

PROPERTY, PLANT AND EQUIPMENT DEPRECIATION, VALUATION AND IMPAIRMENT POLICY



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1 PURPOSE

- 1.1 This policy outlines how CQUniversity values, depreciates and calculates impairment on items of property, plant and equipment to ensure consistent application across the University's asset base.
- 1.2 This policy forms part of the University's financial management practice manual, which contributes towards meeting the University's obligations under the [Financial and Performance Management Standard 2019](#) (Qld), by ensuring the existence of an effective asset management system to facilitate the identification, management and recording of assets..

2 SCOPE

- 2.1 This policy applies to items classified as property, plant and equipment recognised by CQUniversity.

3 POLICY STATEMENT

Depreciation

- 3.1 Property, plant and equipment has a limited useful life and therefore must be depreciated in accordance with the Australian Accounting Standard [AASB116 Property, Plant and Equipment](#). Depreciation refers to the allocation process by which the cost of an asset is systematically allocated over its useful life.
- 3.2 Items of property, plant and equipment recorded on the University's Asset Registers must be depreciated, with the exception of the following:
 - investment property
 - freehold land
 - heritage and cultural assets, and
 - work-in-progress assets.

Depreciation method

- 3.3 Items of depreciable property, plant and equipment are depreciated over their estimated useful life and will be calculated on a monthly basis using the straight-line method of depreciation.

Depreciation calculation

- 3.4 Depreciation will be charged against depreciable assets from the time those assets are first put into use or held ready for use. At this time, both the estimated useful life of the asset and its residual value must be ascertained.
- 3.5 Where an asset has separate components and where the components have different useful lives that will result in a material impact on the reported depreciation expense, depreciation will be calculated on the individual components of the asset.
- 3.6 The University calculates depreciation in accordance with AASB116 Property, Plant and Equipment and the Queensland Government's Non-Current Asset Policies for the Queensland Public Sector [NCAP 5 - Depreciation and Amortisation](#).

Useful life review

- 3.7 An annual review of the useful life and residual value of depreciable assets will be undertaken by Financial Accounting and will include:
- recording of appropriate adjustments to useful life (where necessary)
 - ensuring assets remain in-service
 - review of the useful life of assets with a remaining useful life approaching zero, and
 - preparing the useful life and residual value report (which forms part of the impairment review as at the annual reporting date) for review by the Vice-President (Student and Corporate Services) and Internal Audit.
- 3.8 Financial Accounting may undertake ad hoc reporting of useful life and subsequent useful life reviews in accordance with the needs of individual business areas as appropriate.

Valuation

- 3.9 The Queensland Treasury requires each item of property, plant and equipment classified as one of the following be recorded at fair value:
- land
 - freehold buildings
 - infrastructure, and
 - heritage and cultural assets.
- 3.10 In accordance with the Australian Accounting Standard [AASB13 Fair Value Measurement](#), items of property, plant and equipment recorded at fair value must be comprehensively valued every three to five years. A registered external valuer must undertake such valuations and be engaged in accordance with the [Procurement Policy and Procedure](#). Valuations must be carried out in accordance with the Queensland Government's Non-Current Asset Policies for the Queensland Public Sector [NCAP 3 - Valuation of Assets](#).
- 3.11 In the years between comprehensive valuations, items of property, plant and equipment recorded at fair value will be revalued using indexations or other reliable methods and will be recorded as interim valuations.

Calculating and recording revaluations

- 3.12 Revaluations will be calculated and recorded in accordance with AASB13 Fair Value Measurement and NCAP 3 - Valuation of Assets.

Documentation

- 3.13 Financial Accounting will maintain a schedule of valuations for items of property, plant and equipment recorded at fair value and requiring regular valuation.
- 3.14 Documentary evidence of each comprehensive valuation and interim valuation must be maintained in accordance with AASB13 Fair Value Measurement and NCAP 3 - Valuation of Assets. Documentary evidence must also include information for disclosure in the University's financial statements and the following:
- basis of the valuation
 - whether the valuation was independent, and
 - the date of the valuation.

Items not recorded at fair value

- 3.15 Items classified as one of the following will be carried at cost:
- construction in progress
 - plant and equipment (asset class) due to their relatively short useful lives, and
 - leasehold improvements.

Impairment

- 3.16 Impairment refers to the decline in the future economic benefits or service potential of an asset, over and above the use reflected through depreciation. For example, a fire may occur in a building that does not cause sufficient damage to warrant total write-off, but does impede use in such a way that an impairment adjustment is necessary.
- 3.17 The University will assess at each reporting date, whether there are any indications that an item of property, plant and equipment may be impaired. If such indications exist, an estimate will be carried out to ascertain the recoverable amount of the asset.
- 3.18 Impairment testing will be undertaken on classes of non-current assets, including the following classifications of property, plant and equipment:
- freehold land
 - freehold buildings
 - plant and equipment
 - leasehold improvements
 - infrastructure
 - library collections
 - construction in progress, and
 - other work in progress.
- 3.19 A review for impairment indicators will be performed annually by Financial Accounting and will take into consideration both internal and external factors in accordance with the minimum considerations identified in [AASB136 Impairment of Assets](#).
- 3.20 In carrying out the annual impairment testing, the University will adhere to the decision-making framework identified in the Queensland Government's Non-Current Asset Policies for the Queensland Public Sector [NCAP 4 - Impairment of Assets](#).

Calculation of impairment

- 3.21 If impairment indicators are identified and are considered material in nature in accordance with [AASB101 Presentation of Financial Statements](#), the recoverable amount of the asset will be calculated.
- 3.22 Recoverable amounts and subsequent impairment losses will be calculated and recorded in accordance with AASB136 Impairment of Assets and NCAP 4 – Impairment of Assets.

4 RESPONSIBILITIES

Compliance, monitoring and review

- 4.1 The Vice-President (Student and Corporate Services) and Deputy Director Financial Accounting and Operations are responsible for implementing, monitoring, reviewing and ensuring compliance with this policy.
- 4.2 Compliance and monitoring will be assessed through monthly reconciliations and regular analytical reviews.

Reporting

- 4.3 There are no additional reporting requirements.

Records management

- 4.4 Employees must manage records in accordance with the [Records Management Policy and Procedure](#). This includes retaining these records in a recognised University recordkeeping information system.
- 4.5 University records must be retained for the minimum periods specified in the relevant [Retention and Disposal Schedule](#). Before disposing of any records, approval must be sought from the Records and Privacy Team (email records@cqu.edu.au).

5 DEFINITIONS

- 5.1 Terms not defined in this document may be in the University [glossary](#).

Terms and definitions

Cost: of an asset for depreciation purposes refers to the cost less any expected residual value.

Fair value: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Property, plant and equipment: tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period. For the purposes of this policy, this definition incorporates items referred to as 'fixed assets' and 'assets'.

Recoverable amount: the higher of an asset's net selling price (fair value less costs to sell) and its value-in-use.

6 RELATED LEGISLATION AND DOCUMENTS

[Australian Accounting Standards:](#)

- AASB13 Fair Value Measurement
- AASB101 Presentation of Financial Statements
- AASB116 Property, Plant and Equipment
- AASB136 Impairment of Assets
- AASB140 Investment Property

[Delegation of Authority Policy](#)

[Financial Accountability Act 2009](#) (Qld)

[Financial and Performance Management Standard 2019](#) (Qld)

[Framework for the Preparation and Presentation of Financial Statements](#)

[Non-Current Asset Policies for the Queensland Public Sector:](#)

- NCAP 3 – Valuation of Assets
- NCAP 4 – Impairment of Assets
- NCAP 5 - Depreciation and Amortisation

[Procurement Policy and Procedure](#)

[Property, Plant and Equipment Policy](#)

7 FEEDBACK

7.1 Feedback about this document can be emailed to policy@cqu.edu.au.

8 APPROVAL AND REVIEW DETAILS

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Approval Authority	Council
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