



NCAP 1 Recognition of Non-Current Assets

OVERVIEW

This Non-Current Asset Policy (NCAP) discusses the principles underlying recognition of non-current assets.

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1.1. DEFINITION OF AN ASSET

For not-for-profit entities, the Framework for the Preparation and Presentation of Financial Statements (the Framework) defines an asset as *“a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity”*.

For for-profit entities, the Conceptual Framework for Financial Reporting defines an asset as *“A present economic resource controlled by the entity as a result of past events”, and “an economic resource is a right that has the potential to produce economic benefits”*.

The key features are that:

- the agency must control the asset;
- there was a past transaction or event which gave rise to the control; and
- there must be future economic benefits expected to flow to the agency.

1.1.1. Control

An agency controls an asset if it has the power to obtain the future economic benefits flowing from the resource and to restrict the access of others to those benefits. In determining the existence of an asset, the right of ownership is not essential. An agency must simply have the ability to control the benefits which are expected to flow from the asset.

Control is demonstrated, on balance, by the ability of the agency to:

- use the asset to achieve its objectives;
- obtain a benefit from the sale of the asset;
- charge for the use of the asset; and
- deny use of the asset to others.

Other factors that must be considered in determining whether control exists are:

- access to the asset may be more relevant than mere possession or ownership; and
- ownership of an asset does not necessarily equate to control over the benefits derived from the asset e.g. assets that are finance leased to another party.

There may be situations that arise where there could be doubt as to which agency of a group of agencies controls a particular asset or whether an agency controls an asset or only administers that asset on behalf of the Government as a whole.

In rare instances, no one agency may have exclusive control of an asset(s) i.e. ‘shared control’ exists. Shared control exists when decisions about the asset require unanimous consent of the

agencies sharing control (e.g. decisions about how to use the asset, when to dispose/replace the asset, etc.) and all future economic benefits associated with the asset (e.g. fulfilment of business objectives, proceeds from sale, etc.) are shared between these agencies. Such shared control may be contractual or implied. In this case, both agencies must recognise their 'share' of the future economic benefits of the asset on a proportional basis, subject to satisfaction of the recognition criteria contained in the Framework.

1.1.2. Past Transaction or Event

The assets of an agency must result from past transactions or other past events. The past transaction will generally be the purchase or construction of the asset; however other transactions or events may generate assets, such as the transfer of assets from other agencies or donations.

Transactions or events expected to occur in the future do not give rise to assets. For example, the intention to purchase an asset does not meet the definition of an asset.

1.1.3. Future Economic Benefits

Future economic benefits embodied in an asset have the potential to contribute, directly or indirectly, to the flow of cash or cash equivalents to the agency. Future economic benefits are synonymous with the notion of service potential and need not necessarily be in the form of cash but can include revenue from a future sale, cost savings or other benefits resulting from the use of the asset by the agency.

In the case of not-for-profit agencies, the future economic benefits may be in the form of providing goods and services in accordance with the agencies' objectives. The fact that not-for-profit agencies do not charge, or do not fully charge, their customers for the goods and services they provide does not deprive those outputs of utility or value. For example, assets such as monuments, museums, and historical treasures enrich the community. These assets benefit the agencies by enabling them to meet their objectives of providing needed services to the community.

An asset is not recognised on the Statement of Financial Position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the agency beyond the current accounting period e.g. expenditure on feasibility studies for the construction of infrastructure.

Instead, such a transaction results in the recognition of an expense in the Statement of Comprehensive Income. This treatment does not imply either that the intention of management in

incurring expenditure was other than to generate future economic benefits for the agency or that management was misguided. The only implication is that the degree of certainty that economic benefits will flow to the agency beyond the current accounting period is insufficient to warrant the recognition of an asset.

1.2. ASSET RECOGNITION PRINCIPLES

Non-current assets are recognised in accordance with the applicable accounting standards. For not-for-profit entities, the Framework states that assets are recognised on balance sheet when:

- it is probable that future economic benefits will flow to the entity; and
- the asset has a cost or value that can be measured reliably.

1.2.1. Probability that Future Economic Benefits will Eventuate

In determining whether to recognise an asset, an agency must consider the degree of uncertainty that attaches to the flow of future economic benefits from that particular asset. If it considers that it is more rather than less likely that future economic benefits will eventuate, then this arm of the recognition test will be satisfied.

1.2.2. Reliable Measurement

The value of assets can usually be measured reliably using a number of methods. These include:

- For purchased assets this would be the price charged by the supplier.
- For constructed or manufactured assets, the value can be derived using information from labour and other costing systems.
- The agency obtaining expert advice or a value from the market place.
- In certain circumstances the agency may need to make an estimation of a cost or value (the use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability).

In the rare circumstance that the value cannot be measured reliably but it is probable that future economic benefits will flow to the agency, an asset is not to be recognised. In this situation, the agency must disclose in the notes to its financial statements the reason for why a reliable measure of value could not be determined.

The flowchart on page 5 sets out the key considerations in recognition of an asset.

1.3. INITIAL RECOGNITION OF ASSET

Circumstances resulting in the initial recognition of assets include:

- acquisition involving consideration;
- assets acquired at no cost or for nominal consideration, including those acquired as a result of machinery-of-Government changes; and
- assets not previously recognised.

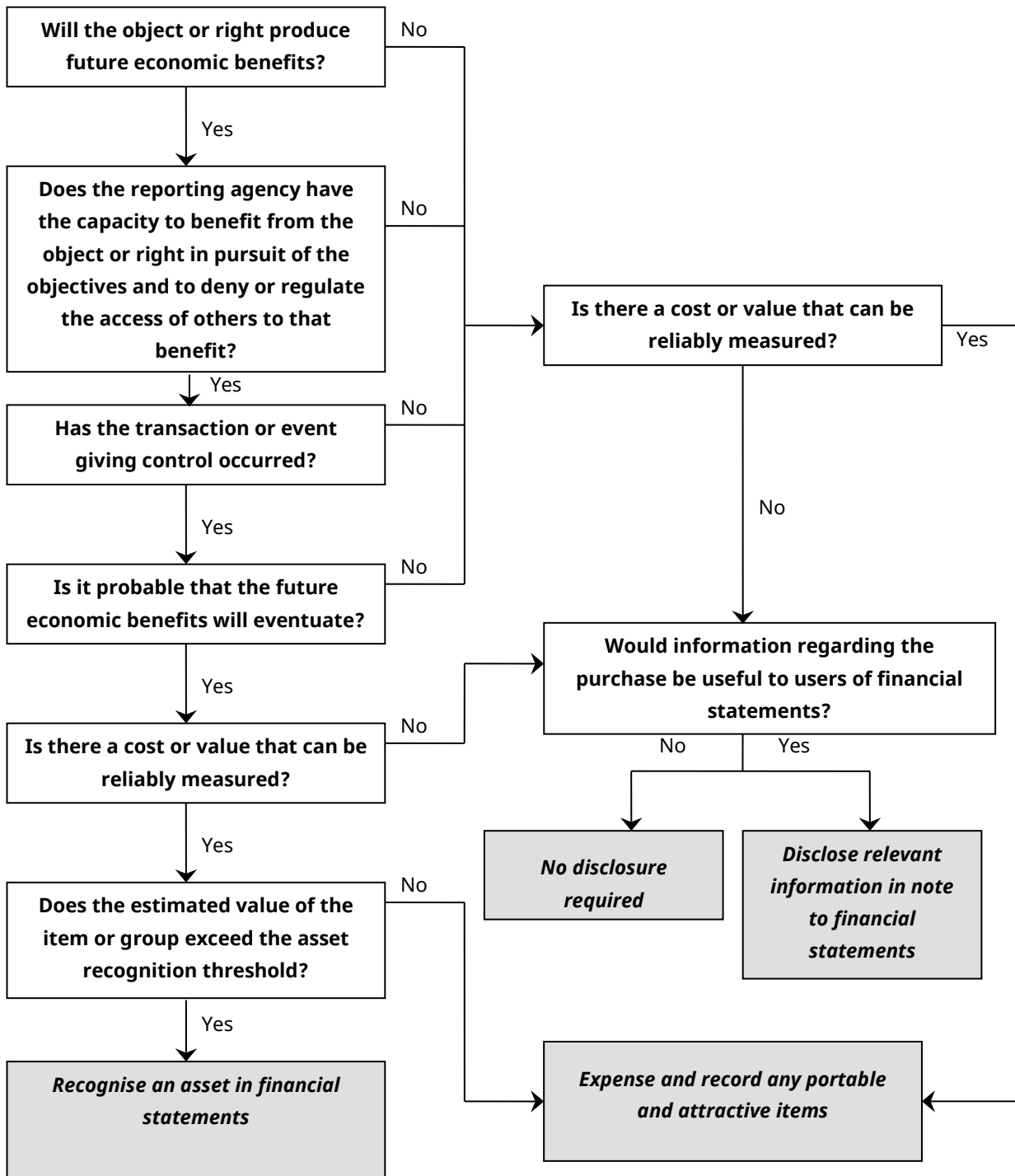
A flowchart relating to Initial Asset Valuation is contained in the Implementation Guidance.

1.3.1. Acquisition Involving Consideration

AASB 116 requires that an item of property, plant and equipment that qualifies for recognition as an asset shall initially be measured at its cost. (The cost of the right to use an item of property, plant and equipment held by a lessee under a lease is determined in accordance with AASB 16 Leases.)

Where the consideration paid is significantly below fair value principally to enable the agency to further its objectives, the asset's cost is measured as the asset's fair value and treated similarly to assets acquired at no cost or nominal consideration.

Flowchart: Key Considerations in Recognition of an Asset.



1.3.2. Initial Acquisition of Assets at No Cost or for Nominal Consideration

Assets acquired at no cost or for a nominal consideration, other than those acquired through machinery-of-Government changes, must be recognised initially at fair value as at the date of acquisition (refer to NCAP 3 *Valuation of Non-Current Assets*). In such cases, the initial recognition is as “assets received below fair value” (a revenue item classified under ‘Grants and Other Contributions’), not as a credit to an asset revaluation surplus.

Further guidance regarding assets acquired at no cost or for nominal consideration is provided in paragraphs Aus15.1 to Aus15.3 of AASB 116.

In the case of any intangible assets acquired at no cost or for a nominal consideration, fair value must only be recognised where there is an active market for the asset(s) concerned. Agencies should also refer to guidance in NCAP 1.7 Guidance on Particular Asset Types and NCAP 3.10 Specific Valuation Issues in regard to intangible assets.

For heritage and cultural assets, agencies should refer to the guidance about heritage, artworks and cultural assets in NCAP 3.10.

For assets acquired through machinery-of-Government changes, refer to FRR 4F Equity, Contributions by Owners and Distributions to Owners and FRR 2F Machinery-of-Government Changes for treatment and disclosure of these assets (refer also NCAP 3).

Subsequent measurement requirements are explained in NCAP 3.

One or more items of property, plant and equipment may be acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets. The cost of such an item of property, plant and equipment must be measured at fair value unless:

- (a) the exchange transaction lacks commercial substance; or
- (b) the fair value of neither the asset received nor the asset given up is reliably measurable.

1.3.3. Assets Provided Under Government Grants (for-profit entities only)

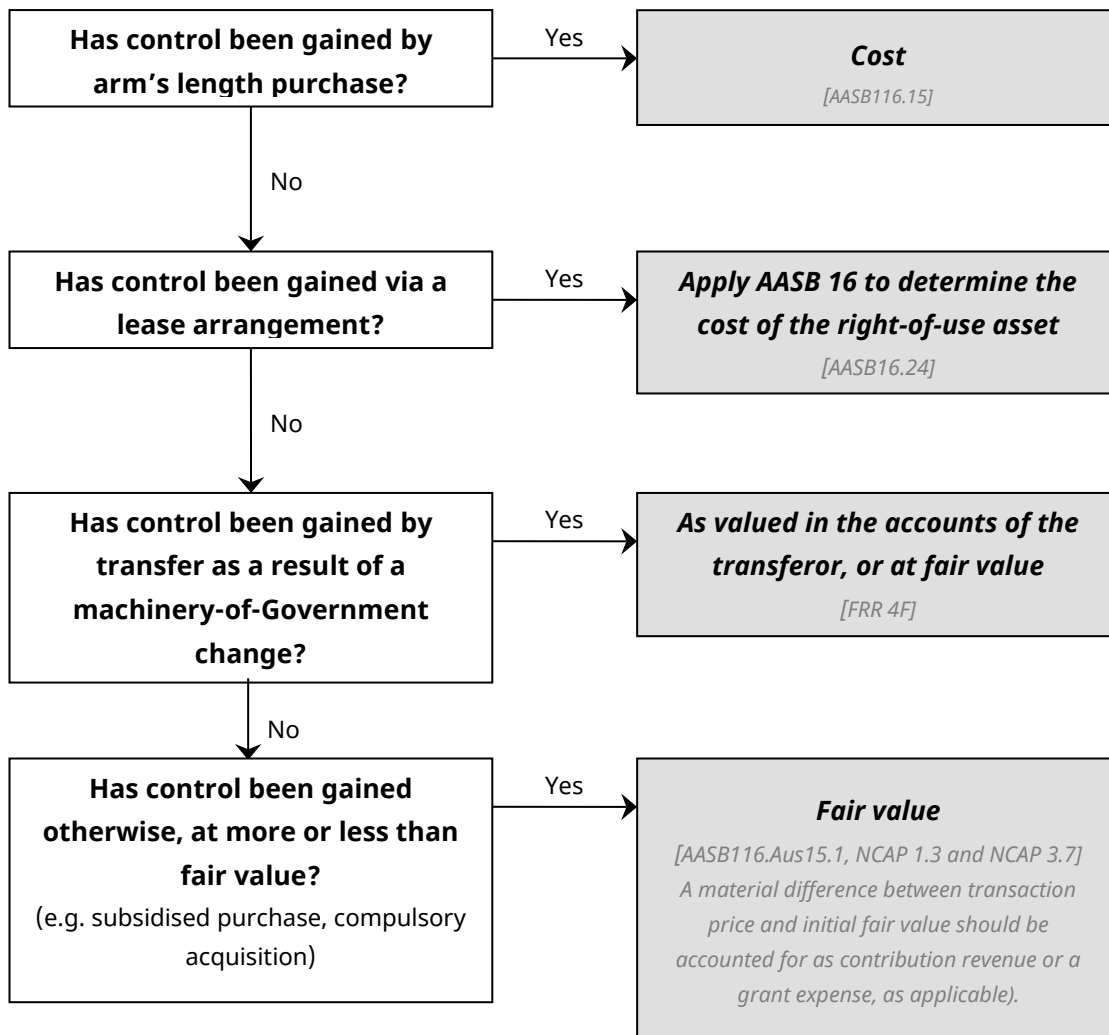
It is Queensland Treasury policy that when a for-profit agency receives a non-monetary asset free of charge, or for nominal consideration, by way of a government grant, the agency shall recognise both the asset and the grant at fair value, in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. Although permitted under AASB 120, it is Queensland Treasury policy that agencies shall not recognise such assets at a nominal amount.

It is Queensland Treasury policy that Government grants are not to be deducted from the carrying amount of the related asset.

Government grants related to assets (including non-monetary grants at fair value) are to be presented in the Statement of Financial Position as deferred income, recognised as income on a systematic and rational basis over the useful life of the asset.

1.3.4. Decision Chart – Value at Initial Recognition

The following decision chart illustrates the value to be recorded at initial recognition for non-current assets acquired via different means.



1.3.5. Assets Not Previously Recognised

Changes in accounting estimates

Assets not recognised in previous periods that subsequently meet the recognition criteria (not as a result of an error) shall be recognised from the date that the criteria are met.

Refer to NCAP Tools Illustrative Example 1.3.1.

Revisions may be made to estimates if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

Refer to NCAP Tools Illustrative Example 1.3.2.

Errors

Where assets are identified that have not been previously recognised due to error e.g. during asset verification, this is treated as the correction of an error under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Refer also to FRR 2C *Changes in Accounting Policies and Estimates*. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretation of facts, and fraud.

Refer to NCAP Tools Illustrative Example 1.3.3.

1.4. CAPITALISATION VS EXPENSING OF COSTS INCURRED

On initial recognition of an asset, or where subsequent costs are incurred, a decision must be made as to whether those costs are capitalised into the value of the asset or expensed through the Statement of Comprehensive Income.

On initial recognition, all costs incurred in purchasing or constructing the asset and getting it ready for use (including work in progress) are capitalised to the value of the asset. Examples of these costs are provided below. Costs incurred initially to purchase or construct an asset must be distinguished from costs incurred subsequently to add to, or replace part of, a completed asset, or to purchase or construct a separately identifiable asset.

In relation to costs incurred subsequent to the initial purchase, expenditure on assets must be capitalised (i.e. added to the carrying amount of the asset) when it improves the condition of the asset beyond its originally assessed standard of performance or capacity.

This can occur through:

- an increase in the service potential provided by the asset; or
- increasing the useful life of the asset.

1.4.1. Initial Purchases – Costs capitalised

Refer to AASB 116 para 16 to 19 for costs included in the cost of an item of property, plant and equipment upon initial purchase or construction

In the case of work in progress, agencies must ensure they assess the suitability of costs for capitalisation at the time they are incurred, to reduce the need for a subsequent impairment write-down.

Once the item of property, plant and equipment is in the location and condition necessary for it to be capable of being operated in the manner intended, the capitalising of costs must cease. Refer also to AASB 116 para 20 to 21.

1.4.2. Initial Purchases – Costs expensed

All training, administration and general overhead costs are to be expensed in accordance with AASB 116 para 19 or AASB 138 para 29.

1.4.3. Incidental Operations

Incidental operations may occur before or during construction or development activities. For example, income 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 income and related expenses of incidental operations are recognised in the Statement of Comprehensive Income and included in their respective classifications of income and expense in the relevant reporting period.

1.4.4. Third-Party Costs

In the course of constructing assets, particularly infrastructure assets, it may be necessary for an agency to relocate or replace assets belonging to another entity, e.g. removing and replacing pipes, relocating roads, relocating power lines, etc. An agency may also construct new assets for other entities. Such costs may relate to assets which are controlled by another reporting entity (i.e. a third party). That third party might include another Queensland Government entity or local government entity (e.g. council or utility company).

Third party costs that are directly attributable to, not just associated with, bringing the constructing agency's asset to the location and condition necessary for its intended operation, may be capitalised by the constructing agency, as per AASB 116 paragraph 16(b).

Directly attributable costs also need to be distinguished from costs incurred in connection with the acquisition of an asset but which are not necessary to bring the asset to the location and condition necessary for it to operate as intended. Examples of costs that are not considered to be directly attributable costs that should be expensed include:

- Ex gratia or special payments such as compensation for relocation costs paid to land occupants who are not legal owners of the land.
- Payments of a compensatory nature made to individuals, community groups or other organisations to ensure they are not disadvantaged by the construction work.
- Compensation paid to local businesses for loss of trade as a result of changes to the roads resulting in traffic being diverted around the location of their business are not be considered directly attributable costs and, therefore, should be expensed when incurred.

It is Queensland Treasury policy that, subject to the exceptions below, the cost of reconstructing third party assets disturbed or relocated in the process of constructing an agency asset, including the construction of new assets controlled by a third party, shall be expensed where the agency determines that the construction costs would not be incurred again when the asset is replaced in the same location. The expense classification is to reflect the nature of the costs (most commonly a capital grant).

- For example, the third-party asset has been moved in a different location and will no longer need to be disturbed or relocated or, in the case of a newly constructed asset, where the third party will become responsible for the ongoing operation and/or maintenance of the item (ordinarily where the item resulting from these costs is situated on land controlled by that other entity) and those costs will not be incurred again when the asset is replaced in the same location.

However, it is Queensland Treasury policy that capitalisation of costs incurred on constructing a third-party asset is permitted in the following situations:

(a) If the third party is a Queensland Government entity consolidated into the whole-of-government financial statements, and it is agreed the costs incurred by the agency will be subsequently transferred to the third party via a complying equity transfer mechanism, the costs are to be capitalised during construction and subsequently derecognised at the time of transfer.

- In some circumstances, the agency may be directed to construct an asset on behalf of another wholly-owned Government entity/agency and be funded to achieve that objective. In order to ensure appropriate accounting outcomes for whole-of-government reporting, it will be necessary for those costs to be capitalised during the construction phase as work-in-progress and be subsequently transferred through equity transfer on the asset's completion.

(b) Where there is genuine uncertainty regarding who has ultimate ownership and control of an asset being constructed, the constructing agency is permitted to capitalise the third party construction costs as work-in-progress pending a future decision around ownership and control being made.

- In some situations, decisions around ultimate ownership or control may not be made until the assets are partially or wholly constructed, such that expensing the construction costs may be premature if the potential exists that government may control the asset on completion.

(c) Where the agency is constructing an asset for an external third party, and is expecting to receive consideration for the work performed, the agency should apply AASB 15 and assess whether a contract asset should be recognised.

(d) Where the recipient entity who controls the asset is not a Queensland Government entity consolidated into whole-of-government financial statements, but the agency has obtained approval from Queensland Treasury to capitalise construction costs as work-in-progress.

- An agency may construct an asset, or assets, that are ultimately controlled by a third party outside the Queensland whole-of-government reporting entity. Prima facie, such circumstances typically indicate that the State may not control the future economic benefits

embodied in those assets, especially where the asset is constructed on land owned by that external third party.

- However, it is recognised there may be certain circumstances that warrant capitalisation of these construction costs as work-in-progress. This could include policy reasons or where government has accepted certain responsibilities or obligations during the construction phase that would make capitalisation appropriate. Queensland Treasury may, where appropriate, permit these costs to be capitalised. Agencies should contact Queensland Treasury's whole-of-government reporting team via fmcsupport@treasury.qld.gov.au to seek this approval.

Where construction (or reconstruction) of third party assets occurs, agencies should have regard to the information requirements of the third party for the asset, even where costs are expensed by the agency. This may include technical specifications and a breakdown of construction costs incurred in the asset's construction to enable the recipient to account for the asset upon receipt.

NCAP Tools Illustrative Examples 1.4.1 and 1.4.2 illustrate the treatment of third-party costs incurred in construction of infrastructure.

1.4.5. Demolition/Restoration Costs

Where an asset is to be demolished and a new asset constructed in its place, the carrying amount of the old asset must be written off in accordance with the provisions of AASB 116 and is **not** to be capitalised into the cost of the new asset under any circumstances.

In the rare cases where a Provision for Restoration is justified (due to there being a legal or constructive obligation to restore the site), the estimated costs of dismantling and removing the asset are included in the initial provision and are charged against the provision when they are incurred, with any costs over and above the amount of the provision expensed.

It is Queensland Treasury policy that amounts credited to the provision (to establish or increase it) are debited to the original asset and are therefore not capitalised as site preparation costs of the new asset. In all other cases, demolition and/or restoration costs should be recognised as an expense.

(Legal and constructive obligations are each defined in paragraph 10 of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Reference should also be made to AASB 116 paragraphs 16 and 18 regarding capitalisation of such costs to an asset.

The *Financial and Performance Management Standard 2019* (FPMS) requires agencies to develop asset management systems for efficiently, effectively and economically managing assets of each agency (including disposal of assets). Agencies are to develop linkages between the asset management systems and financial reporting processes to ensure assets that are appropriately valued, managed and recorded in agency financial statements.

NCAP Tools Illustrative Examples 1.4.3 and 1.4.4 illustrate situations where demolition and restoration costs should be capitalised or expensed.

1.4.6. Parts

Parts are generally classified as inventory and are recognised in the Statement of Comprehensive Income when consumed. However, major parts may be capitalised into the cost of the item of property, plant and equipment if the recognition principles as outlined in NCAP 1.4 are satisfied and either:

- the agency expects to use the major parts or stand-by equipment during more than one period; or
- spare parts are purchased specifically for a particular asset or class of assets and would become redundant if that asset or class were discontinued.

If parts are capitalised, the remaining carrying amount of the replaced parts must be derecognised.

1.4.7. Expenditure subsequent to Initial Purchase

Repairs and Maintenance

Outlays that do not meet the criteria for recognition as an asset must be expensed as repairs and maintenance as incurred. For example, expenditure that merely restores an asset to its original functionality, or repairs damage or wear and tear that would have prevented the asset reaching its original estimated useful life, must be expensed as repairs and maintenance.

Replacement of Components

For some complex assets, significant components with different estimated useful lives are separately identified for accounting purposes. Deciding whether expenditure on asset components should be capitalised follows the same process outlined for assets above, i.e. does the expenditure increase the service potential or useful life of the component beyond the originally assessed standard. (Refer also to NCAP 2 Complex Assets)

Day-to-Day Servicing

General day-to-day servicing of an item of property, plant and equipment is not to be capitalised into the cost of an asset. Generally, these costs will primarily be the costs of labour and consumables and may include the cost of immaterial parts. They are generally described as 'repairs and maintenance' and are recognised in the Statement of Comprehensive Income as incurred.

Overhauls/Refurbishments

Some items of property, plant and equipment may have parts which require replacement at regular intervals. For example, a furnace may need to be relined after a certain number of hours of use or aircraft interiors such as seats may require replacement several times during the life of the airframe of the aircraft.

In other instances, items of property, plant and equipment may be renewed on an unplanned or ad hoc basis, such as replacing the interior walls of a building. In these instances, an agency recognises the cost of replacing part of such an item in the carrying amount of the item of property, plant and equipment when that cost is incurred only if the asset recognition criteria are met. The carrying amount of those parts that are replaced must be derecognised (refer to AASB 116 paragraphs 13 and 14).

Regular Major Inspections

As a condition of continuing to operate an item of plant and equipment, some agencies will be required to undertake regular major inspections for faults, regardless of whether faults are indicated or parts of the item are replaced. For example, some aircraft must have a major inspection every 5,000 flying hours (this may equate to approximately every five years).

When each major inspection is performed, its cost is recognised as a replacement in the carrying amount of the item of property, plant and equipment if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection must be derecognised.

Costs of performing every-day inspections are not to be capitalised.

No Provisions for Future Maintenance

The creation of a provision for future maintenance of non-current assets is not permitted as such action would be inconsistent with the principles for the recognition of provisions as detailed in

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. A provision is a liability and for a liability to be recognised, a past event must have occurred.

1.4.8. Special Purpose Vehicles

There are occasions when agencies need to establish special purpose vehicles (SPVs) (e.g. a proprietary company established under the *Corporations Act 2001*) for the sole purpose of constructing a significant infrastructure asset.

SPVs preparing general purpose financial statements are required to comply with the Australian accounting standards. On this basis, SPVs cannot assume that all expenditure incurred can be capitalised as part of the cost of constructing an asset. Therefore, in deciding what costs form part of the cost of construction of the asset and therefore should be capitalised, and what costs should be expensed, SPVs are to refer to the Australian accounting standards. In particular, AASB 116 *Property Plant and Equipment*, which states that only those costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by the SPV management can be capitalised. Any administration and other general overhead costs incurred by the SPV must be expensed, this ensures the correct treatment of these costs for whole-of-government reporting.

1.4.9. Capitalise vs Expense Examples

Physical assets

Example Costs Incurred	Treatment
Cost to purchase an asset (including import duties, non-refundable purchase taxes) minus any trade discounts and rebates	Capitalise – this represents initial cost to acquire the asset
Initial delivery and handling of an asset	Capitalise – these costs are directly attributable in bringing the asset to the location necessary for it to be capable of operating in its intended manner
Installation and assembly of an asset	Capitalise – directly attributable in bringing the asset into the condition necessary for it to be capable of operating in its intended manner
(Initial) testing of whether the asset is functioning properly	Capitalise – directly attributable in bringing the asset into the condition necessary for it to be capable of operating in its intended manner
Removing and replacing pipes owned	Capitalise – necessarily incurred in completing the

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Example Costs Incurred	Treatment
by another entity in the process of constructing a dam	project of building the dam (i.e. unavoidable in constructing the dam)
Major refurbishment of a floor in a building resulting in increased capacity (accommodates more staff after refurbishment)	Capitalise – improves the condition of that floor of the building beyond its originally assessed standard of capacity through increased service potential
Costs incurred in training staff	Expense – not directly attributable in preparing the asset for use
Minor works done to maintain the asset to ensure it continues at the current level of service until the end of its useful life	Expense – does not improve the condition of the asset beyond its originally assessed standard of performance or capacity i.e. it does not increase the service potential nor does it increase its useful life
Property searches in preparation of selling property (currently not yet in “held for sale” class)	Expense – does not improve the condition of the property beyond its originally assessed standard of performance or capacity i.e. it does not increase the service potential nor does it increase its useful life
Repainting walls in a building	Expense – maintaining the condition of the building and does not improve the condition of the building such that it increases its service potential or its useful life

Intangible assets

Example Costs Incurred	Treatment
Purchase price (including import duties, non-refundable purchase taxes, minus any trade discounts and rebates)	Capitalise – this represents initial cost to acquire the asset
Material and services in generating the asset	Capitalise – directly attributable in preparing asset for its intended use
Fees to register a legal right	Capitalise – directly attributable in preparing asset for its intended use
Costs incurred in testing a system in pre-production	Capitalise – this exercise forms part of the development phase (AASB 138 paragraphs 57 and 59)
Systems configuration for a system	Capitalise – this is part of building/developing the

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Example Costs Incurred	Treatment
recognised as an intangible asset	system and is directly attributable in preparing the system for its intended use
Costs incurred in examining a viable option for replacing a system	Expense – investigation undertaken and is part of the research phase – unable to demonstrate that an intangible asset exists that will generate probable future economic benefits
Training	Expense – not directly attributable in preparing the asset for use
40 (annual) Software user licences costing \$2,500 each	Expense – these individual licences do not meet the recognition threshold for intangible asset. They should not be grouped together for capitalisation as they do not satisfy the definition of a network
Costs incurred in documenting policies and guidelines	Expense – these activities are in connection with the development of an asset but are not necessary in preparing it for use

1.5. MANDATED ASSET CLASSES

It is Queensland Treasury policy that agencies must adopt the asset classes specified for Property, Plant and Equipment and Intangibles in Appendix 1.1 (with ‘Major Plant and Equipment’ being an optional class).

A ‘class’ of non-current assets is a grouping of assets of a similar nature and use in an entity’s operations, which, for the purposes of disclosure, is shown as a single item in the financial report without supplementary dissection. That is, a class is the lowest note level disclosure in the financial statements. Appendix 1.1 also sets out the measurement method prescribed for each class for all not-for-profit agencies consolidated into the whole-of-Government financial statements.

The asset classes outlined are mandated to achieve consistency in reporting asset information across the Queensland Public Sector to provide more reliable and relevant information to users of financial statements and asset managers.

See Appendices 1.2 and 1.3 for asset class descriptions.

1.5.1. Details of Particular Asset Classes

Infrastructure

For the purposes of this policy, the definition of infrastructure is as follows:

A long-life physical asset that consists of an entire system or network (including components), not otherwise defined, which provides the foundation to support Government services and enhance the capacity of the economy.

An infrastructure asset is primarily stationary in nature, purpose built, with a long useful service life, and associated with a network or system. Although not an exhaustive list, the following are examples of items included in the definition of *Infrastructure*:

- Water and Waste Systems
- Street Lighting Systems
- Dams
- Bridges
- Electricity Supply Systems
- Gas Supply Systems / Networks
- Pipelines
- Rail Network
- Harbour and Port Facilities
- Wharves
- Bus Stations
- Road Networks¹
- Hangers
- Runways
- Sewerage Systems

Exclusions from the definition of 'Infrastructure' include Buildings (including treatment plants) and Land Improvements which include External Services unless they are an ancillary part of an infrastructure system (such as a sewerage pump station or landscaping around an infrastructure asset etc.).

'External services' include the services above or below ground but external to buildings and which are within the confines of a parcel of land. These services are more appropriately classified as Land Improvements. Refer to Land Improvements below.

¹ All government gazetted roads (e.g. under the *Land Act 1994*) are considered part of road networks and are infrastructure, while non-gazetted roads are land improvements.

Land Improvements

Land improvements are long-life attachments to parcels of land that increase the land's usefulness or value, have a limited useful life, and are depreciated. They include *External Services* (as defined above) and other items that are within the confines of a parcel of land (e.g. external services within school grounds, correctional facilities and ambulance stations etc). The following are examples of items included in *Land Improvements*:

- | | |
|------------------------------------|---------------------------------|
| - Covered Play Areas | - Roads, Footpaths, Paved Areas |
| - Fountains | - Outbuildings and Covered Ways |
| - Landscaping and Improvements | - Stormwater and Sewer Drainage |
| - Sheds | - Water and Gas Supply |
| - Parking Lots (bitumen car parks) | - Fire Protection Systems |
| - Parking Barriers | - Electric Light and Power |
| - Retaining Walls | - Communication Systems |
| - Centralised Energy Systems | - Bores |

The above examples are not an exhaustive list. Agencies can choose to record and depreciate Land Improvements assets as part of the main asset otherwise they are to be recorded and depreciated separately from the main asset.

Land Improvements are to be recognised in the same class as the main asset to which they are attached (e.g. Buildings).

1.5.2. Major Plant and Equipment

This is not a mandatory class. This asset class may be used at management discretion. For instance, an agency may wish to consider using Major Plant and Equipment where some assets within the class have potential for high price volatility and/or valuations (e.g. foreign exchange fluctuations, high incidence of obsolescence, exposure to market forces, etc).

All plant and equipment assets with a value over \$5,000 must be capitalised as either Major Plant and Equipment or Plant and Equipment. In most cases, the default classification for new plant and equipment assets will be Plant and Equipment. Examples of Major Plant and Equipment include:

- Aircraft
- Specialised Vehicles
- Shipping Vessels
- Earthmoving Equipment
- Hi-Tech Equipment

The list above is illustrative only. Each agency should consider their assets based on their individual agency circumstances.

First Time Adoption of the Major Plant and Equipment Class

Upon initial adoption, the non-current assets transferred to the new class are required to be transferred from the existing plant and equipment class into the Major Plant and Equipment asset class. On transfer to Major Plant and Equipment, the gross and accumulated depreciation amounts should be retained initially. The assets are to be revalued immediately after transfer to the new class, and any revaluation increments or decrements treated as follows:

- revaluation increments are to be credited directly to an asset revaluation surplus; and
- revaluation decrements are to be recognised in accumulated surplus/deficit.

In subsequent years, revaluations are to be treated the same way as that specified in AASB 116.

Disclosure

The agency's accounting policy notes must disclose:

- the new asset class;
- the criteria used to determine these assets; and
- the types of assets included in this category.

In the period of initial recognition of the Major Plant and Equipment class, and thus the reclassification of items in the financial statements and comparative amounts, the agency is to disclose:

- the nature of the reclassification
- the amount of each item or class of items that is reclassified
- the reason for the reclassification

1.5.3. Intangible Assets

Descriptions of classes of intangible assets are contained in Appendix 1.3.

Software

When determining whether computer software is to be classified as property, plant and equipment or as an intangible, the agency must use judgement to assess whether the tangible or intangible element is more significant. For example, computer software for a computer-controlled

machine tool that cannot operate without that specific software is an integral part of the related hardware and it is treated as property, plant and equipment. The same applies to the operating system of a computer.

When the software is not an integral part of the related hardware, computer software is treated as an intangible asset where it meets the asset recognition threshold, otherwise it is expensed.

The Purchased Software class refers to software that is substantially used in the form it was purchased without material changes programmed by the agency. Purchased software also includes software purchased by another Queensland government agency and subsequently transferred, by way of a machinery-of-Government change or other transfers, to the current holder of the software asset.

Internally Generated Software is composed of the software purchased to generate the asset plus all costs necessary to get the asset ready for use. Internally generated software also includes software internally generated by another Queensland government agency and subsequently transferred, by the mechanism of a machinery-of-Government change or other transfers, to the current holder of the software asset.

1.6. ASSET RECOGNITION THRESHOLDS

It is Queensland Treasury policy that not-for-profit agencies that are consolidated into whole-of-Government must adopt the asset recognition thresholds for Property, Plant and Equipment and Intangibles set out in Appendix 1.1. A non-current asset with a cost (or where an asset is acquired at no or nominal cost, its fair value) at the time of acquisition that is less than the mandated asset recognition threshold must be expensed in the period of acquisition.

Agencies usually control a number of low value items that satisfy the asset recognition criteria, but if accounted for individually as assets would result in significant costs for limited benefits. To avoid such a situation and to facilitate a consistent threshold for whole-of-Government consolidation purposes, asset recognition thresholds have been established.

Exception: *For-profit* statutory bodies and agencies *not consolidated* into the whole-of-Government financial statements have the discretion to determine alternative asset recognition thresholds in consultation with their internal and/or external auditors. Any change in recognition threshold must facilitate the financial statements providing reliable and more relevant information (as per AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*). A change in recognition threshold should be accounted for as a change in accounting policy in accordance with AASB 108, including the requirement for retrospective application.

1.7. GUIDANCE ON PARTICULAR ASSET TYPES

1.7.1. Easements

For the purposes of this policy easements are defined as “an ‘interest’ in land or property – a right to use land or property of an external entity for a limited purpose (as right of passage).” By their nature, easements are intangible and are to be accounted for in accordance with AASB 138 *Intangible Assets*.

1.7.2. Land under Roads

It is Queensland Treasury policy that all land under roads (to which the *Land Act 1994* applies) acquired on or before 30 June 2008 must be recognised at fair value. Land under roads acquired on or after 1 July 2008 must be recognised in accordance with AASB 116 *Property, Plant and Equipment*.

Land under roads is defined in AASB 1051 *Land Under Roads* as “Land under roadways, and road reserves, including land under footpaths, nature strips and median strips.” For the purposes of this policy, land under roads only relates to land to which the *Land Act 1994* applies. It does not capture land under internal roads such as those on TAFE or hospital sites.

On adoption of AASB 1051, Queensland agencies were instructed to elect to recognise all land under roads acquired on or before 30 June 2008. The election was effective from 1 July 2008. Land under roads is part of the asset class ‘Land’ and therefore subject to the asset recognition threshold of \$1 and measurement at fair value. Consequently, all agencies holding land at 30 June 2008 that met the definition of ‘land under roads’ were required to recognise that land at fair value in accordance with AASB 1051 para 8-9 and Appendix 1.1.

1.7.3. Leased Assets

Right-of-use assets from leases are to be accounted for in accordance with AASB 16. Agencies should refer to FRR 4B for Treasury policies on lease accounting. Note that the asset recognition thresholds in section 1.6 and Appendix 1.1 are not applicable to right-of-use assets.

1.7.4. Intangible Assets

Internally Generated Intangible Assets - Software

The cost of an internally generated intangible asset is determined as the sum of expenditure incurred from the date when the intangible asset first meets the development recognition criteria until the asset is “capable of operating in the manner intended by management”. Therefore, regardless of the type of activity, costs incurred before the development recognition criteria are met need to be directly expensed. It is important to note that AASB 138 prohibits the capitalisation of any amounts that have previously been expensed.

In some cases, technical design costs for the asset may be incurred and expensed in the research phase under AASB 138. Although such costs may ultimately relate to the final software asset constructed, subsequent capitalisation is not permitted. Therefore, it is imperative agencies determine the appropriate accounting treatment including identifying the research and development phases under AASB 138 prior to commencing the software development project.

The following costs should be expensed in the reporting period in which they are incurred:

- all research costs (refer comments below);
- selling, administrative and other general overhead expenditure (unless in rare circumstances certain project administration costs can be clearly demonstrated to be directly attributable in preparing the asset for use);
- any identified cost inefficiencies/overruns and initial operating losses;
- expenditure on training activities;
- data cleansing activities and data conversion/migration preparation;
- minor modifications after system is operational.

Costs incurred in the early planning phase (e.g. feasibility studies, formulating preliminary design requirements, evaluating alternative design specifications) in the lead up to the actual technical design, development and configuration of the new system would be considered research activity.

Similarly, while implementation planning is required to establish the resources, project activities/milestones, roles/responsibilities and governance arrangements for the project, such implementation planning costs are typically not included in the cost of the asset as they do not represent future economic benefits embodied in the software, nor enhance the long-term value of the software asset itself.

Activities that would typically qualify for capitalisation once the development phase of AASB 138 commences include:

- Technical Design (unless incurred and expensed in the research phase)
- System Build
- Testing of new system
- Development of system documentation
- System configuration

Assets Acquired For No or Nominal Cost

For not-for-profit agencies, intangible assets acquired at no cost or for a nominal consideration, other than those acquired through machinery-of-Government changes or other inter-agency transfers, must be recognised initially at fair value as at the date of acquisition in line with AASB 138 para Aus24.1, provided there is an active market for the asset(s) concerned. If there is no active market and the asset's fair value cannot be measured reliably, they are not to be recognised on the Statement of Financial Position but rather disclosed in a note to the financial statements, if such items are material in a qualitative sense.

When a for-profit agency receives an intangible asset free of charge, or for nominal consideration, by way of a government grant, the agency is to recognise both the asset and the grant at fair value (where fair value can be measured reliably), in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. Although permitted under AASB 120, agencies must not recognise such intangible assets at their nominal values.

Measurement After Recognition

NCAP 3 *Valuation of Non-current Assets* specifies that where there is an active market, intangible assets are to be carried at fair value, and where there is no active market, intangible assets are to be carried at cost.

If an active market that once existed ceases to exist, such intangibles must be held at cost, with the fair value that was last determined by reference to an active market being deemed to be "cost" from that time until such time as an active market exists again.

The reinstatement and capitalisation of costs previously recognised as an expense is prohibited.

1.7.5. Software Configuration / Customisation Costs in Cloud Computing Arrangements

The term “*Cloud-Computing*” covers a broad range of IT delivery models including Software-as-Service (SaaS), Infrastructure-as-a-Service (IaaS) or Platform-as-a-Service (PaaS) arrangements. Depending upon the specification of the cloud-computing arrangement, these models may be delivered as a stand-alone solution or as a combination of services.

Software-as-a-Service (SaaS)

Particular attention is required when accounting for SaaS arrangements. Agencies entering a SaaS contract should refer to the following IFRIC agenda decision published in April 2021 when accounting for the transaction. <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/agenda-decisions/2021/configuration-or-customisation-costs-in-a-cloud-computing-arrangement-mar-21.pdf>

The agenda decision outlines that a customer often does not control the software being configured or customised under the SaaS arrangement. This is due to the arrangement conveying to the customer the right to receive access to the supplier’s application software over the contract term, not control of the actual application software asset itself. Consequently, the access to the software is a service that the customer receives over the contract term. In addition, the customer will often incur costs of configuring or customising the supplier’s application software to which the customer receives access. This may involve modifying the software code or setting various ‘flags’ or ‘switches’ to set up the software’s existing code to function in a specific way.

Where the configuration or customisation activities do not create a resource controlled by the entity that is separate from the supplier’s software, the criteria for recognising an intangible asset will not be met. However, costs to configure or customise the agency’s existing software or IT environment in order to integrate with the new cloud software can be capitalised in line with general software capitalisation principles where the related software code is controlled by the agency.

Accounting for software configuration and customisation costs that are ineligible for capitalisation

Configuration and customisation costs that do not qualify for recognition as an intangible asset are to be expensed as supplies and services expenses. To determine the timing of expense recognition, the agenda decision directs entities to apply the concepts in AASB 15 paragraphs 27 to 29 to assess whether the configuration or customisation activities performed by the supplier are distinct from the right to receive access to the supplier’s software.

*Note that this assessment is only relevant when **the same supplier** is providing both the configuration or customisation services and the access to the cloud software. Where a different supplier (who is not acting as an 'agent' for the software supplier) or the agency's own staff are doing the configuration/customisation, the costs should be expensed as incurred.*

- ➔ If the configuration/customisation service is a distinct service from the right to receive access to the supplier's software, the costs are expensed upfront when the configuration or customisation is performed.
- ➔ If the configuration/customisation service is not a distinct service from the right to receive access to the supplier's software, the costs are recognised as expenses as/when the supplier provides access to the cloud software over the contract term. This usually means the agency recognises a prepayment asset upfront, which unwinds over the contract term.

The following guidance is provided to assist agencies to decide whether the configuration/customisation activities performed by the supplier are a distinct service from the right to receive access to the supplier's cloud software.

1. Can the agency benefit from the configuration/customisation activities either on its own or together with other resources that are readily available to the customer?

Generally, the agency cannot benefit from the configuration/customisation on its own, so it would depend on whether the access to the cloud software is a resource that is "readily available" to the agency. The cloud software service would be a readily available resource if, for example, the agency can readily purchase it separately from the supplier or other vendors without any configuration or customisation services attached.

2. Is the supplier's promise to perform the configuration/customisation activities separately identifiable from its promise to provide access to the cloud software?

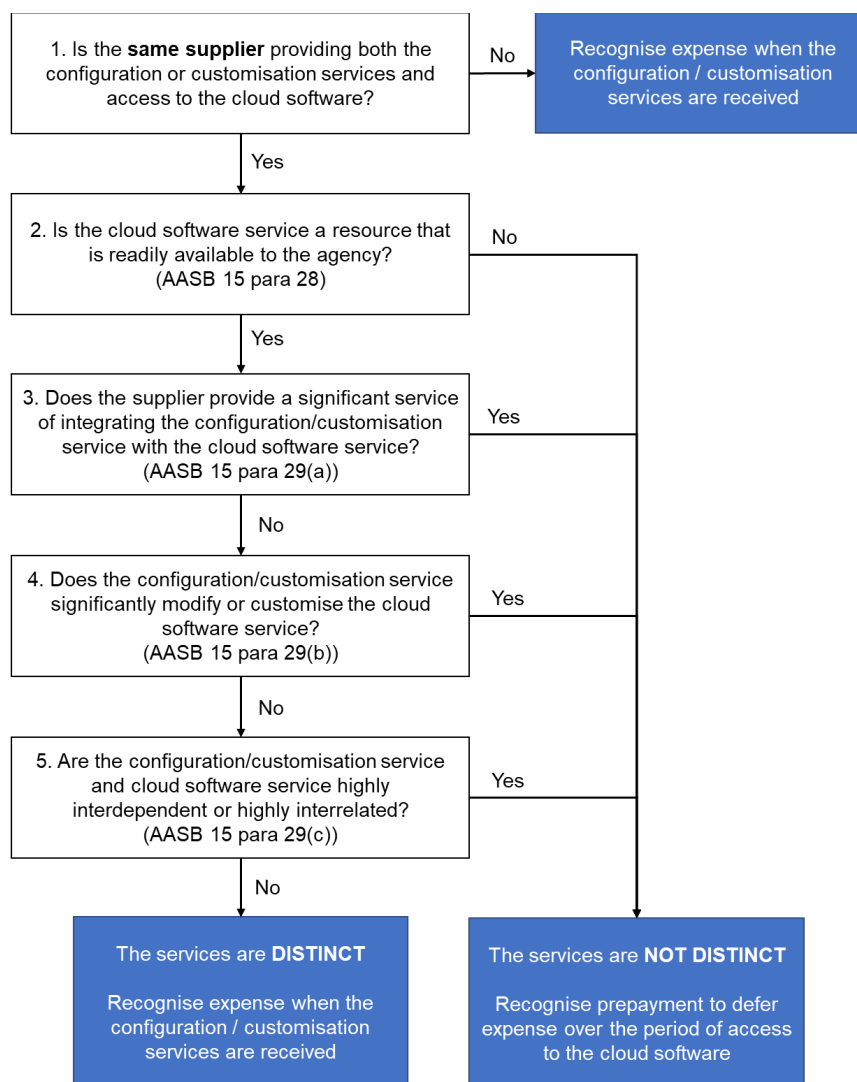
AASB 15 paragraph 29 lists factors that indicate when the promises are not separately identifiable and hence the services being not distinct.

- a) The supplier provides a significant service of integrating the configuration/customisation service and the cloud software service into a bundle – This is unlikely to be relevant for SaaS or cloud software arrangements as the level of integration of different goods and services here is unlikely to be considered significant.

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- b) The configuration/customisation service significantly modifies or customises the cloud software service – This is likely to be the case for customisation activities, but is unlikely for configuration activities.
- c) The configuration/customisation service and cloud software service are highly interdependent or highly interrelated – This is likely to be met where the supplier will not be able to provide the agency with access to the cloud software without first performing the configuration or customisation activities.

The assessment of whether the configuration/customisation and cloud software services are distinct is summarised in the following decision tree below.



1.7.6. Investment Property

It is Queensland Treasury policy that buildings that are leased principally to other Queensland Government agencies are not to be classified as investment property in the agency's financial statements, unless the asset is surplus to requirements and held specifically to earn income.

1.7.7. Assets in Public-Private Partnerships (including Service Concession Arrangements)

Agencies should refer to FRR 5D Service Concession Arrangements and Other Public-Private Partnerships for policies and guidance on accounting for service concession assets under AASB 1059 *Service Concession Arrangements: Grantors* and for assets in public-private partnerships (PPPs) that are not service concession arrangements.

Service concession assets are required to be recognised at current replacement cost. They are subsequently accounted for in the same way as property, plant and equipment (or intangible asset) with the exception that all references to fair value shall instead be read as current replacement cost.

Where the asset in a PPP is accounted for as property, plant and equipment under AASB 116, it is subject to all the recognition and measurement requirements in the NCAPs applicable to PP&E. Where the PPP contains a lease, the right-of-use asset is subject to the requirements of FRR 4B.

1.7.8. Portable and Attractive Items

Certain items that have values below the asset recognition threshold are, by their nature, susceptible to theft or loss. Such items, termed portable and attractive, may include personal computers, laptops, smart devices, programmable calculators, cameras, power tools, ladders and like items.

Regardless of the treatment of these types of assets for financial reporting purposes, such items must be registered for physical control purposes. It may be appropriate to specify a control threshold to exclude very low value items. If a separate Register of Portable and Attractive Items is not maintained such assets may instead be recorded at 'nil' value in the Asset Register of the agency. Portable and attractive items are not reported in an agency's financial statements.

1.8. LIBRARY COLLECTIONS

1.8.1. Classification of Library Collections

It is Queensland Treasury policy that, for financial reporting purposes, library collections are to be classified into the following three categories, and documented accordingly:

Common use collections - A common use collection is usually comprised of a large number of low value items which are used in the day-to-day operations of the library e.g. undergraduate text books and technical publications. These items, in most instances, may be borrowed. Due to a pattern of declining use, obsolescence and of physical deterioration over time, library materials in these collections generally have a short period of service potential (e.g. the greatest usage is within the first year). Individual items are continually being updated and replaced.

Reference collections – Reference collections usually include both general and specialised items. These items are usually not able to be borrowed, but are available for use, even if archived. Generally, these items have variable uses (e.g. undergraduate and research purposes), and have a longer useful life than common use collections, but are not held indefinitely. If possible, these items would generally be replaced if lost or damaged.

Heritage collections – A heritage collection is a permanently retained collection which has heritage, cultural or historic value that is worth preserving indefinitely and to which sufficient resources are committed to preserve and protect the collection and its service potential. The collection is generally held for public exhibition, education, or to provide a service to the community. Heritage collections are not usually available for sale, for redeployment or for an alternative use.

Professional judgement will be required to assess the characteristics of each item to determine its correct classification. In determining the correct classification, considerations may include:

- the useful life of the material – is it limited, long term or indefinite?
- how the items are stored and used; and
- the nature of library expenditure within that category – regular replacement of holdings, expenses related to controlling the environment in which the asset is used, etc.

1.8.2. Recognition and Presentation Requirements

Guidance for particular types of library collections is contained in the following table. **The following Queensland Treasury policies apply to both physical and digital library collections.**

Category	Accounting treatment
Common use collections	In recognition of their limited life and the cost/benefit of valuing collections with a high turnover of material, common use items are to be <u>expensed</u> on acquisition.
Reference collections	<p>Based on their longer periods of service potential to the library, material reference collections are to be <u>capitalised and recognised at fair value</u> where the value exceeds the recognition threshold of \$1,000,000. Items in this category should be presented in the financial statements as 'Library Reference Collection', unless a better descriptor is determined by the agency.</p> <p>If the library purchases multiple copies of the same item, only one of the items, per location (for example, one per university campus) is to be capitalised. Further, the fair value determined during revaluation will be applied to only one copy of multiple holdings per location.</p>
Heritage collections	<p>Heritage collections are to be <u>capitalised and recognised at fair value</u> where the value exceeds the recognition threshold of \$5,000. Items in this category will form part of the existing Heritage and Cultural Assets class in the financial statements.</p> <p>If it is not possible to determine a fair value for the heritage collection at the outset, it is not to be recognised on the Statement of Financial Position but rather disclosed as a note to the financial statements, if it is material in a qualitative sense. This disclosure should state:</p> <ul style="list-style-type: none"> • a description of the nature of the collection; • the purposes for which it is held; • the reason why its heritage value cannot be reliably estimated; and • to the extent practicable, the annual costs of maintenance/preservation.

1.8.3. Transfers Between Collections

The following accounting treatments apply when library items are transferred between collections:

Old Category	New Category	Accounting Treatment
Common use	Reference / Heritage	Recognise the item in the new collection at fair value, as a revaluation increment – subject to the recognition threshold for the new library collection (if the item does not meet the threshold, it is not recognised)
Reference / Heritage	Common use	Remove the item from the collection, effectively expensing the item's carrying amount
Reference	Heritage	Transfer the item to heritage and cultural assets and obtain an updated fair value
Heritage	Reference	If the item meets the higher recognition threshold for reference collections, transfer the item to reference collections and obtain an updated fair value (if the item does not meet the higher threshold, it is to be expensed)

1.8.4. Guidance on Specific Types of Library Collections

Periodicals and Subscriptions

Generally, periodicals and subscriptions would be regarded as common use and expensed on acquisition. However, it may be appropriate for some of these items to be included in either the reference or heritage collections. Therefore, the library must determine the correct classification for individual items and account for them accordingly.

Electronic Media

Access to electronic media is generally obtained by either outright purchasing of the information or through a licence agreement. Under either method, the issue of control, as well as expected economic benefits, must be considered when determining whether capitalising or expensing is appropriate.

When electronic media is purchased outright, control over the asset is generally obtained to partially satisfy the asset recognition criteria. Assuming the other asset recognition criteria are satisfied, the agency must determine the correct classification of the individual items of electronic media, and account for them accordingly.

When information is accessed through a licence agreement, there is no access to the information unless the licence fee is paid and other terms of the agreement are met e.g. access rights and copyright clauses apply. Where this occurs, the agency does not have control of the information. Consequently, the annual licence fee must be expensed, and not recognised as an asset. However, where the agency has archival access, capitalising this electronic media may be appropriate, as the benefit lasts for more than one year.

Internally Developed Information

Some agencies, particularly universities, may hold internally developed information (e.g. theses or staff articles/books) in hard copy or digital repositories. These are to be considered as in-house intellectual property, and accounted for under AASB 138 *Intangible Assets*.

Digital Library Collections

The mandatory policies for Library Collections also apply to digital collections of self-generated and purchased library items in a digital/electronic format. A digital reference or heritage collection is to be accounted for as an intangible asset.

The recognition thresholds for digital collections are set out in Appendix 1.1 and are the same as their physical counterparts. These recognition thresholds apply to costs incurred to:

- acquire digital/electronic items from an external source; and
- create digital/electronic copies of physical items already controlled by the agency.

As it is uncommon for an active market to exist for digital library collections, it is likely that a digital collection would be subsequently measured using the cost model.

Where multiple copies of an identical digital item exist, for example, the digitisation of reformatted and restored collections, costs incurred in creating any duplicate digital copies are to be expensed.

1.8.5. Disclosure Requirements

It is Queensland Treasury policy that, in addition to the standard disclosures required for PP&E or intangible assets, agencies must disclose:

- **the basis on which library collections are classified;**
- **whether their collections are capitalised or expensed, and the basis for this;**
- **if capitalised, how the fair value of the collections is determined;**
- **if capitalised, whether their collections are depreciated, and the basis for this; and**
- **if fair value for a heritage collection cannot be determined, the reasons for this.**

In addition, the insured value of the expensed common use collection must be disclosed in the notes to the financial statements, along with how this value was derived. While the insured value does not necessarily equate to the replacement cost, it provides an indication of the replacement cost of the collection.

1.9. GROUPING OF ASSETS

For the purpose of applying the asset recognition thresholds in Appendix 1.1, it is Queensland Treasury policy that agencies are not to group similar or like-natured assets, including personal computers, which do not meet the definition of a network.

Only assets that form a network or part of a network are to be grouped for capitalisation. For the purposes of this policy, a network is defined as *"A chain of interconnected but dissimilar assets connected for the provision of the one simultaneous service."* Examples of a network of assets include:

- *Computer network* (excluding personal computers): the network includes the network operating system in the client and server machines, the cables connecting them and all supporting hardware in between such as bridges, routers and switches.
- *Leasehold improvements*: leasehold improvements include wall construction, painting, cabling, carpeting, glazing, joinery, built in desks, cabinets and work stations.
- *Land improvements*: including landscaping, sheds, retaining wall, parking lots, covered play areas, etc.

In relation to part replacements of networks, such acquisitions are to be capitalised, when and only when it is probable that future economic benefits in excess of the original standard of performance of the network will flow to the agency in future financial years and the acquisition is material to the class of asset. If part of the network is capitalised, the remaining carrying amount of the replaced part must be derecognised.

1.10. STOCKTAKES

It is Queensland Treasury policy that:

- **Stocktakes of assets (also known as asset verifications) are to be undertaken on a regular basis.**
- **For the purposes of this policy, 'regular' means, as a minimum, all assets are physically verified at least once every 3 years, on a rolling basis.**
- **Assets not located during this process are to be written off in that year, subject to materiality, in accordance with the agency's accounting policies and procedures, and authorised by an appropriately delegated officer.**

The existence of assets, including inventories, are to be verified on a regular basis. In undertaking the asset verification process, it is expected that the assets are sighted.

The frequency of the asset verification procedure should be decided after considering the risk profile and materiality of each class of asset, subject to the 'once every 3 years' requirement.

The existence of land, building and infrastructure assets are generally verified during condition assessments or revaluations which are undertaken by an independent professional valuer or internal expert.

Expensed library collections

A formal stocktake of expensed collections may not be necessary. However, sufficient controls must be implemented to allow proper management of the holdings and to ensure security of the collections. This may involve a stocktake over an extended period combined with adequate security over the holdings e.g. electronic protection, reviews of cataloguing, borrowing systems and procedures.

APPENDIX 1.1 – NON-CURRENT ASSET CLASSES AND ASSET RECOGNITION THRESHOLDS

	Asset Class	Asset Recognition Threshold *	Measurement Method**
Property, Plant and Equipment	• Land	\$1 (all land)	Revaluation
	• Buildings	\$10,000	Revaluation
	• Infrastructure	\$10,000	Revaluation
	• Major Plant and Equipment (optional class)	≥\$5,000 (at discretion of agency management)	Revaluation
	• Plant and Equipment	\$5,000	Cost***
	• Library Reference Collections	\$1,000,000	Revaluation
	• Heritage and Cultural Assets	\$5,000	Revaluation
	• Work in Progress	n/a	Cost
Intangibles	• Software Purchased • Software Internally Generated • Intellectual Property • Other Intangibles	\$100,000	No active market – Cost Active market – Revaluation (per AASB 138)
	• Digital Library Reference Collections	\$1,000,000	No active market – Cost Active market – Revaluation (per AASB 138)
	• Digital Library Heritage Collections	\$5,000	No active market – Cost Active market – Revaluation (per AASB 138)
	• Software Work in Progress • Intellectual Property	n/a	Cost

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	Asset Class	Asset Recognition Threshold *	Measurement Method**
	work in Progress		
Other	<ul style="list-style-type: none"> Right-of-use assets (from leases) 	n/a – apply the low value asset threshold instead	Cost

* *These recognition thresholds apply only to not-for-profit agencies that are consolidated into the whole-of-Government financial statements, and only upon initial recognition. For-profit statutory bodies and agencies not consolidated into the whole-of-Government financial statements have the discretion to determine alternative asset recognition thresholds in consultation with their internal and/or external auditors. This policy may be early-adopted by eligible agencies where possible (e.g. where an eligible agency has a 31 December financial year end).*

** *For-profit statutory bodies and agencies not consolidated into the whole-of-Government financial statements have the discretion to choose either the cost or revaluation model for property, plant and equipment as per AASB 116. This policy may be early-adopted by eligible agencies where possible (e.g. where an eligible agency has a 31 December financial year end). Where a for-profit statutory body consolidated into the whole-of-Government financial statements chooses the cost model, it is still required to provide fair values to Queensland Treasury for whole-of-Government reporting purposes. Refer to NCAP 3.3 Application of Fair Value Basis for more guidance.*

*** *As this class is designed to capture items of stable value and/or frequent turnover, carrying amount is considered to approximate fair value.*

APPENDIX 1.2 – DESCRIPTIONS OF CLASSES OF PROPERTY PLANT AND EQUIPMENT

Asset Classes	Examples of Assets Forming the Asset Class
Land	Land and Land under roads (land under roads includes land under roadways, and road reserves, including land under footpaths, nature strips and median strips).
Buildings*	Buildings, Building Fit outs, Sporting Facilities, Leasehold Improvements to Land, Other structures and Improvements and associated Land Improvements*.
Infrastructure*	Electricity, Gas, Water, Transport, Environmental, Sewerage, Forestry, Recreation, Amenities and associated Land Improvements*.
Major Plant and Equipment	Examples of Major Plant and Equipment may include: Aircraft, Specialised Vehicles, Shipping Vessels, Earthmoving Equipment and Hi-Tech Equipment.
Plant and Equipment	Furniture, Fixtures and Fittings including Leasehold Improvements to Buildings, Computer Equipment, Office Equipment, Common Use/General Purpose Libraries, Motor Vehicles, Agricultural and Farming Equipment, and other items not otherwise included in the asset class, Major Plant and Equipment.
Library Reference Collections	General and specialised items, usually not able to be borrowed, but available for use, even if archived. Generally, have variable uses (e.g. undergraduate and research purposes), and a longer useful life than common use collections, but not held indefinitely. If possible, would generally be replaced if lost or damaged.
Heritage and Cultural Assets	Works of Art, Cultural Collections, Heritage Library Collections, National Parks, Heritage Buildings/other items of cultural or historical significance.
Work in Progress	Property, plant and equipment under construction or in the process of being constructed and not yet in the location and condition necessary for it to be capable of operating in the manner intended by management.

* Land improvements are to be included in the class Buildings or Infrastructure based on their proximity to the asset to which they relate. See NCAP 1.5.1 for details of what is to be included in Land Improvements.

APPENDIX 1.3 – DESCRIPTIONS OF CLASSES OF INTANGIBLE ASSETS

Asset Classes	Examples of Assets Forming the Asset Class
Software Purchased	Software predominantly purchased from external providers; Purchased software transferred from another Queensland government agency
Software Internally Generated	Software predominantly built within the agency; Internally generated software transferred from another Queensland government agency
Software Work in Progress	Software being built which is not yet in location and ready for use
Intellectual Property	Patents, Copyrights
Intellectual Property Work in Progress	Intellectual property being developed which is not yet patented or copyrighted
Other Intangibles	Licences
Digital Library Reference Collections	General and specialised library items in digital/electronic format, usually not able to be borrowed, but available for use, even if archived. Generally, have variable uses, but not held indefinitely. If possible, would generally be replaced if lost or damaged.
Digital Library Heritage Collections	Library items of cultural or heritage significance in digital/electronic format, usually not able to be borrowed, but available for use, even if archived.