

Treasurer's Instruction No	303
Title	Recognition and Measurement of Non-current Assets
Effective date	1 July 2005
Objective and Background	Provides instruction and guidance in respect of the recognition and measurement of Non-current assets
Last Reviewed Date	30 April 2005

This Instruction was previously known as Treasurer's Instruction No 909 – Recognition and Measurement of Non-current Assets.

Black letter (or bold) items within these Instructions are mandatory and other plain font items are instructional or for the purpose of providing guidance only.

This Treasurer's Instruction is to be read in conjunction with AASB 116 *Property, Plant and Equipment* and the AASB's *Framework for the Preparation and Presentation of Financial Statements*.

RECOGNITION

Recognition Threshold

- (1) An Agency must set an appropriate asset recognition threshold for each class of asset.**

A "class of assets" is the lowest sub-classification of assets reported in the Agency's financial statements.

If the asset recognition threshold is set too low, the cost of accounting for a large number of low value items may exceed the benefit of having that information. Alternatively, if the threshold is set too high, the data will not be complete and the quality of the reported information will suffer.

- (2) The Agency must disclose the asset recognition threshold for each class of asset in the accounting policy notes of its financial statements.**
- (3) Changes to the asset recognition threshold are changes in accounting policy and must be disclosed, together with the cumulative financial effect of the change by an Agency, in the notes to the financial statements.**

A change to the asset recognition threshold may require disclosure of changes to the comparative year financial information.

As a default, it is recommended that the asset recognition threshold is not less than \$10 000.

MEASUREMENT

- (4) **An Agency must record Non-current assets on either an historic cost or fair value basis.**
- (5) **All assets within a class of assets must be measured on the same basis.**

Application of Historic Cost Basis

- (6) **After recognition as an asset, an Agency must record at historic cost all classes of Non-current assets, other than land, buildings, infrastructure, heritage and cultural assets, investment property and long-lived items of property, plant and equipment.**

AASB 116 *Property, Plant and Equipment* permits agencies to record classes of assets at historic cost, in lieu of fair value. Where assets have relatively short useful lives, fair values may not differ significantly from depreciated historic cost. Therefore, agencies are to record, at historic cost, all classes of Non-current assets other than land, buildings, infrastructure, heritage and cultural assets, investment property and long-lived items of property, plant and equipment.

Application of Fair Value Basis

- (7) **Agencies must record at fair value all land, buildings, infrastructure and heritage and cultural assets and long-lived items of property, plant and equipment.**

OTHER ASSET ISSUES

Strategic Asset Management Plans

Agencies should develop realistic Strategic Asset Management Plans, with strategies for analysing the appropriateness of existing assets and asset disposals.

Strategic Asset Management Plans should be a major input to estimates of the useful lives of Agency assets for depreciation purposes.

Goods and Services Tax (GST)

All assets should be valued at amounts that are net of any GST payable, or input tax credits receivable.

No Reliable Value Available

There may be instances when it is impossible to obtain a reliable value for an asset because of its unique nature or because its future economic benefits cannot be measured. In such a case, the Agency should disclose details of that asset in the notes to its financial statements, giving reasons why a reliable value is not available. These instances should be rare and every effort should be made to obtain a realistic valuation.