establishing capitalization thresholds for costs related to infrastructure assets. The IPSASB concluded that this issue applies broadly to property, plant, and equipment, and that any guidance should also apply broadly, and not be restricted to applying only to infrastructure assets. BC28. The IPSASB noted that this issue is generally considered to be a practical issue that is best addressed by management. Entities' management consider their specific assets holdings, and apply the need to meet users' information needs, materiality, and cost-benefit. However, the IPSASB	*No*

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	concluded that there is scope for guidance on the factors for consideration when entities set their capitalization thresholds. On this basis the IPSASB decided to add implementation guidance (see paragraphs IG10-IG14) on the factors to consider when establishing capitalization thresholds for property, plant, and equipment. **Disclosures Related to Unrecognized Heritage Property, Plant, and Equipment** BC29. The IPSASB considered the issues identified by constituents with respect to disclosures related to unrecognized heritage assets. Being able to measure an asset in a way that achieves the qualitative characteristics and takes account of the constraints on information included in General Purpose Financial Reports (GPFRs) is necessary for recognition of an asset in the financial statements. [Draft] IPSAS [X] (ED 78) states, in paragraph 7, that property, plant, and equipment must be able to be measured reliably for recognition. The IPSASB agreed with constituents that heritage assets may present measurement difficulties which prevent their recognition, but that information on such assets could be important to meet users' needs. BC30. In considering the need for additional disclosures when heritage property, plant, and equipment is not recognized, the IPSASB noted that, as explained in the Conceptual Framework, disclosures in the notes to the financial statements: (a) Can provide information on elements that cannot be measured in a manner that achieves the qualitative characteristics sufficiently to meet the objectives of financial reporting; (b) Are appropriate when knowledge of the item is relevant to the evaluation of the net financial position of the entity and therefore meets the objectives of financial reporting; and (c) May include items that do not meet the recognition criteria but are important to an understanding of the entity's finances and ability to deliver services. BC31. The IPSASB noted that there are cases where the cost or current value of heritage property, plant, and equipment is not able to be measured reliably and the assets cannot, therefore, be recognized. Information about the contribution of such assets to the delivery of the entity's objectives would nonetheless be useful to users of the financial statements. BC32. The IPSASB decided to include a requirement for additional disclosures on heritage property, plant, and equipment that is not recognized because it cannot be measured reliably on the basis that such information contributes to: (d) Achievement of the objectives of financial reporting; and, (e) Users' understanding of the entity's finances and ability to deliver services for accountability and decision-making purposes.	

NOTES	**DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
	Therefore, [draft] IPSAS [X] (ED 78) includes paragraph 79, which establishes that additional disclosures are required, and has application guidance for such disclosures in paragraphs AG44-AG45.	
Treatment of subsequent expenditure: BC paragraphs included as per IPSASB decisions in Sept 2020 (Agenda paper 9.2.4) Text revised for IPSASB comments in September.	**Treatment of Subsequent Expenditure on Unrecognized Heritage Assets** BC33. The IPSASB considered constituents' views on additional guidance on decisions to capitalize or expense subsequent expenditure on unrecognized heritage assets. The IPSASB concluded that there is sufficient authoritative guidance to address heritage-related concerns. The IPSASB's decision to not have a heritage scope exclusion in [draft] IPSAS [X] (ED 78) resulted in the [draft] Standard's authoritative guidance fully applying to heritage assets. Therefore heritage assets that satisfy the recognition criteria will be recognized. Given measurement difficulties associated with heritage assets however, the IPSASB acknowledged that some may not be able to be recognized. The IPSASB decided that application guidance should be added (see paragraph AG20) to establish that paragraph 7's principles apply to the recognition of subsequent expenditure on unrecognized heritage assets. The IPSASB further decided to include additional implementation guidance (see paragraph IG9), which) is needed to support decisions on when to capitalize/ expense subsequent expenditure on unrecognized heritage property, plant, and equipment.	*No*
	Measurement	
Current value measurement: BC paragraphs included as per IPSASB decisions in Sept 2020 (Agenda paper 9.2.6) Text revised for IPSASB comments in September.	**Current value measurement of heritage assets** BC34. The IPSASB considered constituents' views on the need for guidance on application of the current value model to heritage assets. The IPSASB decided that, on the basis that entities need support to ensure consistent implementation of the [draft] Standard's principles, additional implementation guidance is needed on the measurement at current value when heritage assets are viewed as irreplaceable, and have restrictions on their use. (see paragraphs IG15-IG18).	
	Initial Measurement **Elements of Cost**	
	Costs to Dismantle Infrastructure Assets	
Paragraphs BC35-BC36 are added to reflect the IPSASB decision at the March 2020 meeting not to add guidance on costs to dismantle infrastructure assets (Agenda Item 6.2.5).	BC35. The IPSASB considered whether sufficient guidance existed for accounting for costs to dismantle infrastructure assets because there is a need to highlight the impact of the future environmental or decommissioning costs on the value of acquired property, plant, and equipment, including infrastructure assets.	

NOTES	**<u>DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment*</u>**	*IAS 16?*
	BC36. The IPSASB decided that this issue is not specific to infrastructure assets, and no additional guidance is necessary, because sufficient authoritative guidance exists in: (a) This [draft] IPSAS [X] (ED 78) which states that the cost of an item of property, plant, and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located; and (b) IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* which requires a public sector entity to recognize a provision for decommissioning costs to the extent that the public sector entity is obliged to rectify damage already caused.	
	Subsequent Measurement **Accounting Policy Choice**	
Paragraphs BC37-BC38 are added to explain the accounting policy choice for measurement of PP&E (see Agenda Item 9.2.2).	BC37. The IPSASB considered whether additional guidance was necessary to assist in making the accounting policy choice of subsequently measuring classes of property, plant, and equipment either on a current value or historical cost model.	
	BC38. The IPSASB concluded no additional guidance was needed. Management should continue to apply its judgment in choosing an accounting policy that results in information that: (a) Is relevant to the accountability and decision-making needs of users, (b) Faithfully represents the financial position, financial performance, and cash flows of the entity, (c) Meets the qualitative characteristics of understandability, timeliness, comparability, and verifiability; and (d) Considers the constraints on information included in general purpose financial reports and the balance between the qualitative characteristics.	
	Current Value Model	
	Current Operational Value	
Paragraph BC39 is added to address in-period comment regarding retention of FV (Agenda Item 5.2.2).	BC39. During the development of [draft] IPSAS ([X] (ED 77),), , the IPSASB considered concerns raised by respondents with regard to the application of fair value in the public sector. While respondents agreed fair value was applicable in some circumstances, they raised concerns about its applicability to public sector assets held for their operational capacity. Respondents suggested it was inappropriate to apply fair value to those assets because the following concepts are not applicable: (a) Highest and best use; and (b) Maximizing the use of market participant data.	-

NOTES	**<u>DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment*</u>**	*IAS 16?*
Paragraph BC40 is added to address in-period comment regarding retention of FV (Agenda Item 5.2.2).	BC40. The IPSASB addressed respondents' concerns by developing a public sector specific measurement basis–-Current Operational Value. This measurement basis addresses the measurement of assets held for their operational capacity	-
Paragraph BC41 is added to address in-period comment regarding retention of FV (Agenda Item 5.2.2).	BC41. However, the IPSASB concluded an item of property, plant, and equipment falling within the scope of this [draft] Standard may be held for its financial capacity and so, using the measurement hierarchy as developed in [draft] IPSAS [X] ED 77,, would typically be accounted for using the fair value measurement basis. This may be the case where a jurisdiction determines that the difference between fair value and current operational value might be material in the context of consolidation and measuring the difference between the two bases may be onerous. However, the principle of generally measuring assets held for their financial capacity at fair value and assets held for their operational capacity at current operational value remains appropriate and a jurisdiction may determine that no consolidation adjustments are required where assets are held for different objectives.	-
Paragraph BC42 is added to address in-period comment regarding retention of FV (December Issue 1).	BC42. In reaching its conclusion to include fair value measurement in this [draft] Standard, the IPSASB considered allowing only current operational value as the measurement basis when applying the current value model in this [draft] Standard. In discussing this view the IPSASB considered: (a) Scoping – Current operational value provides useful information when assets are held for their operating capacity. Based on this scope of the [draft] Standard, most items of property, plant, and equipment will be held for their operational capacity, i.e., to deliver services. Land or buildings that are held for their financial capacity are most likely accounted for in accordance with IPSAS 16, Investment Property. (b) Valuation – In cases where an item of property, plant, and equipment is held for its financial capacity and is in scope of this [draft] Standard, it is likely held in its highest and best use. When the current use of an asset is its highest and best use, differences in measurement between fair value and current operational value are likely immaterial and.. (c) Precedent – Whether including a fair value option in this [draft] Standard creates a precedent whereby a fair value option should be included throughout the IPSASB literature to allow for items held for their financial capacity to be measured at fair value and items held for their operational capacity to be measured at current operational value. The IPSASB concluded the inclusion of fair value in this [draft] Standard does not set a precedent for measurement requirements in other Standards.	-

NOTES	**DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
	Valuing Land Under or Over Infrastructure Assets	
Paragraphs BC43-BC44 and IG19-IG21are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on valuing land under or over infrastructure assets (Agenda Item 9.2.7).	BC43. The IPSASB considered whether existing guidance in IPSAS 17, addressed the approach to valuing land under or over infrastructure assets such as land under roads and railways. BC44. The IPSASB decided to add non-authoritative implementation guidance to [draft] IPSAS [X] (ED 78) to clarify the existing principles related to the valuation of land under or over infrastructure assets (see paragraphs IG19-IG21)	
	Depreciation	
	Finite and Indefinite Useful Lives	
New paragraph BC36-added to reflect the IPSASB September 2020 decision (Agenda paper 9.2.8)	BC45. When considering accounting for land under or over infrastructure the IPSASB noted that generally land has an indefinite useful life and is not, therefore, depreciated. Exceptions, where land should be depreciated, include where: (a) Land is being consumed due to depletion (such as mines and quarries or landfill sites); or (b) Land is being lost or displaced as a result of natural phenomena such as climate change (for example, rock or soil erosion, or desertification). BC46. The IPSASB decided that the IPSAS 17 discussion of useful lives should be revised to better address situations where land has a finite useful life and should be depreciated (see paragraphs 53-56)). During its consideration of this issue and those raised by heritage assets' useful lives the IPSASB decided that the terminology of finite and indefinite useful lives, as used in IPSAS 31, should be used in [draft] IPSAS [X] (ED 78). This provides consistent terminology across IPSAS when considering useful lives for asset depreciation. BC47. The IPSASB further decided that the revised core text and related application guidance should also provide guidance to address situations where items of property, plant, and equipment (e.g., heritage assets, discussed further below) could have indefinite useful lives and should not, therefore be depreciated.	
New	BC48. The IPSASB considered that most non-land property, plant, and equipment have finite useful lives. On this basis, the IPSASB decided to include a rebuttable presumption that non-land property, plant, and equipment has a finite useful life, so that an entity must have evidence to rebut that presumption before it can treat non-land property, plant, and equipment as having an indefinite useful life (see paragraph 53 .	
New	*Depreciation of Heritage Assets* BC49. Responses to the CP Financial Reporting for Heritage in the Public Sector showed support for applying the same	

NOTES	**DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
	depreciation requirements to heritage assets as those applied to other types of property, plant, and equipment. Where respondents disagreed with that approach, some argued against depreciation, while others stated that guidance is needed on how to estimate heritage assets' useful lives and identify heritage assets for which there is no depreciation expense. On the basis that many heritage assets are consumed over time, as they deliver services and/or economic benefits, the IPSASB concluded that heritage assets can be depreciable assets. BC50. However, the IPSASB further concluded that heritage assets may have very long and even indefinite useful lives, due to factors such as their nature and/or the circumstances in which they are held. On this basis the IPSASB decided that useful lives should be clarified to apply to situations where property, plant, and equipment have indefinite useful lives.	
New *Paragraph BC52-added to reflect the IPSASB September 2020 decision (Agenda paper 9.2.8)*	BC51. To support entities' assessments of whether a heritage asset has a finite or indefinite useful life the IPSASB decided to add non-authoritative implementation guidance (see paragraphs IG26-IG29 .	
	Identifying Parts of Infrastructure Assets that Should Be Separately Depreciated	
Paragraph AG31 was revised and paragraphs BC52-BC56 and IG30-IG34 are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on componentization – identifying significant parts of infrastructure assets (Agenda Item 9.2.9).	BC52. The IPSASB considered whether it was a challenge to determine the appropriate unit of account when identifying significant parts of infrastructure assets that should be separately depreciated. BC53. The IPSASB noted the existing principles are clear that an asset could have different units of account for depreciation because parts of an item of property, plant, and equipment with a significant cost in relation to the total cost of the item shall be depreciated separately. This principle holds true for infrastructure assets, but judgment needs to be exercised in determining or identifying the units of account, which may be separate assets in their own right. BC54. The IPSASB decided to revise the example in paragraph AG31 in the application guidance which listed a number of assets (such as curbs and channels, pavements and bridges) that make up the road system as the units of account or parts that should be identified for separate recognition and depreciation to illustrate the principle of depreciating separately the parts of items of property, plant, and equipment at the appropriate level. BC55. The IPSASB acknowledged that the separate units of account described in the replaced example may be relevant in some jurisdictions, but considered that jurisdictions will apply judgment in determining the appropriate units of accounts for their circumstances. BC56. The IPSASB also added implementation guidance (see paragraphs IG30-IG34)	

NOTES	**DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
New. Paragraph BC53-added to reflect the IPSASB September 2020 decision (Agenda paper 9.2.8)	*Annual Impairment Tests for Property, Plant, and Equipment with Indefinite Useful Lives* BC57. The IPSASB decided that where an entity has assessed property, plant, and equipment as having indefinite useful lives it is important that the assets be reviewed regularly for indicators of impairment. On this basis the IPSASB decided to insert a requirement for annual reviews for indicators of impairment applied to such assets into [draft] IPSAS [X] ED 78 (see paragraph 53).	
	Separately Accounting for Land and Infrastructure Assets	
Paragraphs BC58-BC59 are added to reflect the IPSASB decision at the September 2020 meeting not to add guidance on separately accounting for land under or over infrastructure assets (Agenda Item 9.2.7).	BC58. The IPSASB considered the issue of whether land and infrastructure assets are separate assets that should be separately accounted for. BC59. The IPSASB decided that no additional authoritative guidance should be included in [draft] IPSAS [X] (ED 78) because the guidance is clear that: (a) Land and buildings are separable assets and are accounted for separately (e.g. , separate recognition and measurement) even when they are acquired together (see paragraph 539); and (b) Land, buildings, roads and electricity transmission networks are examples of separate classes of property, plant, and equipment that should be separately disclosed (see paragraphs 43 and 78).	
	Renewals Accounting	
Paragraphs BC60-BC61 are added to reflect the IPSASB decision at the September 2020 meeting not to use the term, "renewals accounting" (Agenda Item 9.2.10).	BC60. The IPSASB considered whether "renewals accounting" was an appropriate technique to estimate depreciation of property, plant, and equipment when they are managed in accordance with a detailed asset management plan. BC61. The IPSASB concluded there is no definitive "renewals accounting" method and that this technique should not be used in its literature to estimate depreciation of property, plant, and equipment given the numerous interpretations across different jurisdictions.	
	Use of Information in Asset Management Plans for Financial Reporting	
Paragraphs IG35-IG36 and BC62-BC64 have been updated to reflect the IPSASB decision at the December 2020 meeting on the Use of Information in Asset Management Plans for Financial Reporting. (Agenda Item 5.2.3).	BC62. Many public sector entities have asset management plans that facilitate the proper management of an item of property, plant, and equipment over its life cycle. These asset management plans are usually developed by qualified experts and focus on the operational aspects of the item of property, plant, and equipment. BC63. The IPSASB noted that, where these asset management plans are kept up to date by qualified experts and the information is reliable, these plans could provide detailed information relevant for accounting for property, plant, and equipment.	

NOTES	**DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
	BC64. The IPSASB developed implementation guidance to clarify when asset management plans might provide information useful for financial reporting purposes when accounting for property, plant, and equipment (see paragraphs IG35-IG36)).	
	Impairment	
	Liabilities for Future Preservation/ Maintenance of Heritage and Infrastructure Assets	
	BC65. The IPSASB considered whether an entity's intention to preserve and/or maintain heritage and infrastructure assets could give rise to liabilities. For a liability to exist the entity must have an unavoidable obligation (i.e. little or no realistic alternative to avoid). An obligation must be to an external party. An entity cannot be obligated to itself.	
	BC66. While acknowledging that entities who hold heritage and infrastructure assets often intend to preserve and/or maintain them and there may be expectations on the entity to do so, the IPSASB concluded that neither intentions nor expectations are sufficient to establish a present obligation because an entity does not have an unavoidable present obligation to incur future expenditure. Therefore, unless arrangements are in place that create an obligation to an external party for the entity to preserve and/or maintain heritage and infrastructure assets, no liability exists arising from the entity's plan and/or intention to do so.	
	Impairment of Heritage and Infrastructure Assets	
These paragraphs are added to reflect the IPSASB decision at the September 2020 meeting. (Agenda Item 9.2.12).	BC67. The IPSASB considered wheter sufficient guidance existed on whether an infrastructure asset network or system is impaired when one part becomes damaged or inoperable. The IPSASB also considered whether additional guidance is needed to address the impairment of heritage assets. BC68. The IPSASB decided no additional guidance is necessary because sufficient authoritative impairment guidance exists in IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, to adequately address the impairment of both heritage and infrastructure assets, including guidance for entities to determine when a network is impaired.	
	Under-Maintenance Of Assets	
Paragraphs BC69-BC71 and IG37-IG40; and are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on "under-maintenance" of assets" (Agenda Item 9.2.11).	BC69. The IPSASB considered the issue that guidance did not articulate whether "backlog maintenance" or "deferred maintenance" should be recognized. BC70. The IPSASB decided not to use the terms, "backlog maintenance" or "deferred maintenance" because the terms have several interpretations and applications. The IPSASB clarified that the issue highlighted by constituents related to the "under-maintenance of assets.". BC71. Even though IPSAS 17 principles are clear on the accounting for assets that are "under-maintained", the	

NOTES	**DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment***	*IAS 16?*
	IPSASB added implementation guidance to clarify the accounting for "under-maintenance of assets" in [draft] IPSAS [X] (ED 78) (see paragraphs IG37-IG40) .	
	Recoverable Amount	
*Paragraphs **Error! Reference source not found.** is added to reflect the IPSASB instruction from December 2020. (Issue 8).*	BC72. IAS 16 defines recoverable amount as "the higher of an asset's fair value less costs of disposal and its value in use." [Draft] IPSAS [X] (ED 78) refers to the IPSAS 26 definition of recoverable amount which is defined as "the higher of an asset's or cash-generating unit' fair value less costs to sell and its value in use." The definition in IPSAS 17 is the same as in IPSAS 26, , but differs slightly from the definition in IAS 16. The IPSASB is of the view that the definition in IPSAS 26 is appropriate for use in [draft] IPSAS[X] (ED 78).	
	Derecognition **Derecognition of Infrastructure Assets**	
Paragraphs BC73-BC74 are added to reflect the IPSASB decision at the September 2020 meeting not to add guidance on derecognition of infrastructure assets (Agenda Item 9.2.13).	BC73. The IPSASB considered whether sufficient derecognition guidance with respect to accounting for infrastructure assets existed. The IPSASB noted the derecognition issue arises because parts of infrastructure assets are constantly replaced and there could be a lack of detailed accounting records to support the derecognition of the carrying amounts of the parts that are replaced. BC74. The IPSASB decided not to add additional derecognition guidance in [draft] IPSAS [X] (ED 78) because sufficient authoritative derecognition guidance exists and the challenges identified by constituents when accounting for derecognition of parts of infrastructure assets appear administrative and related to record keeping.	
	Presentation—Display and Disclosure	
	Heritage: Focus on Information in the Financial Statements	
	BC75. The IPSASB noted that some jurisdictions disclose supplementary information about heritage assets as a substitute for recognizing heritage assets in the financial statements. Supplementary disclosures may include qualitative information that is not commonly included in the financial statements. This type of information could be useful for broader accountability purposes such as reporting on an entity's heritage-related service performance.	
	BC76. The IPSASB concluded that it would focus on guidance related to the financial statements on the basis that the *Recommended Practice Guidelines* (RPGs) provide sufficient guidance for reporting supplementary information about heritage assets outside of the financial statements. The RPGs allow entities to align heritage-related supplementary information to the specific information needs arising from their heritage holdings, heritage-related objectives, and national or local context.	

NOTES	**<u>DRAFT IPSAS [X] (ED 78), *Property, Plant, and Equipment*</u>**	*IAS 16?*

<table>
<tr><th>NOTES</th><th>[DRAFT] IPSAS [X] (ED 78), Property, Plant, and Equipment</th><th>IAS 16?</th></tr>
<tr><td></td><td><h2><u>Implementation Guidance</u></h2> <u>This guidance accompanies, but is not part of, [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment</u> </td><td></td></tr>
<tr><td></td><td><h2><u>Definition of Property, Plant, and Equipment</u></h2> <u>Assessment of Control</u> </td><td></td></tr>
<tr><td>These IG paragraphs originally related to control over heritage items. They have been moved here given their generally applicability.

These paragraphs were reviewed by the IPSASB at its September 2020 meeting to add guidance on control over items in a heritage collection (Agenda Item 9.2.3)</td><td>IG1. Apply <u>[draft] IPSAS [X] (ED 78)</u>, Property, Plant, and Equipment:): When assessing control an entity applies <u>[draft] IPSAS [X] (ED 78)</u>'s application guidance on control assessment contained in paragraphs AG13-AG15. Paragraph AG13 that an entity controls the resource if it has the ability to use the resource or direct other parties on its use or prevent other parties from using the resource so as to derive service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives. Paragraph AG14AG14 dentifies the indicators of control as follows:
(a) Legal ownership;
(b) Access to the resource, or the ability to deny or restrict others to access the resource;
(c) The means to ensure that the resource is used to achieve its objectives; or
(d) The existence of an enforceable right to service potential or the ability to generate economic benefits arising from the resource.

IG2. Control over tangible items: This implementation guidance focuses on control over items of property, plant, and equipment, where the resource is represented by a tangible item. Intangible assets arising from a loan, lease or other type of “right to use” are not addressed in this implementation guidance because they are outside of[draft] IPSAS [X] (ED <u>78)</u>'s scope.
IG3. Apply professional judgment: The entity applies professional judgment to the facts of each situation when:
(a) Assessing the existence of indicators of control; and
(b) Reaching a view on whether or not control exists.</td><td></td></tr>
<tr><td></td><td>Control of Land Under or Over Property, Plant, and Equipment</td><td></td></tr>
<tr><td></td><td>Property, plant, and equipment can be built on land that is fundamental to the operation of the item, but is owned by another entity. For example, State or Municipal Governments may construct road networks on land that is owned by another level of government. Should the entity that controls the property, plant, and equipment also recognize the land?</td><td></td></tr>
<tr><td>Paragraphs IG4-IG5; and IE1-IE5 are added to reflect the IPSASB decision at the July 2020 meeting to add guidance</td><td>IG4. Where an item of property, plant, and equipment is built on land owned by another level of government, legal ownership of that land will not be held by the entity constructing the property, plant, and equipment. However, legal ownership is</td><td></td></tr>
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on control of land under or over infrastructure assets (Agenda Item 2.2.3).	only one indicator of demonstrating control of a resource. An entity may demonstrate that it controls the resource even when there is no legal ownership because it has the ability to direct the use of the resource and obtain the economic benefits or service potential that may flow from it.	
	IG5. When assessing whether land, owned by another level of government, under an item of property, plant, and equipment is controlled by the entity, the entity considers the rights it has to continue to operate the item of property, plant, and equipment. If the ongoing operation of the item of property, plant, and equipment is dependent on the other level of government continuing to grant the entity access to the land, it is unlikely the entity controls the land.	
	Control over Items in a Heritage Collection	
These IG paragraphs have been added to reflect the IPSASB decision at the September 2020 meeting to add guidance on control over items in a heritage collection (Agenda Item 9.2.3)	**Does an entity have control over items in its heritage collection, when it only has the right to hold the items temporarily, for a defined period under an agreement (or agreements) with another entity (or entities) or individual (group of individuals)?** IG6. No. The entity does not have control over these items in its heritage collection. Applying the application guidance in [draft] IPSAS [X] (ED 78) and professional judgment to the facts of the situation the entity does not have control over the resource represented by the items. This is indicated by the entity only holding the item temporarily, for a defined period. The entity does not have the ability to use the items or direct other parties on their use or prevent other parties from using the items so as to derive service potential or economic benefits embodied in the items in the achievement of its service delivery or other objectives. However, another Standard could apply, for example one that addresses leases or similar arrangements, which includes intangible rights to use a tangible resource within its scope. **Does an entity have control over items in its heritage collection, when it does not have legal ownership but has the right to hold the items for an indefinite period through an arrangement that both parties to the agreement understand to be open-ended?** IG7. Yes. The entity has control over these items in its heritage collection. In applying the application guidance in draft] IPSAS [X] (ED 78) and professional judgment to the facts of the situation the entity has control over the resource represented by the items. This is because it has the ability to use the resource or direct other parties about their use or prevent other parties from using the resource so as to derive service potential or economic benefits embodied in the items in the achievement of its service delivery or other objectives.	

	Does an entity retain control over items in its heritage collection if it holds them in storage, instead of displaying them to the public? IG8. Yes. The entity still controls items in its heritage collection when it holds them in storage (for example, in a warehouse or research laboratory) instead of displaying them to the public. The entity's decision to hold the items in storage does not affect the entity's control over the resource represented by the items. In applying the application guidance in [draft] IPSAS [X] (ED 78) and professional judgment to the facts of the situation the entity has control over the resource represented by the items. This is because it has the ability to use the resource or direct other parties about their use or prevent other parties from using the resource so as to derive service potential or economic benefits embodied in the items in the achievement of its service delivery or other objectives.	
These IG paragraphs have been added to reflect the IPSASB decision at the September 2020 meeting to add guidance on treatment of subsequent expenditure on unrecognized heritage assets (Agenda Item 9.2.4)	**Recognition** **Treatment of Subsequent Expenditure on Unrecognized Heritage Assets** **Should an entity capitalize subsequent expenditure on an unrecognized heritage asset when the expenditure meets [draft] IPSAS [X] (ED 78)'s recognition principle?** IG9. Yes. A reporting entity should capitalize subsequent expenditure that it incurs on an unrecognized heritage asset where that expenditure meets [draft] IPSAS [X] (ED 78)'s recognition principle.	
These IG paragraphs have been added to reflect the IPSASB decision at the September 2020 meeting to add guidance on capitalization thresholds for costs (Agenda Item 9.2.5)	**Capitalization Threshold for Costs** **What factors should be considered when choosing a capitalization threshold?** IG10. [Draft] IPSAS [X] (ED 78) paragraph 13 establishes the recognition principle for determining whether costs should be recognized as an asset, i.e. "capitalized." Paragraph 13 states that the cost of an item of property, plant, and equipment shall be recognized 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 current value of the item can be measured reliably IG11. In practice, entities expense some costs that meet this recognition principle, because they fall below a "capitalization threshold," established by management Capitalization thresholds assume application of the materiality principle. As such, not all property, plant, and equipment with useful lives extending beyond a single reporting period will be capitalized. Many can be expensed without having a material impact on the information reported in the financial statements. Capitalization thresholds guide entities on whether costs should be capitalized and included	

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IG12. Factors to consider when setting capitalization thresholds include:
(a) Meeting the information needs of users: Capitalization thresholds should result in reported information that meets the needs of external users of the financial statements. Capitalization thresholds should result in reported amounts for recognized assets that achieve the qualitative characteristics, including relevance and representational faithfulness.
(b) Materiality: Capitalization thresholds should be such as to ensure that material asset values are captured. Appropriate capitalization thresholds guide entities to capitalize items that would materially impact on the information about assets and expenses in the financial statements and expense those items that would not materially impact on that information.
(c) Cost-benefit: When capitalization thresholds are set at appropriate levels, they reduce the cost of tracking large numbers of small-value items, while still conferring the benefits of meeting users’ needs and capturing material values. If a capitalization threshold is set too low, this could create significant additional costs – in the form of work for staff - without any benefit.
IG13. An entity should consider whether different classes of property, plant, and equipment need different capitalization thresholds.
IG14. Capitalization thresholds are often applied to individual items rather than to groups of similar items. However, the cumulative effect on a group of similar assets should be considered when relevant. This may be the case when a group of assets are acquired at the same time as part of a single project, for example assets acquired for an extensive building program.</td><td></td></tr>
<tr><td></td><td><u>Measurement after Recognition</u>
<u>Current Value Model</u></td><td></td></tr>
<tr><td>These IG paragraphs have been added to reflect the IPSASB decision at the September 2020 meeting to add guidance on current value measurement of heritage assets (Agenda Item 9.2.6)</td><td>Current Value Measurement of Heritage Assets
(1) Do restrictions on the use of heritage assets affect an entity’s ability to derive its [current value] either on initial recognition (if, for example, the asset is donated), or subsequently (when the entity subsequently revalues its heritage assets)?
IG15. No. Restrictions on the use of heritage assets do not affect an entity’s ability to derive [current values] for them. However, restrictions will need to be taken into account when deriving a [current value].
(2) Where a heritage asset is viewed as irreplaceable does this affect an entity’s ability to derive its current value?</td><td></td></tr>
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IG16. No. A view that a heritage asset is irreplaceable does not affect an entity’s ability to derive a current value.

IG17. Many heritage assets are viewed as irreplaceable from a heritage perspective. From a financial reporting perspective, the ability to derive a current value involves the ability to ascertain values for equivalent assets. “Equivalent assets” do not have to be identical assets when deriving a current value. Where an entity needs to estimate a current value for a heritage asset, it will need to consider information available on current values, even when, from the perspective of its heritage nature, the asset is irreplaceable. Obtaining current values for heritage assets may be complex and difficult. It could involve professional judgment to reach an estimate that is derived from a range of possible values. These measurement challenges are a normal part of financial reporting, and not unique to the valuation of heritage assets. The need for professional judgement, expert valuation advice, and/or the use of estimates to derive a current value is not a sufficient basis for concluding that a current value cannot be derived.

IG18. A consideration of the following factors will support an entity’s assessment of whether it can derive a current value for a heritage asset:
(a) Replacement of service potential: A current value is likely to be derivable, if the service potential of the heritage asset could be replaced, if necessary, through either:
(i) Purchasing a similar asset; or,
(ii) Reproducing or reconstructing the asset, with reproduction applying to either the whole asset or parts of the asset on either an “as needed” basis or through application of a replacement cycle for the asset.
By contrast, the heritage asset’s current value may not be derivable if its service potential cannot be replaced through purchasing another, similar asset or through reproduction.
(b) Significance of the heritage asset: A current value is likely to be derivable, if the heritage asset’s service potential mainly relates to its ability to represent an era or type, such that another heritage asset of the same era or same type could be similarly representative.
By contrast, a heritage asset’s current value may not be derivable if its service potential is independent of the heritage asset’s ability to represent an era or type and depends, instead, on something unique and specific to that heritage asset.
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<tr><td></td><td><u>Valuing Land Under or Over Infrastructure Assets</u></td><td></td></tr>
<tr><td>Paragraphs BC42-BC43 and IG19-IG21are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on</td><td>How should the land under or over infrastructure assets, such as land under roads or railways, be valued because the related infrastructure assets on top of the land are specialized and held for operational capacity?</td><td></td></tr>
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valuing land under or over infrastructure assets (Agenda Item 9.2.7).		
	IG19. [Draft] IPSAS [X] (ED 78) is clear that: (a) Land should be separately accounted for. This requirement applies to all land, including land under or over infrastructure assets; and (b) Land under or over infrastructure assets accounted for under the current value model should be valued at current operational value or fair value. Because the infrastructure asset itself is a specialized asset, it will often be the case that the market approach will be challenging to apply, and that the asset will be more easily valued using the cost approach. IG20. [Draft] IPSAS [X] (ED 77), *Measurement* defines the cost approach as a measurement technique that reflects the amount that will be required currently to replace the service capacity of an asset (often referred to as the current replacement cost). IG21. The replacement cost of the land is based on the current value of the land based on the existing site. For example, if the road runs through agricultural land, then the current value of the land under that section of the road will be agricultural and if the road runs through an industrial area, then the current value placed on the land under that section of the road will be industrial. **Frequency of Revaluation of Property, Plant, and Equipment** **How often should property, plant, and equipment be revalued?** IG22. Paragraph 35 of [draft] IPSAS [X] (ED 78) requires entities that adopt the revaluation model to measure assets at a revaluated amount that does not differ significantly from that which would be determined using current value at the reporting date. Paragraph 39 of [draft] IPSAS [X] (ED 78) specifies that the frequency of revaluations depends upon the changes in current value of the items of property, plant, and equipment being revalued. When the current value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. The purpose of this guidance is to assist entities that adopt the revaluation model to determine whether carrying amounts differ materially from the current value as at reporting date. IG23. An entity assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, the entity determines the asset's current value and revalues the asset to that amount. IG24. In assessing whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date, an entity considers, as a minimum, the following indications:	

	External sources of information (a) Significant changes affecting the entity have taken place during the period, or will take place in the near future, in the technological, market, economic, or legal environment in which the entity operates or in the market to which the asset is dedicated; (b) Where a market exists for the assets of the entity, market values are different from their carrying amounts; (c) During the period, a price index relevant to the asset has undergone a material change; Internal sources of information (d) Evidence is available of obsolescence or physical damage of an asset; (e) Significant changes affecting the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. Adverse changes include the asset becoming idle, or plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite. Favorable changes include capital expenditure incurred during the period to improve or enhance an asset in excess of its standard of performance assessed immediately before the expenditure is made; and (f) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse or better than expected. IG25. The list in paragraph IG24 is not exhaustive. An entity may identify other indications that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. The existence of these additional indicators would also indicate that the entity should revalue the asset to its current value as at the reporting date.	
	Depreciation	
Paragraphs IG22-IG25 are added to reflect the IPSASB decision at the September 2020 meeting to add guidance to identify heritage assets with indefinite useful lives (Agenda Item 9.2.8)	*Heritage Assets' Useful Lives* **What are the main factors to consider when assessing whether a heritage asset has an indefinite useful life?** IG26. Paragraph 53 states that there is a rebuttable presumption that non-land property, plant, and equipment have finite useful lives. For a heritage asset to have an indefinite useful life an analysis of the relevant factors should show that it is reasonable for the entity to consider that there is no foreseeable limit to the period over which it is expected to provide service potential or be used operationally to generate net cash inflows for the entity. Paragraph 55 states that estimates of useful life should reflect evidence at the time the estimate is made and realistic, rather than optimistic, projections of the relevant factors. IG27. Paragraph AG31 states that a heritage painting or sculpture held in a protective environment that is carefully controlled to	

	preserve the asset is an example of an asset that could have an indefinite useful life. IG28. The main factors to consider when assessing whether a heritage asset has an indefinite useful life are: (a) **Period providing service potential**: The entity should expect that, to the best of its knowledge, the period over which the heritage asset will continue to provide service potential and/or future economic benefits will continue indefinitely. The assets’ heritage value for future generations should be demonstrable, such that it is reasonable to expect that its heritage value will continue indefinitely. (b) **Usage**: The usage of the heritage asset should not result in physical wear and tear to the heritage asset. (c) **Preservation**: The entity should be able to describe the actions it has taken in the past and plans to continue to take to preserve the heritage asset, including adequate protection of heritage assets from the natural elements, where relevant. Preservation plans should include information on the likely availability of staff and financial resources to carry out the entity’s preservation activities. IG29. Entities apply professional judgment to estimate the useful life of an asset with reference to experience with similar assets. If circumstances change, the entity will need to consider whether the heritage asset still has an indefinite useful life. If the heritage asset is found to have a finite useful life the entity will then treat it as a depreciable asset and account for it accordingly.	
	Identifying Parts of Infrastructure Assets that Should be Separately Depreciated	
Paragraph AG33 was revised and paragraphs BC51-BC55 and IG26-IG30 are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on componentization – identifying significant parts of infrastructure assets (Agenda Item 9.2.9).	**What should be considered when identifying parts of infrastructure asset networks or systems for financial reporting purposes?** IG30. An entity allocates the amount initially recognized in respect of an item of property, plant, and equipment to its significant parts and depreciates separately each part that will have a material impact or effect on determining the annual depreciation expense. IG31. Property, plant, and equipment including infrastructure assets do not require separate recognition beyond the level required for financial reporting purposes. [Draft] IPSAS [X] (ED 78) requires: (a) Items with a cost or value that is significant in relation to the total cost of the item shall be depreciated separately and ; (b) Significant parts of property, plant, and equipment to be grouped with other significant parts that have a similar useful life and / or depreciation method when determining the depreciation charge.	

	IG32. Infrastructure assets are networks or systems that comprise a number of assets. Each of those assets or groups of similar assets may be a separate unit of account and may have parts. IG33. Judgment is required in determining whether those parts of the assets or similar group of assets that make up the infrastructure asset networks or systems are significant in relation to the whole infrastructure asset network or system when determining whether or not to treat them separately. For financial reporting purposes, the following indicators can be helpful in identifying significant parts of an item of property, plant, and equipment: (a) Parts should be separately identifiable and measurable; (b) Parts should have significant value in relation to the asset; and (c) Parts should have different estimated useful lives. IG34. The entity must consider the facts and circumstances of its transaction as a whole, and materiality to determine the significant parts for the purposes of calculating depreciation.	
	Use of Information in the Asset Management Plans for Financial Reporting	
Paragraphs IG31-IG32 and BC61-BC63 have been updated to reflect the IPSASB decision at the December 2020 meeting on the Use of Information in Asset Management Plans for Financial Reporting. (Agenda Item 5.2.3).	**Can asset management plans provide information useful for accounting for property, plant, and equipment?** IG35. Yes. Information in asset management plans may be used to account for property, plant, and equipment when the items of property, plant, and equipment are maintained in accordance with a sufficiently detailed asset management plan that is subject to good internal controls and has reliable and up to date information. IG36. Information from asset management plans can be a useful source of input to: (a) Calculate depreciation - Paragraphs 56, 66, AG35and that depreciation reflects the consumption of the asset's future economic benefits or service potential by allocating the depreciable amount using a systematic basis over its useful life. Asset management plans may contain information on: (i) The asset's expected useful life - Asset management plans may include information about the expected useful life based on its design/function/expected use; and (ii) Expected patterns of asset consumption - Asset management plans may include information about the condition and maintenance history; (b) Determine the significant parts of property, plant, and equipment - Paragraphs 50 and AG31 stipulate that an entity allocates the amount initially recognized in respect of an item of property, plant, and equipment to its significant parts and depreciates separately each part. Asset management plans may include information useful to determine or identify these significant parts of property, plant, and equipment which could in turn be useful to calculate depreciation,	

	impairment and/or facilitate derecognition of items of property, plant, and equipment; (c) Calculate the estimated costs to maintain, restore and refurbish assets; and (d) Determine whether there is an indication that property, plant, and equipment may be impaired. The relevant guidance for impairment is available in paragraph 68 of this [draft] Standard and IPSAS 21, *Impairment of Non-Cash-Generating Assets* or IPSAS 26, *Impairment of Cash-Generating Assets*.	
Paragraphs BC68-BC70 and IG33-IG36; and are added to reflect the IPSASB decision at the September 2020 meeting to add guidance on "under-maintenance" of assets" (Agenda Item 9.2.11).	**Impairment** *Under-Maintenance of Assets* **What is under-maintenance of assets?** IG37. Under-maintenance of assets occurs when the level of maintenance of an asset is insufficient to maintain the service potential or the useful life of the asset.	
	Could under-maintenance impact the measurement of items of property, plant, and equipment that require constant maintenance such as infrastructure assets? IG38. Yes. Under-maintenance may affect the measurement of property, plant, and equipment. It may be an indicator for impairment and may also impact the residual value and useful life of the property, plant, and equipment. IG39. The relevant guidance for impairment is available in paragraph 68 of this [draft] Standard and IPSAS 21, or IPSAS 26, and the relevant guidance for assessing the residual value and useful life of property, plant, and equipment is available in paragraphs 57 and 58 of this [draft] Standard.	
	IG40. No liability should be recognized when property, plant, and equipment are not adequately maintained because IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* is clear there is no present obligation to recognize maintenance expenses that will be incurred in the future.	

NOTES		IAS 16?
	Illustrative Examples *These examples accompany but are not part of, [draft] IPSAS [X] (ED 78), Property, Plant, and Equipment.*	
	Definition of Property, Plant, and Equipment **Assessment of Control** *Control of Land under or over Property, Plant, and Equipment*	
Paragraphs IG4-IG5; and IE1-IE5 are added to reflect the IPSASB decision at the July 2020 meeting to add guidance on control of land under or over infrastructure assets (Agenda Item 2.2.3).	*Example 1-Case A (see paragraphs IE1-IE3) illustrates the principle to identify the reporting entity that controls the land under a road network where an entity has legal ownership of the land and the right to direct access to land and to restrict or deny access of others to land.*	
	IE1. Provincial (State) Government enters into a long-term binding arrangement with the National Government to construct a road that passes through a National Park. The land is legally owned by the National Government and it has the title deeds of the land. The Provincial Government constructs a 200 miles road which connects two of its largest cities, City X and City Y. The road carries buses, cars and goods vehicles between these cities and has significantly shortened travel time between the cities.	
	IE2. The Provincial Government concludes that the National Government controls the land because the National Government: (a) Legally owns the land; (b) Retains all the rights to the land as it can cancel the binding arrangement at any point in time; and (c) Retains the ability to generate economic benefits arising from selling the land. The National Government has the right to sell the land at any time and can decide to whom the land can be sold, and at what price.	
	IE3. While the province has the ability to ensure that the land immediately below the road is used to achieve its objectives, i.e., the national government is not receiving any service potential or economic benefit from the land while the road is in use, the entity (province) concludes this isins insufficient to support its control ofthat it controls the land. Other indicators support control being retained by the national government.	
	Example 1-Case B (see paragraphs IE4-IE5) illustrates the principle to identify the reporting entity that controls the land under a road network where an entity has unlimited and unrestricted use of the land.	
	IE4. The facts and circumstances remain the same except the land is transferred to the Provincial Government and the latter has	

	unlimited and unrestricted use of the land and does not legally own the land.	
	IE5. Even though, the Provincial Government does not legally own the land, the provincial government concludes it controls the land because it: (a) Has the right to direct access to the land and to restrict or deny access of others to land because it has unlimited and unrestricted use of the land. The Provincial Government can decide how the land will be used; (b) Has the ability to generate benefits in the form of economic benefits or service potential from the use of the land; and (c) Ensures the land is used to achieve the Provincial Governments' service potential objective whereby the land will allow the Provincial Government to build a road that will transport vehicles and goods between the two cities. Disclosures IE6. . The Department of the Interior is a public sector entity that controls a wide range of property, plant, and equipment, and is responsible for replacement and maintenance of the property. The following are extracts from the notes to its Statement of Financial Position for the year ended 31 December 20X1 and illustrate the principal disclosures required in accordance with this [draft] Standard. Notes 1. Land (a) Land consists of twenty thousand hectares at various locations. Land is valued at fair value as at 31 December 20X1, as determined by the Office of the National Valuer, an independent valuer. (b) Restrictions on Titles: Five hundred hectares of land (carried at 62,500 currency units) is designated as national interest land and may not be sold without the approval of the legislature. Two hundred hectares (carried at 25,000 currency units) of the national interest land and a further two thousand hectares (carried at 250,000 currency units) of other land are subject to title claims by former owners in an international court of human rights and the Court has ordered that the land may not be disposed of until the claim is decided; the Department recognizes the jurisdiction of the Court to hear these cases. 2. Buildings (a) Buildings consist of office buildings and industrial facilities at various locations.	

	(b) Buildings are initially recognized at cost, but are subject to revaluation to fair value on an ongoing basis. The Office of the National Valuer determines fair value on a rolling basis within a short period of time. Revaluations are kept up to date. (c) Depreciation is calculated on a straight-line basis over the useful life of the building. Office buildings have a useful life of twenty-five years, and industrial facilities have a useful life of fifteen years. (d) The Department has entered into five contracts for the construction of new buildings; total contract costs are 250,000 currency units. 3. Machinery (a) Machinery is measured at cost less depreciation. (b) Depreciation is calculated on a straight-line basis over the useful life of the machine. (c) The machinery has various useful lives: Tractors: 10 years Washing Equipment: 4 years Cranes: 15 years (d) The Department has entered into a contract to replace the cranes it uses to clean and maintain the buildings – the contracted cost is 100,000 currency units. 4. Furniture and Fixtures (a) Furniture and fixtures are measured at cost less depreciation. (b) Depreciation is calculated on a straight-line basis over the useful life of the furniture and fixtures. (c) All items within this class have a useful life of five years.	