PROPERTY, PLANT AND EQUIPMENT DEPRECIATION, VALUATION AND IMPAIRMENT POLICY (FMPM)

CONTENTS

1 PURPOSE

1.1 The purpose of this policy is to outline the methods by which the CQUniversity values, depreciates and calculates impairment on items of property, plant and equipment to ensure consistent application across the asset base.

1.2 This policy also contributes towards meeting the University's obligations under the Financial and Performance Management Standard 2009 by ensuring the existence of an effective asset management system that provides for managing, valuing and recording assets in accordance with relevant statutory and regulatory requirements.

2 SCOPE

2.1 This policy applies to all assets classified as property, plant and equipment for the purposes of the University's statement of financial position and to all staff responsible for the calculation, recording, processing and approval of depreciation, valuation and impairment activities in accordance with the Delegation of Authority Policy (FMPM) and organisational structure of the Finance and Planning Division.

3 POLICY STATEMENT

Policy framework

3.1 The Financial Management Practice Manual (FMPM) is the University's financial management policy framework. As such, this policy forms part of and must be read in conjunction with the FMPM.

Depreciation

3.2 Property, plant and equipment has a limited useful life and therefore must be depreciated in accordance with 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.

3.3 All items of property, plant and equipment recorded on the University's Asset Registers are required to be depreciated, with the exception of the following:

- Investment property
- Freehold land
- Heritage and cultural assets, and
- Work-in-progress assets.

Depreciation method

3.3.1 All items of depreciable property, plant and equipment are depreciated over their estimated useful life and calculated on a monthly basis using the straight-line method of depreciation.

Depreciation calculation

3.3.2 Depreciation is to be charged against all 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.

3.3.3 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, deprecation is to be calculated on the individual components of the asset.

3.3.4 The University calculates all depreciation in accordance with AASB116 Property, Plant and Equipment and the Queensland Government's Non-Current Asset Policies for the Queensland Public Sector NCAP5 Depreciation and Amortisation.

Useful life review

3.4 An annual review of the useful life and residual value of all depreciable assets will be undertaken by the Financial Accounting team and will include the following:

- recording of appropriate adjustments to useful life (where necessary)
- ensuring all assets remain in-service
- review of the useful life of assets with a remaining useful life approaching zero, and
- preparation of the useful life and residual value report (which forms part of the impairment review as at the annual reporting date) for review by the Deputy Vice-Chancellor (Finance and Planning) and the Audit and Advisory team.

3.5 The Financial Accounting team may undertake ad hoc reporting of useful life and subsequent useful life reviews in accordance with the needs of individual responsibility centres as appropriate.

Valuation

3.6 It is a requirement of the Queensland Treasury that each item of property, plant and equipment classified as one of the following be recorded at fair value:

- Freehold buildings
- Leasehold improvements
- Infrastructure, and
- Heritage and cultural assets.

3.7 In accordance with AASB13 Fair Value Measurement, all 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 (FMPM), Procurement Principles (FMPM) and Procurement Procedure (FMPM). Valuations must be carried out in accordance with the Queensland Government's Non-Current Asset Policies for the Queensland Public Sector NCAP3 Valuation of Assets.

3.8 In the years between comprehensive valuations, items of property, plant and equipment recorded at fair value are to be revalued using indexations or other reliable methods and will be recorded as interim valuations.

Calculating and recording revaluations

3.8.1 All revaluations are calculated and recorded in accordance with AASB13 Fair Value Measurement and NCAP3 Valuation of Assets.

Documentation

3.8.2 The Financial Accounting team will maintain a schedule of valuations for all items of property, plant and equipment recorded at fair value and requiring regular valuation.

3.8.3 Documentary evidence of each comprehensive valuation and interim valuation must be maintained in accordance with AASB13 Fair Value Measurement and NCAP3 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.

Plant and equipment

3.8.4 Items classified as plant and equipment will generally not be recorded at fair value due to their relatively short useful lives. Therefore, the principles of valuation as set down in this policy do not apply to items classified as plant and equipment.

Impairment

3.9 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.

3.10 The University is to 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 is to be carried out to ascertain the recoverable amount of the asset.

3.10.1 Impairment testing will be undertaken on all 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.

3.10.2 A review for impairment indicators will be performed annually by the Financial Accounting team and will take into consideration both internal and external factors in accordance with the minimum considerations identified in AASB 136 Impairment of Assets.

3.10.3 In carrying out the annual impairment testing, the University adheres to the decision-making framework identified in the Queensland Government's Non-Current Asset Policies for the Queensland Public Sector NCAP4 Impairment of Assets.

Calculation of impairment

3.10.4 If impairment indicators are identified and are considered material in nature in accordance with AASB1031 Materiality, the recoverable amount of the asset is to be calculated.

3.10.5 All recoverable amounts and subsequent impairment losses are calculated and recorded in accordance with AASB136 Impairment and NCAP4 Impairment of Assets.

4 RESPONSIBILITIES

Compliance, monitoring and review

4.1 The Deputy Director, Financial Accounting and Operations is responsible for managing the implementation of this policy and for ensuring that its provisions are adhered to and applied consistently across the University.

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 All records relevant to this document are to be maintained in a recognised University recordkeeping system.

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

Recoverable Amount is 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

AASB13 Fair Value Measurement

AASB116 Property, Plant and Equipment

AASB 136 Impairment of Assets

AASB140 Investment Property

AASB1031 Materiality

Delegation of Authority Policy (FMPM)

Financial Accountability Act 2009 (Qld)

Financial and Performance Management Standard 2009 (Qld)

Financial Management Practice Manual

Framework for the Preparation and Presentation of Financial Statements

Non-Current Asset Policies for the Queensland Public Sector Government Land Legislation and Policies

Procurement Policy (FMPM)

Procurement Principles (FMPM)

Procurement Procedure (FMPM)

Property, Plant and Equipment Policy (FMPM)

7 FEEDBACK

7.1 University staff and students may provide feedback about this document by emailing policy@cqu.edu.au.

8 APPROVAL AND REVIEW DETAILS

Approval and Review	Details
Approval Authority	Council
Advisory Committee to Approval Authority	Audit, Risk and Finance Committee
Administrator	Deputy Vice-Chancellor (Finance and Planning)
Next Review Date	28/07/2020

Approval and Amendment History	Details
Original Approval Authority and Date	Council 14/07/2014
Amendment Authority and Date	Reviewed and Administrative Amendments – Deputy Vice-Chancellor (Finance and Planning) 28/07/2017
Notes	