INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS™

IPSAS 45, *PROPERTY, PLANT, AND EQUIPMENT*

IPSAS®

International Federation of Accountants®
529 Fifth Avenue
New York, New York 10017 USA

This publication was published by the International Federation of Accountants (IFAC®). Its mission is to serve the public interest and strengthen the accountancy profession by supporting the development of high-quality international standards, promoting the adoption and implementation of these standards, building the capacity of professional accountancy organizations, and speaking out on public interest issues.

International Public Sector Accounting Standards, Exposure Drafts, Consultation Papers, Recommended Practice Guidelines, and other IPSASB publications are published by, and copyright of, IFAC.

The IPSASB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The 'International Public Sector Accounting Standards Board', 'International Public Sector Accounting Standards', 'Recommended Practice Guidelines', 'International Federation of Accountants', 'IPSASB', 'IPSAS', 'RPG', 'IFAC', the IPSASB logo, and IFAC logo are trademarks of IFAC, or registered trademarks and service marks of IFAC in the US and other countries.

Copyright © May 2025 by the International Federation of Accountants (IFAC). All rights reserved. Written permission from IFAC is required to reproduce, store or transmit, or to make other similar uses of, this document, save for where the document is being used for individual, non-commercial use only. Contact permissions@ifac.org.

ISBN: 978-1-60815-596-5

Published by:

IPSAS 45, *PROPERTY, PLANT, AND EQUIPMENT*

Acknowledgment

This International Public Sector Accounting Standard (IPSAS) is drawn primarily from International Accounting Standard (IAS®) 16 (Revised 2003), *Property, Plant and Equipment*, published by the International Accounting Standards Board (IASB®), and IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* published by the IFRS® Interpretations Committee. Extracts from IAS 16 and IFRIC 1 are reproduced in this publication of the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) with the permission of the International Financial Reporting Standards (IFRS®) Foundation.

The approved text of the IFRS Accounting Standards is that published by the IASB in the English language, and copies may be obtained directly from IFRS Foundation, Customer Service, Columbus Building, 7 Westferry Circus, Canary Wharf, London E14 4HD, United Kingdom.

E-mail: customerservices@ifrs.org

Internet: www.ifrs.org

IFRS Accounting Standards, IAS Standards, and other publications of the IASB are copyright of the IFRS Foundation.

“IFRS Accounting Standards”, “IAS Standards”, “IASB”, and “IFRS Foundation” are trademarks of the IFRS Foundation and should not be used without the approval of the IFRS Foundation.

IPSAS 45, *PROPERTY, PLANT, AND EQUIPMENT*

History of IPSAS

This version includes amendments resulting from IPSAS Standards issued up to January 31, 2025.

IPSAS 45, *Property, Plant, and Equipment* was issued in May 2023.

Since then, IPSAS 45 has been amended by the following IPSAS Standards:

- *Amendments to IPSAS Standards: Specific IFRIC Interpretations* (issued January 2025)
- IPSAS 50, *Exploration for and Evaluation of Mineral Resources* (issued November 2024)
- IPSAS 47, *Revenue* (issued May 2023)

Table of Amended Paragraphs in IPSAS 45

Paragraph Affected	How Affected	Affected By
3	Amended	IPSAS 50 November 2024
25	Amended	*Amendments to IPSAS Standards: Specific IFRIC Interpretations* January 2025
64	Amended	IPSAS 47 May 2023
67	Amended	IPSAS 47 May 2023
68	Amended	IPSAS 47 May 2023
85A	New	IPSAS 47 May 2023
85B	New	IPSAS 50 November 2024
85C	New	*Amendments to IPSAS Standards: Specific IFRIC Interpretations* January 2025

IPSAS 45, *PROPERTY, PLANT, AND EQUIPMENT*

CONTENTS

	Paragraph
Objective	1
Scope	2–4
Definitions	5
Recognition	6–10
Initial Measurement	11–23
Elements of Cost	14–19
Measurement of Cost	20–23
Subsequent Measurement	24–61
Historical Cost Model	26
Current Value Model	27–40
Depreciation	41–58
Impairment	59
Compensation for Impairment	60–61
Derecognition	62–68
Disclosure	69–84
General Disclosure for Property, Plant, and Equipment	69–76
Disclosure of Unrecognized Heritage Property, Plant, and Equipment	77–78
Current Value Measurement	79–84
Effective Date and Transition	85–86
Effective Date	85–86
Transition	87–88
Withdrawal of IPSAS 17 (2006)	89
Appendix A: Application Guidance	
Appendix B: Amendments to Other IPSAS	
Basis for Conclusions	
Implementation Guidance	
Illustrative Examples	
Comparison with IAS 16	
Comparison with GFS	

International Public Sector Accounting Standard 45, *Property, Plant, and Equipment*, is set out in paragraphs 1–89. All the paragraphs have equal authority. IPSAS 45 should be read in the context of its objective, the Basis for Conclusions, the *Preface to International Public Sector Accounting Standards*, and *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

1. The objective of this Standard is to prescribe the accounting treatment for property, plant, and equipment so that users of financial statements can discern information about an entity's investment in its property, plant, and equipment and the changes in such investment. The principal issues in accounting for property, plant, and equipment are the recognition of the assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognized in relation to them.

Scope (see paragraphs AG1-AG7)

2. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for property, plant, and equipment, except when another Standard requires or permits a different accounting treatment.**

3. This Standard does not apply to:

   (a) Biological assets related to agricultural activity other than bearer plants (see IPSAS 27, *Agriculture*). This Standard applies to bearer plants but does not apply to the produce on bearer plants;

   (b) Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources (see the relevant international or national accounting standard dealing with mineral rights, mineral reserves, and similar non-regenerative resources);

   (c) Property, plant, and equipment classified as held for sale in accordance with IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*; and

   (d) The recognition and measurement of exploration and evaluation assets (see IPSAS 50, *Exploration for and Evaluation of Mineral Resources*).

   However, this Standard applies to property, plant, and equipment used to develop or maintain the assets described in 3(a), 3(b) and 3(d).

4. An entity using the historical cost model for investment property in accordance with IPSAS 16, *Investment Property* shall use the historical cost model in this Standard for owned investment property.

Definitions (see paragraphs AG8-AG11)

5. **The following terms are used in this Standard with the meanings specified:**

   Carrying amount (for the purpose of this Standard) is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

   Class of property, plant, and equipment means a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

   Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

   Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

   Property, plant, and equipment are tangible assets that:

   (a) **Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and**

   (b) **Are expected to be used during more than one reporting period.**

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful life is:

(a) **The period over which an asset is expected to be available for use by an entity; or**

(b) **The number of production or similar units expected to be obtained from the asset by an entity.**

Terms defined in other IPSAS are used in this Standard with the same meaning as in those Standards and are reproduced in the *Glossary of Defined Terms* published separately.

The following terms are defined and are used in this Standard with the same meaning as in IPSAS 46, *Measurement*:

(a) **Historical cost;**

(b) **Current operational value; and**

(c) **Fair value.**

The term recoverable service amount is defined in IPSAS 21, *Impairment of Non-Cash-Generating Assets* and is used in this Standard with the same meaning as in IPSAS 21.

The term recoverable amount is defined in IPSAS 26, *Impairment of Cash-Generating-Assets* and is used in this Standard with the same meaning as in IPSAS 26.

The term bearer plant is defined in IPSAS 27 and is used in this Standard with the same meaning as in IPSAS 27.

Recognition (see paragraphs AG12-AG16)

6. **An item of property, plant, and equipment shall be recognized if, and only if:**

   (a) **It is probable that future economic benefits or service potential associated with the item will flow to the entity; and**

   (b) **The item can be measured reliably[1].**

7. If an entity holds heritage property, plant, and equipment that meets the definition of an asset, but which does not meet the recognition criteria in paragraph 6(b), information as required by paragraph 77 shall be disclosed in the notes to the financial statements. When information about the cost or current value of the heritage property, plant, and equipment becomes available, the entity shall, from that date, recognize the heritage property, plant, and equipment in accordance with paragraph 6 and apply the measurement principles in this Standard.

8. This Standard does not prescribe the unit of measure for recognition, i.e., what constitutes an item of property, plant, and equipment. Thus, judgment is required in applying the recognition criteria to an entity's specific circumstances. It may be appropriate to (a) disaggregate individually significant items, such as floors of a building, into separate units of account when the objective for which the entity holds the building is both for operational and financial capacity or (b) aggregate individually insignificant items, such as library books, computer peripherals, and small items of equipment, and to apply the criteria to the aggregate value.

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

9. An entity evaluates under this recognition principle all its property, plant, and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire, construct or develop an item of property, plant, and equipment and costs incurred subsequently to add to, replace part of, or service it. The cost of an item of property, plant, and equipment may include costs incurred relating to leases of assets that are used to construct, add to, replace part of or service an item of property, plant, and equipment, such as depreciation of right-of-use assets.

10. Items of property, plant, and equipment may be required for safety or environmental reasons. The acquisition, construction, or development of such property, plant, and equipment, although not directly increasing the future economic benefits or service potential of any particular existing item of property, plant, and equipment, may be necessary for an entity to obtain the future economic benefits or service potential from its other assets. Such items of property, plant, and equipment qualify for recognition as assets, because they enable an entity to derive future economic benefits or service potential from related assets in excess of what could be derived had those items not been acquired, constructed, or developed. For example, fire safety regulations may require a hospital to retro-fit new sprinkler systems. These enhancements are recognized because, without them, the entity is unable to operate the hospital in accordance with the regulations. However, the resulting carrying amount of such an asset and related assets is reviewed for impairment in accordance with IPSAS 21 and IPSAS 26.

Initial Measurement (see paragraphs AG17-AG19)

11. **An item of property, plant, and equipment that qualifies for recognition shall be measured at its cost, as described in paragraphs 14-19, unless it is acquired through a non-exchange transaction.**

12. **Property, plant, and equipment acquired through a non-exchange transaction shall be measured at its deemed cost. An entity shall apply IPSAS 46 when measuring deemed cost of an item of property, plant, and equipment.**

13. For the purposes of this Standard, the measurement at recognition of an item of property, plant, and equipment, acquired at no or nominal cost, at its deemed cost consistent with the requirements of paragraph 12, does not constitute a revaluation. Accordingly, the revaluation requirements in paragraph 29, and the supporting Application Guidance, only apply where an entity elects to revalue an item of property, plant, and equipment in subsequent reporting periods.

Elements of Cost

14. The cost of an item of property, plant, and equipment comprises:

    (a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

    (b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

    (c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

15. Examples of directly attributable costs are:

    (a) Costs of employee benefits (as defined in IPSAS 39, *Employee Benefits*) arising directly from the acquisition, construction, or development of the item of property, plant, and equipment;

    (b) Costs of site preparation;

(c) Initial delivery and handling costs;

(d) Installation and assembly costs;

(e) Costs of testing whether the asset is functioning properly (i.e., assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes); and

(f) Professional fees.

16. An entity applies IPSAS 12, *Inventories*, to the costs of obligations for dismantling, removing, and restoring the site on which an item is located that are incurred during a particular period as a consequence of having used the item to produce inventories during that period. The obligations for costs accounted for in accordance with IPSAS 12 and this Standard are recognized and measured in accordance with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*.

17. Recognition of costs in the carrying amount of an item of property, plant, and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an item are not included in the carrying amount of that item. For example, the following costs are not included in the carrying amount of an item of property, plant, and equipment:

(a) Costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than full capacity;

(b) Initial operating losses, such as those incurred while demand for the item's output builds up; and

(c) Costs of relocating or reorganizing part or all of the entity's operations.

18. Items may be produced while bringing an item of property, plant, and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly). An entity recognizes the proceeds from selling any such items, and the cost of those items, in surplus or deficit in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IPSAS 12.

19. Some operations occur in connection with the construction or development of an item of property, plant, and equipment, but are not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by management. These incidental operations may occur before or during the construction or development activities. For example, revenue may be earned through using a building site as a car park until construction starts. Because incidental operations are not necessary to bring an item to the location and condition necessary for it to be capable of operating in the manner intended by management, the revenue and related expenses of incidental operations are recognized in surplus or deficit, and included in their respective classifications of revenue and expense.

Measurement of Cost

20. The cost of an item of property, plant, and equipment is the cash price equivalent or, for an item referred to in paragraph 12, its deemed cost at the recognition date. If payment is deferred and the time value of money is material, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit, unless such interest is recognized in the carrying amount of the item in accordance with the allowed alternative treatment in IPSAS 5, *Borrowing Costs*.

21. One or more items of property, plant, and equipment may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to

an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an item of property, plant, and equipment is measured at its current value unless the exchange transaction lacks commercial substance, or the current value of neither the asset received nor the asset given up is reliably measurable. The acquired item is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired item is not measured at current value, its cost is measured at the carrying amount of the asset given up.

22. An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. An exchange transaction has commercial substance if:

    (a) The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or

    (b) The portion of the entity's operations affected by the transaction changes as a result of the exchange; and

    (c) The difference in (a) or (b) is significant relative to the current value of the assets exchanged.

    For the purpose of determining the portion of the entity's operations affected by the transaction, as in paragraph 22(b), the entity calculates the present value of the expected cash flows, (or post-tax cash flows when tax applies), to arise from the continuing use of an asset and from its disposal at the end of its useful life. The result of these analyses may be clear without an entity having to perform detailed calculations.

23. The current value of an asset is reliably measurable if the variability in the range of reasonable current value measurements is not significant for that asset, or the probabilities of the various estimates within the range can be reasonably assessed and used when measuring current value. If an entity is able to measure reliably the current value of either the asset received or the asset given up, then the current value of the asset given up is used to measure the cost of the asset received unless the current value of the asset received is more clearly evident.

Subsequent Measurement (see paragraphs AG20-AG36)

24. **An entity shall choose either the historical cost model in paragraph 26 or the current value model in paragraph 27 as its accounting policy and shall apply that policy to an entire class of property, plant, and equipment.**

25. **When the measurement requirements are applied to the item of property, plant, and equipment after recognition, an entity shall apply IPSAS 46. If an entity's initial measurement of an item of property, plant, and equipment included an initial estimate of the cost of dismantling and removing the item and restoring the site under paragraph 14(c), for which it recognized a corresponding liability in accordance with IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*, the entity shall also apply Appendix B of IPSAS 19 in its subsequent measurement of the item.**

Historical Cost Model

26. **After recognition, an item of property, plant, and equipment shall be carried at its historical cost, less any accumulated depreciation and any accumulated impairment losses.**

Current Value Model (see paragraphs AG20-AG23)

27. **After recognition, an item or part of an item of property, plant, and equipment whose current value can be measured reliably shall be carried at a revalued amount, being its current operational value or fair value at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment losses. The primary objective for which an entity holds an item**

or part of an item of property, plant, and equipment determines the current value measurement basis. An item or part of an item of property, plant, and equipment held primarily for its operational capacity is measured at current operational value, and when it is held primarily for its financial capacity is measured at fair value.

28. The measurement basis used to measure current value, either current operational value or fair value, shall be applied consistently to an item or part of an item of property, plant, and equipment at each measurement date, unless the primary objective for which the entity holds an item or part of an item of property, plant, and equipment has changed. In that case a change in the current value measurement basis, from current operational value to fair value, or vice versa, is appropriate.

29. **Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the reporting date. The accounting treatment for revaluations is set out in paragraphs 36-38.**

30. The frequency of revaluations depends upon the changes in current values of the items of property, plant, and equipment being revalued. When the current value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some items of property, plant, and equipment experience significant and volatile changes in current value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant, and equipment with only insignificant changes in current value. Instead, it may be necessary to revalue the item only every three or five years.

31. When an item of property, plant, and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

    (a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

    (b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

    The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 36 and 37.

32. **If an item of property, plant, and equipment is revalued, the entire class of property, plant, and equipment to which that asset belongs shall be revalued.**

33. Impairment losses and reversals of impairment losses of an asset under IPSAS 21 and IPSAS 26 do not necessarily give rise to the need to revalue the class of assets to which that asset, or group of assets, belongs.

34. A class of property, plant, and equipment is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate classes:

    (a) Land;

    (b) Operational buildings;

    (c) Machinery;

    (d) Ships;

    (e) Aircraft;

    (f) Weapons systems;

(g) Motor vehicles;

(h) Furniture and fixtures;

(i) Office equipment;

(j) Oil rigs;

(k) Bearer plants;

(l) Heritage collections; and

(m) Infrastructure.

When grouping property, plant, and equipment into classes, an entity may identify items with similar nature, but held for different functions, or vice versa. For example, while various parcels of land might be similar in nature, some may be held for agricultural purposes and others for commercial purposes. This may result in the entity identifying two classes of land and presenting information using historical cost for one class and current value for the other.

35. The items within a class of property, plant, and equipment are revalued simultaneously in order to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

36. **If the carrying amount of a class of assets is increased as a result of a revaluation, the increase shall be credited directly to revaluation surplus. However, the increase shall be recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognized in surplus or deficit.**

37. **If the carrying amount of a class of assets is decreased as a result of a revaluation, the decrease shall be recognized in surplus or deficit. However, the decrease shall be debited directly to revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that class of assets.**

38. **Revaluation increases and decreases relating to individual assets within a class of property, plant, and equipment must be offset against one another within that class but must not be offset in respect of assets in different classes.**

39. Some or all of the revaluation surplus included in net assets/equity in respect of property, plant, and equipment may be transferred directly to accumulated surpluses or deficits when the assets are derecognized. This may involve transferring some or the whole of the surplus when the assets within the class of property, plant, and equipment to which the surplus relates are retired or disposed of. However, some of the surplus may be transferred as the assets are used by the entity. In such a case, the amount of the surplus transferred would be the difference between depreciation, based on the revalued carrying amount of the assets and depreciation, based on the assets' original cost. Transfers from revaluation surplus to accumulated surpluses or deficits are not made through surplus or deficit.

40. Guidance on the effects of taxes on surpluses, if any, resulting from the revaluation of property, plant, and equipment can be found in the relevant international or national accounting standard dealing with income taxes.

Depreciation (see paragraphs AG24-AG36)

41. **Each part of an item of property, plant, and equipment with a cost or value that is significant in relation to the total cost or value of the item shall be depreciated separately.**

42. A significant part of an item of property, plant, and equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge.

43. To the extent that an entity depreciates separately some parts of an item of property, plant, and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts of the item that are individually not significant. If an entity has varying expectations for these parts, approximation techniques may be necessary to depreciate the remainder in a manner that faithfully represents the consumption pattern and/or useful life of its parts.

44. An entity may choose to depreciate separately the parts of an item that do not have a cost that is significant in relation to the total cost of the item.

45. **The depreciation charge for each period shall be recognized in surplus or deficit, unless it is included in the carrying amount of another asset.**

46. The depreciation charge for a period is usually recognized in surplus or deficit. However, sometimes, the future economic benefits or service potential embodied in an asset is absorbed in producing other assets. In this case, the depreciation charge constitutes part of the cost of the other asset, and is included in its carrying amount. For example, the depreciation of manufacturing plant and equipment is included in the costs of conversion of inventories (see IPSAS 12). Similarly, depreciation of property, plant, and equipment used for development activities may be included in the cost of an intangible asset recognized in accordance with IPSAS 31, *Intangible Assets*.

Depreciable Amount and Depreciation Period (see paragraphs AG25-AG27)

47. **The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.**

48. **The residual value and the useful life of an asset shall be reviewed at least at each annual reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.**

49. Depreciation is recognized even if the current value of the asset exceeds its carrying amount, as long as the asset's residual value does not exceed its carrying amount. Repair and maintenance of an asset does not negate the need to depreciate it. Conversely, some assets may be poorly maintained or maintenance may be deferred indefinitely because of budgetary constraints. Where asset management policies exacerbate the wear and tear of an asset, its useful life should be reassessed, and/or the asset tested for impairment in accordance with paragraph 59, and adjusted accordingly.

50. Land and buildings are separable assets and are accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an indefinite useful life and therefore is not depreciated. Buildings generally have a finite useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.

51. If the carrying amount of land includes the cost of site dismantlement, removal, and restoration, that portion of the land asset is depreciated over the period of benefits or service potential obtained by incurring those costs. In some cases, the land itself may have a finite useful life, in which case it is depreciated in a manner that reflects the benefits or service potential to be derived from it.

Finite and Indefinite Useful Lives (see paragraphs AG28-AG32)

52. An entity shall assess whether the useful life of property, plant, and equipment is finite or indefinite and, if finite, the length of, or number of production or similar units constituting that useful life. Land usually has an indefinite useful life. There is a rebuttable presumption that non-land property, plant, and equipment have finite useful lives. Property, plant, and equipment shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to provide service potential to, or be used to generate net cash inflows for the entity.

53. An item of property, plant, and equipment with a finite useful life is depreciated. An item of property, plant, and equipment with an indefinite useful life is not depreciated.

54. The term “indefinite” does not mean “infinite.” The useful life of property, plant, and equipment should reflect evidence on factors that could affect the useful life at the time of estimating the asset’s useful life. Projections of those factors and the estimated useful life should be realistic rather than optimistic or pessimistic, which means that they should be supported by objective evidence and generate relevant and faithfully representative measures of asset value and depreciation, rather than optimistic or pessimistic projections of those factors. For example, a conclusion that the useful life of property, plant, and equipment is indefinite should not depend on planned future expenditure in excess of that required to maintain the asset at its current standard of performance. Nor should such a conclusion depend on preservation actions for which there is no realistic likelihood under present or projected budget constraints.

55. The useful life of an item of property, plant, and equipment may be very long or even indefinite. Uncertainty about an asset’s useful life when it is very long does not justify choosing a life that is unrealistically short.

Annual Impairment Reviews for Assets with Indefinite Useful Lives

56. An entity is required to review property, plant, and equipment with an indefinite useful life annually for indications of impairment in accordance with IPSAS 21 and IPSAS 26.

Depreciation Method (see paragraphs AG33-AG34)

57. **The depreciation method shall reflect the pattern in which the asset’s future economic benefits or service potential is expected to be consumed by the entity.**

58. **The depreciation method applied to an asset shall be reviewed at least at each annual reporting date and, if there has been a significant change in the expected pattern of the consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with IPSAS 3.**

Impairment

59. To determine whether an item of property, plant, and equipment is impaired, an entity applies IPSAS 21 or IPSAS 26, as appropriate. These Standards explain how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount or recoverable amount of an asset, and when it recognizes, or reverses the recognition of, an impairment loss.

Compensation for Impairment

60. **Compensation from third parties for items of property, plant, and equipment that were impaired, lost, or given up shall be included in surplus or deficit when the compensation becomes receivable.**

61. Impairments or losses of items of property, plant, and equipment, related claims for or payments of compensation from third parties, and any subsequent purchase, construction, or development of replacement assets are separate economic events and are accounted for separately as follows:

(a) Impairments of items of property, plant, and equipment are recognized in accordance with IPSAS 21 or IPSAS 26, as appropriate;

(b) Derecognition of items of property, plant, and equipment retired or disposed of is determined in accordance with this Standard;

(c) Compensation from third parties for items of property, plant, and equipment that were impaired, lost, or given up is included in determining surplus or deficit when it becomes receivable; and

(d) The cost of items of property, plant, and equipment restored, purchased, constructed, or developed as replacement is determined in accordance with this Standard.

Derecognition

62. **The carrying amount of an item of property, plant, and equipment shall be derecognized:**

(a) **On disposal; or**

(b) **When no future economic benefits or service potential is expected from its use or disposal.**

63. **The gain or loss arising from the derecognition of an item of property, plant, and equipment shall be included in surplus or deficit when the item is derecognized (unless IPSAS 43, *Leases* requires otherwise on a sale and leaseback).**

64. The disposal of an item of property, plant, and equipment may occur in a variety of ways (e.g., by sale, by entering into a finance lease or by donation). The date of disposal of an item of property, plant, and equipment is the date the recipient obtains control of that item in accordance with the requirements, and any enforceable obligations or compliance obligations are satisfied in IPSAS 47, *Revenue*. IPSAS 43 applies to disposal by a sale and leaseback.

65. If, under the recognition principle in paragraph 6, an entity recognizes in the carrying amount of an item of property, plant, and equipment the cost of a replacement for part of the item, then it derecognizes the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired, constructed, or developed.

66. **The gain or loss arising from the derecognition of an item of property, plant, and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.**

67. The amount of consideration to be included in the surplus or deficit arising from the derecognition of property, plant, and equipment is determined in accordance with the requirements for determining the transaction consideration in paragraphs 109–132 of IPSAS 47. Subsequent changes to the estimated amount of consideration included in surplus or deficit shall be accounted for in accordance with the requirements for changes in the transaction consideration in IPSAS 47.

68. However, an entity that, in the course of its activities, routinely provides items of property, plant, and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The amount of consideration from the disposal of such assets shall be recognized as revenue in accordance with IPSAS 47. IPSAS 44 does not apply when assets that are held for sale in the ordinary course of its operations are transferred to inventories.

Disclosure

General Disclosure for Property, Plant, and Equipment

69. **The financial statements shall disclose, for each class of property, plant, and equipment recognized in the financial statements:**

    (a) **The measurement bases used for determining the gross carrying amount;**

    (b) **The depreciation methods used;**

    (c) **The useful lives or the depreciation rates used;**

    (d) **The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and**

    (e) **A reconciliation of the carrying amount at the beginning and end of the period showing:**

        (i) **Additions;**

        (ii) **Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IPSAS 44 and other disposals;**

        (iii) **Acquisitions through public sector combinations;**

        (iv) **Increases or decreases resulting from revaluations under paragraphs 29, 36, and 37 and from impairment losses (if any) recognized or reversed directly in net assets/equity in accordance with IPSAS 21 or IPSAS 26, as appropriate;**

        (v) **Impairment losses recognized in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate;**

        (vi) **Impairment losses reversed in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate;**

        (vii) **Depreciation;**

        (viii) **The net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and**

        (ix) **Other changes.**

70. **The financial statements shall also disclose for each class of property, plant, and equipment recognized in the financial statements:**

    (a) **The existence and amounts of restrictions on title, and property, plant, and equipment pledged as securities for liabilities;**

    (b) **The amount of expenditures recognized in the carrying amount of an item of property, plant, and equipment in the course of its construction or development; and**

    (c) **The amount of contractual commitments for the acquisition, construction, or development of property, plant, and equipment.**

71. **If not presented separately in the statement of financial performance, the financial statements shall also disclose:**

    (a) **The amount of compensation from third parties for items of property, plant, and equipment that were impaired, lost or given up that is included in surplus or deficit; and**

(b) **The amounts of proceeds and cost included in surplus or deficit in accordance with paragraph 18 that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of financial performance include(s) such proceeds and cost.**

72. Selection of the depreciation method and the estimation of the useful life of the assets are matters of judgment. Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation rates provides users of financial statements with information that allows them to review the policies selected by management, and enables comparisons to be made with other entities. For similar reasons, it is necessary to disclose:

(a) Depreciation, whether recognized in surplus or deficit or as a part of the cost of other assets, during a period; and

(b) Accumulated depreciation at the end of the period.

73. In accordance with IPSAS 3, an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant, and equipment, such disclosure may arise from changes in estimates with respect to:

(a) Residual values;

(b) The estimated costs of dismantling, removing, or restoring items of property, plant, and equipment;

(c) Useful lives; and

(d) Depreciation methods.

74. **If a class of property, plant, and equipment is stated at revalued amounts, the following shall be disclosed:**

(a) **The effective date of the revaluation;**

(b) **Whether an independent valuer was involved;**

(c) **The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to owners;**

(d) **The sum of all revaluation surpluses for individual items of property, plant, and equipment within that class; and**

(e) **The sum of all revaluation deficits for individual items of property, plant, and equipment within that class.**

75. In accordance with IPSAS 21 and IPSAS 26, an entity discloses information on impaired property, plant, and equipment in addition to the information required by paragraph 69(e)(iv)-69(e)(vi).

76. Users of financial statements may also find the following information relevant to their needs:

(a) The carrying amount of temporarily idle property, plant, and equipment;

(b) The gross carrying amount of any fully depreciated property, plant, and equipment that is still in use;

(c) The carrying amount of property, plant, and equipment retired from active use and not classified as held for sale in accordance with IPSAS 44; and

(d) When the historical cost model is used, the current value (current operational value or fair value) of property, plant, and equipment when this is materially different from the carrying amount.

Therefore, entities are encouraged to disclose these amounts.

Disclosure of Unrecognized Heritage Property, Plant, and Equipment (see paragraphs AG37-AG38)

77. **Where heritage property, plant, and equipment or a class of heritage property, plant, and equipment is not recognized in the financial statements because, at initial measurement, its cost or current value cannot be measured reliably, the entity shall disclose:**

(a) **The difficulties in obtaining a reliable measurement that prevented recognition; and**

(b) **The significance of the unrecognized heritage property, plant, and equipment in relation to delivery of the entity's objectives.**

78. Where subsequent expenditures on unrecognized heritage property, plant, and equipment are recognized, the disclosure requirements in paragraphs 69-76 and 79-84 will apply.

Current Value Measurement

79. **An entity shall disclose information that helps users of its financial statements assess both of the following:**

(a) **For property, plant, and equipment that are measured at current operational value or fair value in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements.**

(b) **For fair value measurements using significant unobservable inputs (Level 3), or current operational value measurements estimated using significant unobservable inputs, the effect of the measurements on surplus or deficit or net assets/equity for the period.**

80. To meet the objectives in paragraph 79, an entity shall consider all the following:

(a) The level of detail necessary to satisfy the disclosure requirements;

(b) How much emphasis to place on each of the various requirements;

(c) How much aggregation or disaggregation to undertake; and

(d) Whether users of financial statements need additional information to evaluate the quantitative information disclosed.

If the disclosures provided in accordance with this Standard are insufficient to meet the objectives in paragraph 79, an entity shall disclose additional information necessary to meet those objectives.

81. To meet the objectives in paragraph 79, an entity shall disclose, at a minimum, the following information for each class of property, plant, and equipment (see paragraph 82 for information on determining appropriate classes of property, plant, and equipment for current value measurement disclosures) measured at current operational value or fair value in the statement of financial position after initial recognition:

(a) The current operational value or fair value measurement at the end of the reporting period;

(b) If there has been a change in measurement basis (e.g., changing from current operational value to fair value), the entity shall disclose that change and the reason(s) for making it;

(c) For current operational value measurements, whether the current operational value measurements are estimated using observable or unobservable inputs. For fair value measurements, the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3);

(d) For current operational value or fair value measurements estimated using unobservable inputs, a description of the measurement technique(s) and the inputs used in the current operational value or fair value measurement. If there has been a change in measurement technique (e.g., changing from a

cost approach to a market approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. For fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or fair value measurements estimated using significant unobservable inputs, an entity shall provide quantitative information about the significant unobservable inputs used in the current operational value or fair value measurement. An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring current operational value or fair value (e.g., when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the current operational value or fair value measurement and are reasonably available to the entity;

(e) For fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value measurements estimated using significant unobservable inputs, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) Total gains or losses for the period recognized in surplus or deficit, and the line item(s) in surplus or deficit in which those gains or losses are recognized;

(ii) Total gains or losses for the period recognized in net assets/equity, and the line item(s) in net assets/equity in which those gains or losses are recognized; and

(iii) Purchases, and sales (each of those types of changes disclosed separately);

(f) For fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value estimated using significant unobservable inputs, the amount of the total gains or losses for the period in (e)(i) included in surplus or deficit that is attributable to the change in unrealized gains or losses relating to those items of property, plant, and equipment held at the end of the reporting period, and the line item(s) in surplus or deficit in which those unrealized gains or losses are recognized;

(g) For fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value measurements estimated using significant unobservable inputs, a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in current operational value or fair value measurements from period to period); and

(h) For fair value measurements categorized within Level 3 of the fair value hierarchy or for current operational value measurements estimated using significant unobservable inputs a narrative description of the sensitivity of the current operational value or fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower current operational value or fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the current operational value or fair value measurement, an entity shall also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the current operational value or fair value measurement. To comply with that disclosure requirement, the narrative description of the sensitivity to changes in unobservable inputs shall include, at a minimum, the unobservable inputs disclosed when complying with (d).

82. For the purposes of current value measurement disclosures an entity may decide that a greater disaggregation of the classes of property, plant, and equipment (see paragraph 34) is required on the basis of (a) the measurement bases applied, and (b) the level of the fair value hierarchy within which the fair value

measurement is categorized, or the extent to which the current operational value uses observable or unobservable inputs.

The number of classes may need to be greater for fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value measurements estimated using significant unobservable inputs, because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of property, plant, and equipment for which disclosures about current operational value or fair value measurements should be provided requires judgment. A class of property, plant, and equipment will often require greater disaggregation than the line items presented in the statement of financial position. However, an entity shall provide information sufficient to permit reconciliation to the line items presented in the statement of financial position.

83. For each class of property, plant, and equipment measured on the historical cost basis in the statement of financial position but for which the current operational value or fair value is disclosed, an entity shall disclose the information required by paragraph 81(b), (c) and (g). However, an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy, or for current operational value or fair value measurements estimated using significant unobservable inputs, required by paragraph 81(d). For such property, plant, and equipment, an entity does not need to provide the other current value measurement disclosures required by this Standard.

84. An entity shall present the quantitative current value measurement disclosures required by this Standard in a tabular format unless another format is more appropriate.

Effective Date and Transition

Effective Date

85. **An entity shall apply this Standard for annual financial statements covering periods beginning on or after January 1, 2025. Earlier application is permitted for entities that apply IPSAS 43, IPSAS 44, and IPSAS 46 at or before the date of initial application of the Standard. If an entity applies this Standard for a period beginning before January 1, 2025, it shall disclose that fact.**

85A. **Paragraphs 64, 67, and 68 were amended by IPSAS 47, issued in May 2023. An entity shall apply these amendments for annual financial statements covering periods beginning on or after January 1, 2026. Earlier application is encouraged. If an entity applies the amendments for a period beginning before January 1, 2026, it shall disclose that fact and apply IPSAS 47 at the same time.**

85B. **Paragraph 3 was amended by IPSAS 50, issued in November 2024. An entity shall apply this amendment for annual financial statements covering periods beginning on or after January 1, 2027. Earlier application is permitted. If an entity applies the amendments for a period beginning before January 1, 2027, it shall disclose that fact.**

85C. **Paragraph 25 was amended by *Amendments to IPSAS Standards: Specific IFRIC Interpretations*, issued in January 2025. An entity shall apply these amendments for annual periods beginning on or after January 1, 2026. Earlier application is encouraged. If an entity applies these amendments to financial statements for a period beginning before January 1, 2026, it shall disclose that fact.**

86. When an entity adopts the accrual basis of accounting as defined in IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)* for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption of IPSAS.

Transition

87. **An entity shall apply this Standard retrospectively, in accordance with IPSAS 3 except that:**

    (a) **An entity may elect to measure heritage assets at their deemed cost when reliable cost information about these assets is not available at the date of application of this Standard.**

    (b) **If, on initial application of this Standard, there is a difference between the previous carrying amount at fair value and the new carrying amount at fair value or current operational value, an entity shall recognize that difference as an adjustment to the opening accumulated surplus or deficit (or other component of net assets/equity, as appropriate) without restatement of comparative information.**

88. **For entities that have previously applied IPSAS 17 (2006), *Property, Plant, and Equipment* the requirements of paragraphs 21–22 regarding the initial measurement of an item of property, plant, and equipment acquired in an exchange of assets transaction shall be applied prospectively only to future transactions.**

Withdrawal of IPSAS 17 (2006)

89. This Standard supersedes IPSAS 17 issued in 2006. IPSAS 17 remains applicable until IPSAS 45, *Property, Plant, and Equipment* is applied or becomes effective, whichever is earlier.

Appendix A

Application Guidance

This Appendix is an integral part of IPSAS 45.

Scope (see paragraphs 2-4)

AG1. This Standard applies to all property, plant, and equipment including:

(a) Heritage;

(b) Infrastructure;

(c) Service concession arrangement assets after initial recognition and measurement in accordance with IPSAS 32, *Service Concession Arrangements: Grantor*; and

(d) Weapons systems.

Heritage Assets

AG2. Some property, plant, and equipment are described as heritage assets because of their rarity and/or significance in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific, or technological features. Entities usually intend to hold heritage assets for long periods and preserve them for the benefit of present and future generations. Examples of heritage assets include historic buildings, monuments, museum collections, and works of art.

AG3. Heritage assets typically have the following distinguishing characteristics:

(a) They have restrictions on their use and/or disposal;

(b) They are irreplaceable; and

(c) They have long and sometimes indefinite useful lives.

Infrastructure Assets

AG4. Some property, plant, and equipment are described as infrastructure assets because they comprise a number of assets that make up networks or systems that serve the community at large. Generally, infrastructure assets have long lives because the number of assets that make up these networks or systems are continually maintained, replaced and refurbished. If a number of these assets were removed, the network or system may not achieve its service potential objective.

AG5. Infrastructure assets typically have the following distinguishing characteristics:

(a) They are networks or systems; and

(b) They have long useful lives.

AG6. Although not confined to entities in the public sector, significant infrastructure assets are frequently found in the public sector. Examples include:

(a) Electricity transmission networks, which may comprise assets such as power generating plants, substations, switchyards, transmission line towers, distribution system equipment, energy control centers, communication systems and equipment, emergency power backup equipment, emergency operations centers and service and maintenance facilities;

(b) Road networks, which may comprise assets such as pavements, formation, curbs and channels, footpaths, bridges, signal and lighting; and

(c) Water systems, which may comprise assets such as dams, pipelines, tunnels, canals, terminal reservoirs, tanks, wells, pumps, and treatment plants.

Weapons Systems

AG7. Weapons systems will normally meet the definition of property, plant, and equipment, and should be recognized in accordance with this Standard. Weapons systems include vehicles and other equipment, such as warships, submarines, military aircraft, tanks, missile carriers and launchers that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. Some single-use items, such as certain types of ballistic missiles, may provide an ongoing service of deterrence against aggressors and, therefore, can be classified as weapons systems.

Definitions (see paragraph 5)

Property, Plant, and Equipment as Assets

AG8. In the public sector, there may be uncertainty whether certain items of property, plant, and equipment are an asset as defined in IPSAS 1, *Presentation of Financial Statements*. This is because to be recognized as an asset, an item of property, plant, and equipment must meet all three criteria of an asset: a resource, presently controlled by the entity and arose from a past transaction or other past event.

AG9. Items that a reporting entity uses to deliver services to the public will be resources from the reporting entity's perspective when those services contribute to achieving the entity's service delivery and other objectives. For example, heritage items that are used purely for the benefit of the public can have service potential and be resources because the entity has the objective of making heritage accessible to the public. Where an entity's objectives are to provide heritage-related services such as the appreciation and study of heritage, the entity holds heritage items to achieve those objectives and the heritage items have service potential and are resources from the entity's perspective. Similarly, infrastructure assets that are used to deliver public services (e.g., road networks or water systems) will be resources to an entity that holds them if those services contribute to achieving the entity's service delivery and other objectives.

AG10. In assessing whether it presently controls a resource, an entity assesses whether one or more of the following indicators of control exists:

(a) Legal ownership;

(b) Access to the resource, or the ability to deny or restrict others to access the resource;

(c) The means to ensure that the resource is used to achieve its objectives; or

(d) The existence of an enforceable right to service potential or the ability to generate economic benefits arising from the resource.

An entity is more likely to demonstrate control if it satisfies most of these indicators. However, assessments of control involve judgment, and control may exist when only some of these indicators are satisfied. Conversely, control may not exist even when most of these indicators are met.

AG11. No one indicator is more important than another indicator. Legal ownership is only one indicator of demonstrating control of a resource. An entity may demonstrate that it controls the resource even when there is no legal ownership because it can direct the use of the resource and obtain the economic benefits or service potential that may flow from it. Conversely, an entity may have legal ownership but no rights to service potential or ability to generate future economic benefits. In such circumstances, an entity considers substance over form in determining whether it controls an asset.

Recognition (see paragraphs 6-10)

Spare Parts, Stand-By Equipment, and Servicing Equipment

AG12. Items such as spare parts, stand-by equipment and servicing equipment are recognized in accordance with this Standard when they meet the definition of property, plant, and equipment. Otherwise, such items are classified as inventory (see IPSAS 12, *Inventories*).

Subsequent Costs

AG13. Under the recognition principle in paragraph 6, an entity does not recognize in the carrying amount of an item of property, plant, and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognized in surplus or deficit as incurred. Costs of day-to-day servicing are primarily the costs of labor and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the “repairs and maintenance” of the item of property, plant, and equipment.

AG14. Parts of some items of property, plant, and equipment may require replacement at regular intervals. For example, a road may need resurfacing every few years, a furnace may require relining after a specified number of hours of use, or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe. Items of property, plant, and equipment may also be required to make a less frequently recurring replacement, such as replacing the interior walls of a building. Under the recognition principle in paragraph 6, an entity recognizes in the carrying amount of an item of property, plant, and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of this Standard (see paragraphs 62-68).

AG15. A condition of continuing to operate an item of property, plant, and equipment (for example, an aircraft) may be performing regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant, and equipment as a replacement if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognized. This occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired, constructed, or developed. If necessary, the estimated cost of a future similar inspection may be used as an indication of what the cost of the existing inspection component was when the item was acquired, constructed, or developed.

Subsequent Costs on Unrecognized Heritage Property, Plant, and Equipment

AG16. An entity recognizes subsequent expenditure on heritage property, plant, and equipment in accordance with the recognition principle in paragraph 6. Recognition of such subsequent expenditure as an asset is unaffected by whether or not the underlying heritage property, plant, and equipment was initially recognized. If the subsequent expenditure relates to heritage property, plant, and equipment, that was not recognized initially, because its cost or current value could not be measured reliably, it should nonetheless be reviewed in light of paragraph 6 to determine whether or not it meets the recognition principle and should be recognized as an asset.

Initial Measurement (see paragraphs 11-23)

Elements of Cost

AG17. Examples of costs that are not costs of an item of property, plant, and equipment are:

(a) Costs of opening a new facility;

(b) Costs of introducing a new product or service (including costs of advertising and promotional activities);

(c) Costs of conducting an operation in a new location or with a new class of purchasers (including costs of staff training);

(d) Administration and other general overhead costs; and

(e) Costs of day-to-day servicing or repairs and maintenance.

AG18. The cost of a self-constructed asset is determined using the same principles as for an acquired asset. If an entity makes similar assets for sale in the normal course of operations, the cost of the asset is usually the same as the cost of constructing an asset for sale (see IPSAS 12). Therefore, any internal surpluses are eliminated in arriving at such costs. Similarly, the cost of abnormal amounts of wasted material, labor, or other resources incurred in self-constructing an asset is not included in the cost of the asset. IPSAS 5, *Borrowing Costs*, establishes criteria for the recognition of interest as a component of the carrying amount of a self-constructed item of property, plant, and equipment.

AG19. Bearer plants are accounted for in the same way as self-constructed items of property, plant, and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to 'construction' in this Standard should be read as covering activities that are necessary to cultivate bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.

Subsequent Measurement (see paragraphs 24-61)

Current Value Model (Paragraphs 27-40)

AG20. After recognition, an item or part of an item of property, plant, and equipment whose current value can be measured in a faithfully representative manner may be carried at a revalued amount, being its:

(a) Current operational value; or

(b) Fair value;

at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment losses.

Financial and Operational Capacity

AG21. The primary objective for which an entity holds an item or part of an item of property, plant, and equipment is an important consideration when determining the current value measurement basis. An item or part of an item of property, plant, and equipment held for its:

(a) Operational capacity supports the provision of services in future periods through physical and other resources. This requires information on the value of the item or part of an item of property, plant, and equipment as it is currently used by the entity. An item or part of an item of property, plant, and equipment held with the primary objective of service delivery is held for its operational capacity and is measured at current operational value; and

(b) Financial capacity provides an entity with the means to fund its activities. This requires information on the amount that would be received on the sale of the asset or in the revenue it generates in use. An item or part of an item of property, plant, and equipment held with the primary objective of generating a financial return is held for its financial capacity and is measured at fair value.

AG22. In certain instances, an item or part of an item of property, plant, and equipment may generate a financial return although it is primarily held for service delivery purposes. For example, a waste disposal plant is operated to ensure the safe disposal of medical waste generated by state-controlled hospitals, but the plant

also treats a small amount of medical waste generated by other private hospitals on a commercial basis. In this instance, the disposal waste plant would be measured at current operational value.

AG23. In some cases, it may not be clear whether the intended primary objective of holding an item or part of an item of property, plant, and equipment is for its operational or financial capacity. Judgment is needed. An entity develops criteria so that it can exercise judgment consistently in concluding whether an item or part of an item of property, plant, and equipment is held primarily for its operational or financial capacity. When the intended primary objective of holding an item or part of an item of property, plant, and equipment cannot be determined, given the overall objectives of most public sector entities, the presumption is that an item or part of an item of property, plant, and equipment is held for its operational capacity.

Depreciation (see paragraphs 41-58)

AG24. An entity allocates the amount initially recognized in respect of an item of property, plant, and equipment to its significant parts and depreciates separately each such part. For example, it may be required to depreciate separately the substructure and the surface of a road. Similarly, it may be appropriate to depreciate separately the airframe and engines of an aircraft. If an entity acquires property, plant, and equipment subject to an operating lease in which it is the lessor, it may also be appropriate to depreciate separately amounts reflected in the cost of that item that are attributable to favorable or unfavorable lease terms relative to market terms.

Depreciable Amount and Depreciation Period (see paragraphs 47-51)

AG25. The depreciable amount of an asset is determined after deducting its residual value. In practice, the residual value of an asset is often insignificant, and therefore immaterial in the calculation of the depreciable amount.

AG26. The residual value of an asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

AG27. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations* and the date when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation, the depreciation charge can be zero while there is no production.

Finite and Indefinite Useful Lives (see paragraphs 52-55)

AG28. The useful lives of property, plant, and equipment, including buildings, are generally finite. However, there are circumstances in which property, plant, and equipment could have an indefinite useful life. For example, a heritage painting or sculpture held in a protective environment that is carefully controlled to preserve the asset could be considered to have an indefinite useful life, so long as those conditions continue to apply.

AG29. Given the history of rapid changes in technology, it will often be the case that computers and other property, plant, and equipment susceptible to technological obsolescence have short useful lives. Expected future reductions in the selling price of an item that was produced using property, plant, and equipment could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

AG30. With some exceptions, such as quarries and sites used for landfill, land has an indefinite useful life and therefore is not depreciated. Another example of land with a finite useful life is when land is being encroached by rising sea levels with the result that the entity expects that, within a finite period of time, the land will no longer be useable due either to a severe and continual risk of regular flooding or actual submersion beneath the water.

AG31. An entity that controls land that is being consumed as a result of, for example, mining or quarrying activities will need to consider the period over which economic benefits or service potential are expected to be derived from, and the effect of, carrying out those activities on the value of the land to determine the appropriate depreciable period and amount.

AG32. Where land is being lost or displaced as a result of, for example, coastline erosion, the entity will need to apply:

(a) The derecognition requirements in paragraphs 62-68 of this Standard; or

(b) The impairment requirement in IPSAS 21, *Impairment of Non-Cash-Generating Assets* or IPSAS 26, *Impairment of Cash-Generating Assets* depending on the circumstances.

Depending on the factors associated with the loss or displacement of land, an entity may need to consider the appropriateness of depreciating the land in future reporting periods, and should continue to assess for impairment in accordance with the requirements of this Standard.

Depreciation Method (see paragraphs 57-58)

AG33. A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method, and the units of production method. Straight-line depreciation results in a constant charge over the useful life if the asset's residual value does not change. The diminishing balance method results in a decreasing charge over the useful life. The units of production method results in a charge based on the expected use or output. The entity selects the method that most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.

AG34. A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits or service potential of the asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed.

Depreciation – Useful Life of an Asset (see paragraphs 41-55)

AG35. The future economic benefits or service potential embodied in an item of property, plant, and equipment are consumed by the entity principally through the use of the asset. However, economic, political, social, and legal factors may also affect the useful life. Technical or commercial obsolescence and wear and tear while an asset remains idle may also result in the diminution of the economic benefits or service potential that might otherwise have been obtained from the asset. The useful life is the shorter of the periods identified through consideration of these factors. Consequently, the following factors are considered in determining the useful life of an asset:

(a) Expected usage of the asset, which is assessed by reference to the asset's expected capacity or physical output;

(b) Expected physical wear and tear, which depends on operational factors such as the number of shifts for which the asset is to be used and the repair and maintenance program, and the care and maintenance of the asset while idle;

(c) The level of maintenance expenditure required to obtain the expected future economic benefits or service potential from the asset and the entity's ability and intention to reach such a level;

(d) Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset. Expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset;

(e) The period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases;

(f) Typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;

(g) The stability of the industry in which the asset operates and changes in the market or government and service recipients' demand for the products or services output from the asset;

(h) Expected actions by competitors or potential competitors; and

(i) Whether the useful life of the asset is dependent on the useful life of other assets of the entity.

AG36. The useful life of an asset is defined in terms of the asset's expected utility to the entity. The asset management policy of an entity may involve the disposal of assets after a specified time, or after consumption of a specified proportion of the future economic benefits or service potential embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgment based on the experience of the entity with similar assets.

Disclosure of Unrecognized Heritage Property, Plant, and Equipment when Cost or Current Value Cannot be Measured Reliably (see paragraphs 77-78)

AG37. The disclosures identified in paragraph 77 for unrecognized heritage property, plant, and equipment should ensure that, when read in the context of information about recognized property, plant, and equipment, the financial statements provide useful and relevant information about the entity's overall holding of property, plant, and equipment, and thereby support users' evaluation of the entity's finances, including its net financial position, and understanding of its ability to deliver services.

AG38. These disclosures may be presented in aggregate for groups or classes of property, plant, and equipment, provided this aggregation does not obscure significant information.

Appendix B

Amendments to Other IPSAS

[Deleted]

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 45.

Introduction

BC1. IPSAS 17, *Property, Plant, and Equipment* was drawn primarily from International Accounting Standard (IAS) 16 (Revised 2003), *Property, Plant, and Equipment*. The IPSASB reviewed IASB's improvements to IFRS and narrow scope amendments to IAS 16 (up to May 2020) and generally concurred with the IASB's reasons for revising the IAS and with the amendments made with the exception noted in paragraphs BC24. The IPSASB revised IPSAS 17 to reflect these improvements and amendments, as appropriate.

BC2. After considering responses to the Consultation Paper (CP), *Financial Reporting for Heritage in the Public Sector*, and constituents' feedback on infrastructure assets the IPSASB concluded that:

(a) IPSAS 17 should fully apply to heritage assets that are property, plant, and equipment; and

(b) Additional authoritative and non-authoritative guidance should be included in IPSAS 45 to clarify its application to heritage and infrastructure assets.

This resulted in the development of ED 78, *Property, Plant, and Equipment* proposing the replacement of IPSAS 17.

Background

Development of ED 78, Property, Plant, and Equipment

BC3. In March 2020, the IPSASB had agreed that heritage assets should be recognized as property, plant, and equipment when they satisfy the IPSAS 17 definition and the recognition criteria (see paragraph 6). Because heritage assets are subsets of property, plant, and equipment and should be treated in accordance with the principles in IPSAS 17.

BC4. The IPSASB developed ED 78 to update its existing property, plant, and equipment guidance in IPSAS 17 to help constituents apply the principles to heritage and infrastructure assets. To this effect, additional authoritative, and non-authoritative guidance was issued. The IPSASB notes that such guidance is applicable to all property, plant, and equipment.

Heritage Assets: Additional Guidance

BC5. When developing ED 78, the IPSASB had considered whether IPSAS 45 should include additional authoritative guidance to support the application and implementation of this Standard's principles to heritage assets. On the basis that no principles existed to address these topics, the IPSASB decided to add authoritative guidance on:

(a) Characteristics of heritage assets (see paragraphs AG2-AG3);

(b) Heritage assets as a resource and assessment of control (see paragraphs AG9-AG11);

(c) Depreciation (see paragraphs 52-55 and AG28); and

(d) Disclosures on unrecognized heritage assets (see paragraphs 77-78 and paragraphs AG37-AG38).

BC6. When developing ED 78, the IPSAS had considered whether IPSAS 45 should include additional non-authoritative guidance to enhance the consistency of entities' application and implementation of IPSAS 45 to heritage assets. On this basis, the IPSASB decided to add non-authoritative guidance on:

(a) Control (see paragraphs IG6-IG8);

(b) Recognition related to subsequent expenditure on unrecognized heritage assets (see paragraph IG9);

(c) Capitalization thresholds (see paragraphs IG10-IG14);

(d) Measurement at current value (see paragraphs IG18-IG21); and

(e) Depreciation related to useful lives (see paragraphs IG30-IG33).

BC7. In developing IPSAS 45, the IPSASB decided to include additional non-authoritative guidance as noted in this Basis for Conclusions:

(a) Measurement of Heritage Assets (see Decision Tree in the Implementation Guidance); and

(b) Measurement at current value (see paragraphs IG15-IG17).

Infrastructure Assets: Additional Guidance

BC8. When developing ED 78, the IPSASB had considered whether IPSAS 45 should include additional guidance to enhance the consistency of entities' application and implementation of IPSAS 45 to infrastructure assets. The IPSASB decided to add authoritative guidance on:

(a) Characteristics and examples of infrastructure assets (see paragraphs AG4-AG6);

(b) Assessment of control (see paragraphs AG10-AG11); and

(c) Identifying parts of infrastructure assets (see paragraph AG24).

BC9. When developing ED 78, the IPSAS had considered whether IPSAS 45 should include non-authoritative guidance to enhance the consistency of the entities' application and implementation of IPSAS 45. On this basis, the IPSASB decided to add non-authoritative guidance on:

(a) Control of land under or over infrastructure assets (see paragraphs IG1-IG5 and IE1-IE5);

(b) Capitalization thresholds (see paragraphs IG10-IG14);

(c) Valuing land under or over infrastructure assets (see paragraphs IG23-IG25);

(d) Identifying parts of infrastructure assets (see paragraphs IG34-IG38);

(e) Use of information in asset management plans for financial reporting (see paragraphs IG39-IG40); and

(f) Under-maintenance of assets (see paragraphs IG41-IG44).

No Additional Guidance

BC10. When developing ED 78, on the basis that sufficient guidance existed, the IPSASB had concluded that no additional guidance was needed in IPSAS 45 to address:

(a) A separate definition for infrastructure assets because they are property, plant, and equipment;

(b) Spare parts for infrastructure assets;

(c) Costs to dismantle infrastructure assets;

(d) Separately accounting for land under or over infrastructure assets;

(e) Renewals accounting;

(f) Impairment; and

(g) Derecognition.

The IPSASB included its rationale for not adding guidance to address these issues in the Basis for Conclusions to inform constituents that the IPSASB had considered these issues.

IPSAS 45, Property, Plant, and Equipment

BC11. This Standard replaces IPSAS 17, *Property, Plant, and Equipment* and is based on IAS 16, *Property, Plant, and Equipment*. In accordance with existing practice, this Basis for Conclusions outlines only those areas where IPSAS 45 departs from the main requirements of IAS 16[2] or where the IPSASB considered further guidance is needed to enhance consistent application of principles to address a prevalent public sector specific issue.

BC12. When developing this Standard, the IPSASB decided to relocate IPSAS 17 guidance that supports core principles to the application guidance, generic measurement guidance to IPSAS 46, *Measurement*, and add guidance for accounting for heritage assets and infrastructure assets in scope of the Standard. Responses received to ED 78 did not identify information the IPSASB had not previously considered or a public sector specific issue or challenge when applying the structure or principles in IPSAS 45.

Scope

Remove the Heritage Scope Exclusion Paragraphs

BC13. The IPSASB concluded that the principles in IPSAS 45 should fully apply to heritage assets and decided to remove the scope exclusion for heritage assets, on the basis that:

(a) Recognition of heritage assets will increase the transparency of heritage-related financial information so that users are better able to hold entities accountable for their heritage-related decisions, particularly those that support heritage preservation;

(b) Their heritage nature does not prevent heritage items being assets for financial reporting purposes;

(c) Many heritage items are assets and should be recognized in the statement of financial position when they meet the IPSAS 1, *Presentation of Financial Statements* recognition criteria of an asset;

(d) Since the heritage nature of an item is not, by itself, a reason for special financial reporting requirements, a separate heritage focused IPSAS is unnecessary; and

(e) Where heritage items are within the scope of another IPSAS, that Standard should apply (for example, IPSAS 31, *Intangible Assets* should be applied for heritage assets that are intangible in nature).

Move List of Property, Plant, and Equipment to Application Guidance

BC14. The IPSASB noted that the list of different types of property, plant, and equipment included in the scope of IPSAS 17 was more in the nature of application guidance than that of principles to be included in core text. On this basis, the IPSASB had decided that the list and related descriptions should be moved to the application guidance.

Definition of Property, Plant, and Equipment

Definition of Property, Plant, and Equipment

BC15. The IPSASB had noted that the definition of property, plant, and equipment in IPSAS 17 referred to ‘tangible items’ instead of ‘tangible assets’ and that a strict application of this definition could lead to the recognition of an item that did not meet the definition of an asset in IPSAS 1 *or* the *Conceptual Framework*[3]. The lack of

[2] The IASB’s Bases for Conclusions are not reproduced here. Subscribers to the IASB’s Comprehensive Subscription Service can view the Bases for Conclusions on the IASB’s website at http://www.iasb.org.

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

reference to ‘asset’ caused confusion in practice because there are instances when it is uncertain whether an item is a resource or it is controlled by the entity. To address the uncertainty, the IPSASB had decided to:

(a) Replaced the term “tangible items” with “‘tangible assets,” in the definition of property, plant, and equipment (see paragraph 5);

(b) Added authoritative guidance on resource and control (see paragraphs AG9 and AG10-AG11 respectively); and

(c) Added non-authoritative implementation guidance and illustrative examples on control (see paragraphs IG1-IG8 and IE1-IE5 respectively).

BC16. One of the responses received to ED 78 noted that paragraphs AG8-AG15 of ED 78 were a duplication of content found in the *Conceptual Framework* and suggested removing the content and instead, make a cross-reference to the *Conceptual Framework*. The IPSASB discussed that this authoritative guidance was added to ED 78 to ensure consistency of principle application, specifically to help an entity determine whether an item met all three criteria of the definition of an asset, but specifically two of the three criteria of an asset, resource and control. Rather than removing the guidance and adding a cross-reference to the *Conceptual Framework*, the IPSASB decided to keep guidance on the two key topics (i.e., whether a heritage item is a resource and assessment of control for both heritage and infrastructure items).

Characteristics of Heritage and Infrastructure Assets

BC17. The IPSASB had decided neither heritage nor infrastructure assets needed to be defined, because they were subsets of property, plant, and equipment and therefore, the principles in this Standard apply to heritage and infrastructure assets.

BC18. Based on responses to the Heritage CP and constituents’ comments related to infrastructure, the IPSASB had concluded that ED 78 should include application guidance, including specific characteristics of heritage and infrastructure, to help entities identify their heritage assets (see paragraphs AG2-AG3) and infrastructure assets (see paragraphs AG4-AG6) from other property, plant, and equipment. The IPSASB had decided to only include characteristics that distinguished heritage and infrastructure assets from other property, plant, and equipment, and which presented complexities in the application and implementation of the principles in ED 78, as opposed to including an exhaustive list of the characteristics of heritage and infrastructure assets.

BC19. A few responses to ED 78 recommended the IPSASB to expand AG3(a) to reflect that heritage assets also have restrictions on their disposal, which present complexities in the application and implementation of ED 78 principles, specifically on the measurement of heritage assets. The IPSASB agreed that restrictions on the disposal of heritage assets, similarly to restrictions on their use, present complexities in the application and implementation of IPSAS 45 principles, although not a unique characteristic to heritage assets.

BC20. In developing IPSAS 45, the IPSASB decided to expand the characteristics for heritage assets and to retain the characteristics for infrastructure assets from ED 78 in IPSAS 45. Except as noted in BC19, responses to ED 78 on heritage and infrastructure assets characteristics did not identify information the IPSASB had not previously considered or a public sector specific issue or challenge when applying the principles in IPSAS 45.

Recognition

Deemed Cost of Non-Exchange Transactions

BC21. When developing ED 78, the IPSASB decided to replace the terminology of ‘fair value’ on the initial measurement of a non-exchange transaction of an item or property, plant, and equipment with ‘deemed cost’. This was proposed for alignment with the initial measurement principles in IPSAS 46.

BC22. A response to ED 78 suggested a definition of deemed cost be included in IPSAS 45. The IPSASB discussed that deemed cost for assets acquired in a non-exchange transaction is fair value, in accordance with IPSAS 33, *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS).* The IPSASB noted that ED 78's proposal added unintended complexity as it now required an entity to review IPSAS 33, *First-Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS)* to understand which measurement basis to apply for deemed cost of a non-exchange transaction at recognition. However, the proposal was not intended to change the initial measurement of Plant, Property, and Equipment acquired in a non-exchange transaction.

BC23. Following the development of current operational value in IPSAS 46, the IPSASB discussed how to measure 'deemed cost' and concluded that fair value or current operational value are appropriate. The IPSASB further decided the guidance on deemed cost would be included in IPSAS 46.

Weapons Systems

BC24. When IPSAS 17 was revised as a result of Part III of *Improvements to IPSAS 2015,* the IPSASB had considered that Government Finance Statistics (GFS) reporting guidelines use the term "weapons systems" to comprise items that are used continuously in the provision of defense services, even if their peacetime use is simply to provide deterrence. At that time, the IPSASB had concluded that replacing the IPSAS term "specialist military equipment" with the GFS term "weapons systems" and including a description would clarify the applicability of IPSAS 17 while increasing consistency with GFS reporting guidelines. In developing IPSAS 45, the IPSASB concluded that the same principles should apply and continued to use the term "weapons systems" with a description (see paragraph AG7).

Heritage Assets: The Operational/Non-Operational Distinction

BC25. The IPSASB had considered whether only those heritage assets that are used for non-heritage purposes, called "operational" heritage assets, should be recognized. Operational heritage assets include, for example, a heritage bridge that functions as a bridge or a heritage railway station that is used as a railway station. Some national jurisdictions use the term "non-operational" to describe heritage assets that are used purely for heritage purposes. For example, museum collections held for public appreciation are non-operational heritage assets. Some constituents argued that non-operational heritage assets should not be recognized.

BC26. However, the IPSASB had concluded that both operational and non-operational heritage items can be assets, since both can meet the IPSAS 1's definition of an asset (resource, control, past event). On this basis, the IPSASB had decided that the distinction is not relevant to a decision on whether or not to recognize a heritage item as an asset.

Spare Parts for Infrastructure Assets

BC27. The IPSASB considered whether ED 78 provided sufficient guidance on the accounting treatment of spare parts for infrastructure assets. The IPSASB had concluded that accounting for spare parts is a generic issue and that sufficient authoritative guidance existed in ED 78 for infrastructure asset spare parts that meet the definition of property, plant, and equipment, and in IPSAS 12, *Inventories* for spare parts that meet the definition of inventory.

Capitalization Thresholds

BC28. The IPSASB considered the issues identified by constituents with respect to establishing capitalization thresholds for costs related to infrastructure assets. The IPSASB had concluded that this issue applies broadly to property, plant, and equipment, and that any guidance should also apply broadly, and not be restricted to applying only to infrastructure assets.

BC29. The IPSASB had noted that this issue is generally considered to be a practical issue that is best addressed by management. Entities' management consider their specific assets holdings, and apply the need to meet users' information needs, materiality, and cost-benefit. However, the IPSASB concluded that there is scope for guidance on the factors for consideration when entities set their capitalization thresholds. On this basis, the IPSASB decided to add implementation guidance (see paragraphs IG10-IG14) on the factors to consider when establishing capitalization thresholds for property, plant, and equipment.

Disclosures Related to Unrecognized Heritage Property, Plant, and Equipment

BC30. When developing ED 78, the IPSASB had considered the issues identified by constituents with respect to disclosures related to unrecognized heritage assets. Being able to measure an asset in a way that achieves the qualitative characteristics and takes account of the constraints on information included in General Purpose Financial Statements (GPFSs) is necessary for recognition of an asset in the financial statements. ED 78 stated, in paragraph 6, that property, plant, and equipment must be measured reliably to be recognized. The IPSASB had agreed with constituents that heritage assets may present measurement difficulties which prevent their recognition, but that information on such assets could be important to meet users' needs.

BC31. In considering the need for additional disclosures when heritage property, plant, and equipment is not recognized, the IPSASB had noted that, as explained in the *Conceptual Framework*, disclosures in the notes to the financial statements:

(a) Can provide information on elements that cannot be measured in a manner that achieves the qualitative characteristics sufficiently to meet the objectives of financial reporting;

(b) Are appropriate when knowledge of the item is relevant to the evaluation of the net financial position of the entity and therefore meets the objectives of financial reporting; and

(c) May include items that do not meet the recognition criteria but are important to an understanding of the entity's finances and ability to deliver services.

BC32. The IPSASB had noted that there were cases where the cost or current value of heritage property, plant, and equipment was not able to be measured reliably and therefore, the assets could not be recognized. Information about the contribution of such assets to the delivery of the entity's objectives would nonetheless be useful to users of the financial statements.

BC33. The IPSASB had decided to include a requirement for additional disclosures on heritage property, plant, and equipment that is not recognized because it cannot be measured reliably on the basis that such information contributes to:

(a) Achievement of the objectives of financial reporting; and

(b) Users' understanding of the entity's finances and ability to deliver services for accountability and decision-making purposes.

Therefore, ED 78 included paragraph 77, which established that additional disclosures were required, and application guidance for such disclosures was added in paragraphs AG37-AG38.

BC34. Responses to ED 78 requested for the disclosure requirement to be expanded to either infrastructure assets or to all property, plant, and equipment that is not recognized because it cannot be measured reliably. The IPSASB noted that measurement challenges, which prevent recognition of a tangible asset, were specific to heritage assets.

BC35. In developing IPSAS 45, the IPSASB decided to retain the ED 78 proposal in IPSAS 45 because the responses received to ED 78 did not identify information the IPSASB had not previously considered or a public sector specific issue or challenge when applying the principles in IPSAS 45.

Treatment of Subsequent Expenditure on Unrecognized Heritage Assets

BC36. The IPSASB considered constituents' views on additional guidance on decisions to capitalize or expense subsequent expenditure on unrecognized heritage assets. The IPSASB concluded that there is sufficient authoritative guidance addressing heritage-related concerns. The IPSASB's decision to not have a heritage scope exclusion in ED 78, resulted in the Standard's authoritative guidance fully applying to heritage assets. Therefore, heritage assets that satisfy the recognition criteria shall be recognized. Given measurement difficulties associated with heritage assets, however, the IPSASB acknowledged that some heritage assets may not be able to be recognized. The IPSASB decided that application guidance should be added (see paragraph AG20) to establish that paragraph 6's principles apply to the recognition of subsequent expenditure on unrecognized heritage assets. The IPSASB further decided to include additional implementation guidance (see paragraph IG9), which is needed to support decisions on when to capitalize or expense subsequent expenditure on unrecognized heritage property, plant, and equipment.

Measurement

Measurement of Heritage Assets

BC37. The IPSASB received requests for additional non-authoritative guidance for the recognition and measurement of heritage assets. The IPSASB decided to add implementation guidance, which walks an entity through the recognition criteria, in paragraph 6, and includes initial measurement considerations to help an entity in the recognition and measurement of heritage assets.

Initial Measurement

BC38. A response to ED 78 noted a cross reference to ED 77, *Measurement* on initial measurement stating an entity shall apply ED 77 when measuring an item of property, plant, and equipment. The respondent asked the IPSASB to clarify the scope of each standard and on the terminology differences for initial measurement between ED 78 and ED 77, 'at cost' and 'at transaction price' respectively.

BC39. The IPSASB discussed that terminology in IPSAS 45 was carried forward from IPSAS 17, to reflect continued alignment with IAS 16 terminology and that this core principle from IPSAS 17 remains unchanged. Additionally, the IPSASB noted that ED 78 contained specific initial measurement guidance (see paragraph 11) and guidance in ED 77 is generic, therefore not developed to replace existing detailed guidance in any specific IPSAS.

BC40. In developing IPSAS 45, the IPSASB decided to:

(a) Retain IPSAS 17 terminology 'at cost' for initial measurement;

(b) Remove the cross reference from IPSAS 45, *Property, Plant, and Equipment* to IPSAS 46 on initial measurement of property, plant, and equipment to remove the circularity between these standards; and

(c) Revise paragraph 5 in IPSAS 46 to reflect that when specific guidance on initial and subsequent measurement is included in an individual IPSAS, such guidance shall be applied.

Elements of Cost

Costs to Dismantle Infrastructure Assets

BC41. The IPSASB considered whether sufficient guidance existed for accounting for costs to dismantle infrastructure assets when there is a need to highlight the impact of the future environmental or decommissioning costs on the value of acquired property, plant, and equipment, including infrastructure assets.

BC42. The IPSASB decided that this issue was not specific to infrastructure assets, and no additional guidance was necessary, because sufficient authoritative guidance existed in:

(a) ED 78 that stated that the cost of an item of property, plant, and equipment included the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located; and

(b) IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* that requires a public sector entity to recognize a provision for decommissioning costs to the extent that the public sector entity is obliged to rectify damage already caused.

Subsequent Measurement

Accounting Policy Choice

BC43. The IPSASB considered whether additional guidance was necessary to assist in making the accounting policy choice of subsequently measuring classes of property, plant, and equipment either on a historical cost or current value model.

BC44. The IPSASB concluded no additional guidance was needed. Management should continue to apply its judgment in choosing an accounting policy that results in information that:

(a) Is relevant to the accountability and decision-making needs of users;

(b) Faithfully represents the financial position, financial performance, and cash flows of the entity;

(c) Meets the qualitative characteristics of understandability, timeliness, comparability, and verifiability; and

(d) Considers the constraints on information included in GPFSs and the balance between the qualitative characteristics.

Current Value Model

Measurement Bases

BC45. During the development of IPSAS 46, the IPSASB had considered concerns raised by respondents with regard to the application of fair value in the public sector. While respondents agreed fair value was applicable in some circumstances, they raised concerns about its applicability to public sector assets held for their operational capacity. Respondents suggested it was inappropriate to apply fair value to those assets because the following concepts are not applicable:

(a) Highest and best use; and

(b) Maximizing the use of market participant data.

BC46. The IPSASB had decided to address respondents' concerns by developing a public sector specific measurement basis – Current Operational Value. This measurement basis addressed the measurement of assets held for their operational capacity.

BC47. When developing ED 78, the IPSASB had proposed that when an entity chooses the current value model as its accounting policy for a class of property, plant, and equipment, it should have the option of measuring that class of assets either at current operational value or fair value.

BC48. Some responses to ED 78 raised concerns about basing the measurement basis on management's intent, particularly as it will reduce the comparability of financial statements and reduce consistency of principle application. These respondents were of the view that the selection between measurement bases should be driven by facts and circumstances, such as the reason why the asset is held, and that a change between measurement bases is only appropriate when there is a change in the primary objective for which the entity holds the asset.

BC49. Other responses to ED 78 requested additional non-authoritative guidance on when a change between current value measurement bases was appropriate and how to make the selection between measurement bases, as it may be difficult to determine whether an asset is held for operational or financial capacity (for example, a mixed-use office building) if the measurement bases are applied to an entire class of property, plant, and equipment.

BC50. The IPSASB acknowledged that current operational value was developed to address a public sector specific need for a measurement basis that was more representative of the current value of assets held for their operational capacity in the public sector. The IPSASB further discussed, as noted in BC45(a) and BC45(b), that it was inappropriate to apply fair value concepts of 'highest and best use' and 'maximizing the use of market participant data' for assets held for their operational capacity.

BC51. The IPSASB agreed that it would seem contradictory for the decision of measurement basis in the current value model to be a free choice, considering the guidance included in paragraph 29 and AG26-AG27 of ED 78 and the reason behind the development of current operational value as a measurement basis for public sector assets held for their operational capacity.

BC52. The IPSASB also discussed whether the measurement bases should be applied to an entire class of property, plant, and equipment or whether it should be applied at the item or part of an item of property, plant, and equipment level, taking into consideration mixed-use assets (BC49). Additionally, the IPSASB considered whether a cross reference from IPSAS 45 to IPSAS 46 was needed to help entities on the selection of current value measurement bases.

BC53. The IPSASB concluded that

(a) An item or part of an item of property, plant, and equipment held for its operational capacity shall be measured at its current operational value, and when it is held for its financial capacity, it shall be measured at fair value (see paragraph 27);

(b) Deemed cost could be measured using either current operational value or fair value;

(c) While measurement models are to be applied to an entire class of property, plant, and equipment, the measurement bases are to be applied to an item or part of an item of property, plant, and equipment (see paragraphs 27-28, AG20-AG23 and IG15);

(d) To include additional implementation guidance on when a change between current value measurement bases is appropriate (see paragraphs IG16-IG17); and

(e) A cross reference from IPSAS 45 to IPSAS 46 is not necessary because application guidance on whether property, plant, and equipment is held for operational or financial capacity is included in this Standard (see paragraphs AG20-AG23).

Current Value Measurement of Heritage Assets

BC54. The IPSASB considered constituents' views on the need for guidance on application of the current value model to heritage assets. The IPSASB decided that additional implementation guidance is needed on measurement at current value when heritage assets are viewed as irreplaceable, and have restrictions on their use to ensure consistent application and implementation of this Standard's principles (see paragraphs IG19-IG22).

Valuing Land Under or Over Infrastructure Assets

BC55. The IPSASB considered whether existing guidance in IPSAS 17 addressed the approach to valuing land under or over infrastructure assets such as land under roads and railways.

BC56. The IPSASB decided to add non-authoritative implementation guidance to this Standard to clarify the existing principles related to the valuation of land under or over infrastructure assets (see paragraphs IG23-IG25).

Depreciation

Finite and Indefinite Useful Lives

BC57. When developing this Standard, the IPSASB noted that generally, land has an indefinite useful life and therefore, is not depreciated. Exceptions, where land should be depreciated include:

(a) Land is being consumed due to depletion (such as mines and quarries or landfill sites); or

(b) Land is being lost or displaced as a result of natural phenomena such as climate change (for example, rock or soil erosion, or desertification).

BC58. The IPSASB decided that the IPSAS 17 discussion of useful lives should be revised to better address situations where land has a finite useful life and should be depreciated (see paragraphs 52-55). During its consideration of this issue and those raised by heritage assets' useful lives, the IPSASB decided that the terminology of finite and indefinite useful lives, as used in IPSAS 31, should be used in ED 78. This provided consistent terminology across IPSAS when considering useful lives for asset depreciation.

BC59. The IPSASB further decided that the revised core text and related application guidance should also provide guidance to address situations where items of property, plant, and equipment (e.g., heritage assets, discussed further below) could have indefinite useful lives and therefore, should not be depreciated.

BC60. The IPSASB considered that most non-land property, plant, and equipment have finite useful lives. On this basis, the IPSASB decided to include a rebuttable presumption that non-land property, plant, and equipment has a finite useful life, so that an entity must have evidence to rebut that presumption before it can treat non-land property, plant, and equipment as having an indefinite useful life (see paragraph 52).

Depreciation of Heritage Assets

BC61. When developing ED 78, the IPSASB had concluded based on responses to the CP, *Financial Reporting for Heritage in the Public Sector*, that the same depreciation requirements applied to other types of property, plant, and equipment shall apply to heritage assets. Where respondents disagreed with that approach, some argued against depreciation, while others stated that guidance was needed on how to estimate heritage assets' useful lives and identify heritage assets for which there is no depreciation expense. On the basis that many heritage assets were consumed over time, as they delivered services and/or economic benefits, the IPSASB had concluded that heritage assets can be depreciable assets.

BC62. However, the IPSASB had further concluded that heritage assets may have very long and even indefinite useful lives, due to factors such as their nature and/or the circumstances in which they were held. On this

basis, the IPSASB had decided that useful lives should be clarified to apply to situations where property, plant, and equipment have indefinite useful lives.

BC63. To support entities' assessments of whether a heritage asset has a finite or indefinite useful life, the IPSASB had decided to add non-authoritative implementation guidance (see paragraphs IG30-IG33).

Identifying Parts of Infrastructure Assets that Should Be Separately Depreciated

BC64. The IPSASB considered whether it was a challenge to determine the appropriate unit of account when identifying significant parts of infrastructure assets that should be separately depreciated.

BC65. The IPSASB noted the existing principles are clear that an asset could have different units of account for depreciation because parts of an item of property, plant, and equipment with a significant cost in relation to the total cost of the item shall be depreciated separately. This principle holds true for infrastructure assets, but judgment needs to be exercised in determining or identifying the units of account, which may be separate assets in their own right (see paragraph 8).

BC66. The IPSASB decided to revise the example in paragraph AG6 which listed a number of assets (such as curbs and channels, pavements and bridges) that make up the road system as the units of account or parts that should be identified for separate recognition and depreciation to illustrate the principle of depreciating separately the parts of items of property, plant, and equipment at the appropriate level.

BC67. The IPSASB acknowledged that the separate units of account described in the example may be relevant in some jurisdictions but considered that jurisdictions will apply judgment in determining the appropriate units of accounts for their circumstances.

BC68. The IPSASB decided to add implementation guidance (see paragraphs IG34-IG38).

Annual Impairment Tests for Property, Plant, and Equipment with Indefinite Useful Lives

BC69. The IPSASB had decided that where an entity has assessed property, plant, and equipment as having indefinite useful lives it is important that the assets be reviewed regularly for indicators of impairment. On this basis the IPSASB decided to insert a requirement for annual reviews for indicators of impairment applied to such assets into ED 78 (see paragraph 56.

Separately Accounting for Land and Infrastructure Assets

BC70. The IPSASB considered the issue of whether land and infrastructure assets are separate assets that should be separately accounted for.

BC71. The IPSASB decided that no additional authoritative guidance should be included in ED 78 because the guidance is clear that:

(a) Land and buildings are separable assets and are accounted for separately (e.g., separate recognition and measurement) even when they are acquired together (see paragraph 50); and

(b) Land, buildings, roads and electricity transmission networks are examples of separate classes of property, plant, and equipment that should be separately disclosed (see paragraphs 34 and 69).

Renewals Accounting

BC72. The IPSASB considered whether "renewals accounting" was an appropriate technique to estimate depreciation of property, plant, and equipment when these are managed in accordance with a detailed asset management plan.

BC73. The IPSASB concluded there is no definitive “renewals accounting” method and that this technique should not be used in its literature to estimate depreciation of property, plant, and equipment given the numerous interpretations across different jurisdictions.

Use of Information in Asset Management Plans for Financial Reporting

BC74. When developing this Standard, the IPSASB had noted that many public sector entities have asset management plans that facilitate the proper management of an item of property, plant, and equipment over its life cycle. These asset management plans are usually developed by qualified experts and focus on the operational aspects of the item of property, plant, and equipment.

BC75. The IPSASB noted that, where these asset management plans are kept up to date by qualified experts and the information is reliable, these plans could provide detailed information relevant for accounting for property, plant, and equipment.

BC76. The IPSASB decided to add implementation guidance to clarify when asset management plans might provide information useful for financial reporting purposes when accounting for property, plant, and equipment (see paragraphs IG39-IG40).

Impairment

Liabilities for Future Preservation/Maintenance of Heritage and Infrastructure Assets

BC77. When developing this Standard, the IPSASB considered whether an entity’s intention to preserve and/or maintain heritage and infrastructure assets could give rise to liabilities. For a liability to exist the entity must have an unavoidable present obligation (i.e. little or no realistic alternative to avoid) to incur future expenditure to an external party.

BC78. While acknowledging that entities who hold heritage and infrastructure assets often intend to preserve and/or maintain them and there may be expectations on the entity to do so, the IPSASB concluded that neither intentions nor expectations are sufficient to establish a present obligation.

BC79. The IPSASB concluded no liability arises from the entity’s plan and/or intention to preserve and/or maintain heritage and infrastructure assets, unless there were arrangements in place that create an obligation to an external party for the entity.

Impairment of Heritage and Infrastructure Assets

BC80. The IPSASB considered if sufficient guidance existed on whether an infrastructure asset is impaired when one part of the network or system becomes damaged or inoperable. The IPSASB also considered whether additional guidance is needed to address the impairment of heritage assets.

BC81. The IPSASB decided no additional guidance is necessary because sufficient authoritative impairment guidance exists in IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, to adequately address the impairment of both heritage and infrastructure assets, including guidance for entities to determine when a part of the network or system was impaired.

Under-Maintenance of Assets

BC82. The IPSASB considered the issue that guidance did not articulate whether “backlog maintenance” or “deferred maintenance” should be recognized in the financial statements.

BC83. The IPSASB had decided not to use the terms, “backlog maintenance” or “deferred maintenance” because the terms have several interpretations and applications across different jurisdictions. The IPSASB clarified that the issue highlighted by constituents related to the “under-maintenance of assets”.

BC84. Even though IPSAS 17 principles are clear on the accounting for assets that are "under-maintained", the IPSASB decided to add implementation guidance to clarify the accounting for "under-maintenance of assets" in ED 78 (see paragraphs IG41-IG44).

Recoverable Amount

BC85. IAS 16 defines recoverable amount as "the higher of an asset's fair value less costs of disposal and its value in use." IPSAS 17 refers to the IPSAS 26 definition of recoverable amount which is defined as "the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use." The definition in IPSAS 17 is the same as in IPSAS 26 but differs slightly from the definition in IAS 16. In developing IPSAS 45, the IPSASB noted that this departure from IAS 16 on the definition of recoverable amount is still applicable in IPSAS 45.

Derecognition

Derecognition of Infrastructure Assets

BC86. When developing this Standard, the IPSASB had considered whether sufficient derecognition guidance with respect to accounting for infrastructure assets existed. The IPSASB had noted the derecognition issue arose because parts of infrastructure assets were constantly replaced and there could be a lack of detailed accounting records to support the derecognition of the carrying amounts of the parts that are replaced.

BC87. The IPSASB decided not to add additional derecognition guidance in this Standard because sufficient authoritative derecognition guidance exists and the challenges identified by constituents when accounting for derecognition of parts of infrastructure assets appeared administrative and related to record keeping.

Presentation—Display and Disclosure

Heritage: Focus on Information in the Financial Statements

BC88. When developing this Standard, the IPSASB noted that some jurisdictions disclosed supplementary information about heritage assets as a substitute for recognizing heritage assets in the financial statements. Supplementary disclosures may include qualitative information that is not commonly included in the financial statements. This type of information could be useful for broader accountability purposes such as reporting on an entity's heritage-related service performance.

BC89. The IPSASB concluded that it would focus on guidance related to the financial statements on the basis that the *Recommended Practice Guidelines* (RPG) provides sufficient guidance for reporting supplementary information about heritage assets outside of the financial statements. The RPG Guidelines allow entities to align heritage-related supplementary information to the specific information needs arising from their heritage holdings, heritage-related objectives, and national or local context.

Transitional Provision

BC90. When developing ED 78, the IPSASB had decided that IPSAS 45 shall be applied retrospectively in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, except that an entity may elect to measure heritage assets at current value when reliable cost information for these assets was not available. In developing IPSAS 45, the IPSASB acknowledged that an additional transitional provision was needed for the initial application of IPSAS 45 current value measurement bases. The IPSASB decided to include additional authoritative guidance reflecting that rather than restating comparative periods, an entity shall recognize the effect of initially applying current operational value and fair value basis in the current value model as an adjustment to the opening accumulated surplus or deficit at the date of initial application of IPSAS 45 (see paragraph 87(b)).

Revisions of IPSAS 45 as a result of *Amendments to IPSAS Standards: Specific IFRIC Interpretations*

BC91. In September 2023, the IPSASB initiated a narrow scope project to consider seven IFRIC and SIC Interpretations that were issued by the IFRS Interpretations Committee, but had not yet been considered by the IPSASB, to determine their applicability to the public sector. In its assessment, the IPSASB considered whether public sector entities may face similar application issues, and whether incorporating guidance based on the Interpretations into IPSAS would help clarify the application of existing accounting principles.

BC92. The IPSASB reviewed the requirements of IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, first issued by the IASB in 2004, and the IFRS Interpretations Committee's considerations in reaching its consensus as set out in its Basis for Conclusions. The IPSASB generally concurred that there was no public sector specific reason for not incorporating these requirements into IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets.

BC93. In April 2024, the IPSASB published Exposure Draft (ED) 89, *Amendments to Consider IFRIC Interpretations*, which proposed to add guidance to IPSAS 45 to direct users to relevant guidance in IPSAS 19. The IPSASB received strong constituent support for these proposals. Therefore, it decided to amend IPSAS 45 to incorporate the proposed guidance.

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 45.

Definition of Property, Plant, and Equipment

Assessment of Control

IG1. **Assessing Control:** An entity controls a resource if it has the ability to use the resource or direct other parties on its use or prevent other parties from using the resource so as to derive service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives. Paragraph AG10 identifies the indicators of control as follows:

(a) Legal ownership;

(b) Access to the resource, or the ability to deny or restrict others to access the resource;

(c) The means to ensure that the resource is used to achieve its objectives; or

(d) The existence of an enforceable right to service potential or the ability to generate economic benefits arising from the resource.

IG2. **Control over tangible items**: This implementation guidance focuses on control over items of property, plant, and equipment, where the resource is represented by a tangible item. Intangible assets arising from a loan, lease or other type of “right to use” are not addressed in this implementation guidance because they are outside of IPSAS 45’s scope.

IG3. **Apply judgment**: The entity applies judgment to the facts of each situation when:

(a) Assessing the existence of indicators of control; and

(b) Reaching a view on whether or not control exists.

Control of Land Under or Over Property, Plant, and Equipment

Property, plant, and equipment can be built on land that is fundamental to the operation of the item but is owned by another entity. For example, State or Municipal Governments may construct road networks on land that is owned by another level of government. Should the entity that controls the property, plant, and equipment also recognize the land?

IG4. Where an item of property, plant, and equipment is built on land owned by another level of government, legal ownership of that land will not be held by the entity constructing the property, plant, and equipment. However, legal ownership is only one indicator of demonstrating control of a resource. An entity may demonstrate that it controls the resource even when there is no legal ownership because it has the ability to direct the use of the resource and obtain the economic benefits or service potential that may flow from it.

IG5. When assessing whether land, owned by another level of government, under an item of property, plant, and equipment is controlled by the entity, the entity considers the rights it has to continue to operate the item of property, plant, and equipment. If the ongoing operation of the item of property, plant, and equipment is dependent on the other level of government continuing to grant the entity access to the land, it is unlikely the entity controls the land.

Control over Items in a Heritage Collection

Does an entity have control over items in its heritage collection, when it only has the right to hold the items temporarily, for a defined period under an agreement (or agreements) with another entity (or entities) or individual (group of individuals)?

IG6. No. The entity does not have control over these items in its heritage collection. Applying the application guidance in IPSAS 45 and judgment to the facts of the situation the entity does not have control over the resource represented by the items. This is indicated by the entity only holding the item temporarily, for a defined period. The entity does not have the ability to use the items or direct other parties on their use or prevent other parties from using the items so as to derive service potential or economic benefits embodied in the items in the achievement of its service delivery or other objectives. However, another Standard could apply, for example one that addresses leases or similar arrangements, which includes intangible rights to use a tangible resource within its scope.

Does an entity have control over items in its heritage collection, when it does not have legal ownership but has the right to hold the items for an indefinite period through an arrangement that both parties to the agreement understand to be open-ended?

IG7. Yes. The entity has control over these items in its heritage collection. This is because it has the ability to use the items or direct other parties on their use or prevent other parties from using the items so as to derive service potential or economic benefits embodied in the items in the achievement of its service delivery or other objectives.

Does an entity retain control over items in its heritage collection if it holds them in storage, instead of displaying them to the public?

IG8. Yes. The entity still controls items in its heritage collection when it holds them in storage (for example, in a warehouse or research laboratory) instead of displaying them to the public. The entity's decision to hold the items in storage does not affect the entity's control over the resource represented by the items. This is because it has the ability to use the items or direct other parties about their use or prevent other parties from using the items so as to derive service potential or economic benefits embodied in the items in the achievement of its service delivery or other objectives.

Recognition

Treatment of Subsequent Expenditure on Unrecognized Heritage Assets

Should an entity capitalize subsequent expenditure on an unrecognized heritage asset when the expenditure meets IPSAS 45's recognition principle?

IG9. Yes. A reporting entity should capitalize subsequent expenditure that it incurs on an unrecognized heritage asset where that expenditure meets IPSAS 45 recognition principle in paragraph 6.

Capitalization Threshold for Costs

What factors should be considered when choosing a capitalization threshold?

IG10. IPSAS 45 paragraph 6 establishes the recognition principle for determining whether costs should be recognized as an asset, i.e., "capitalized" and states that the cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:

(a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and

(b) The cost or current value of the item can be measured reliably.

IG11. In practice, entities expense some costs that meet this recognition principle, because they fall below a "capitalization threshold," established by management. Capitalization thresholds assume application of the materiality principle. As such, not all property, plant, and equipment with useful lives extending beyond a single reporting period will be capitalized. Many can be expensed without having a material impact on the information reported in the financial statements. Capitalization thresholds guide entities on whether costs should be capitalized and included in the statement of financial position or expensed and included in the statement of financial performance.

IG12. Factors to consider when setting capitalization thresholds include:

(a) **Meeting the information needs of users**: Capitalization thresholds should result in reported information that meets the needs of external users of the financial statements. Capitalization thresholds should result in reported amounts for recognized assets that achieve the qualitative characteristics, including relevance and representational faithfulness.

(b) **Materiality**: Capitalization thresholds should be such as to ensure that material asset values are captured. Appropriate capitalization thresholds guide entities to capitalize items that would materially impact the information about assets and expenses in the financial statements, and expense those items that would not materially impact that information.

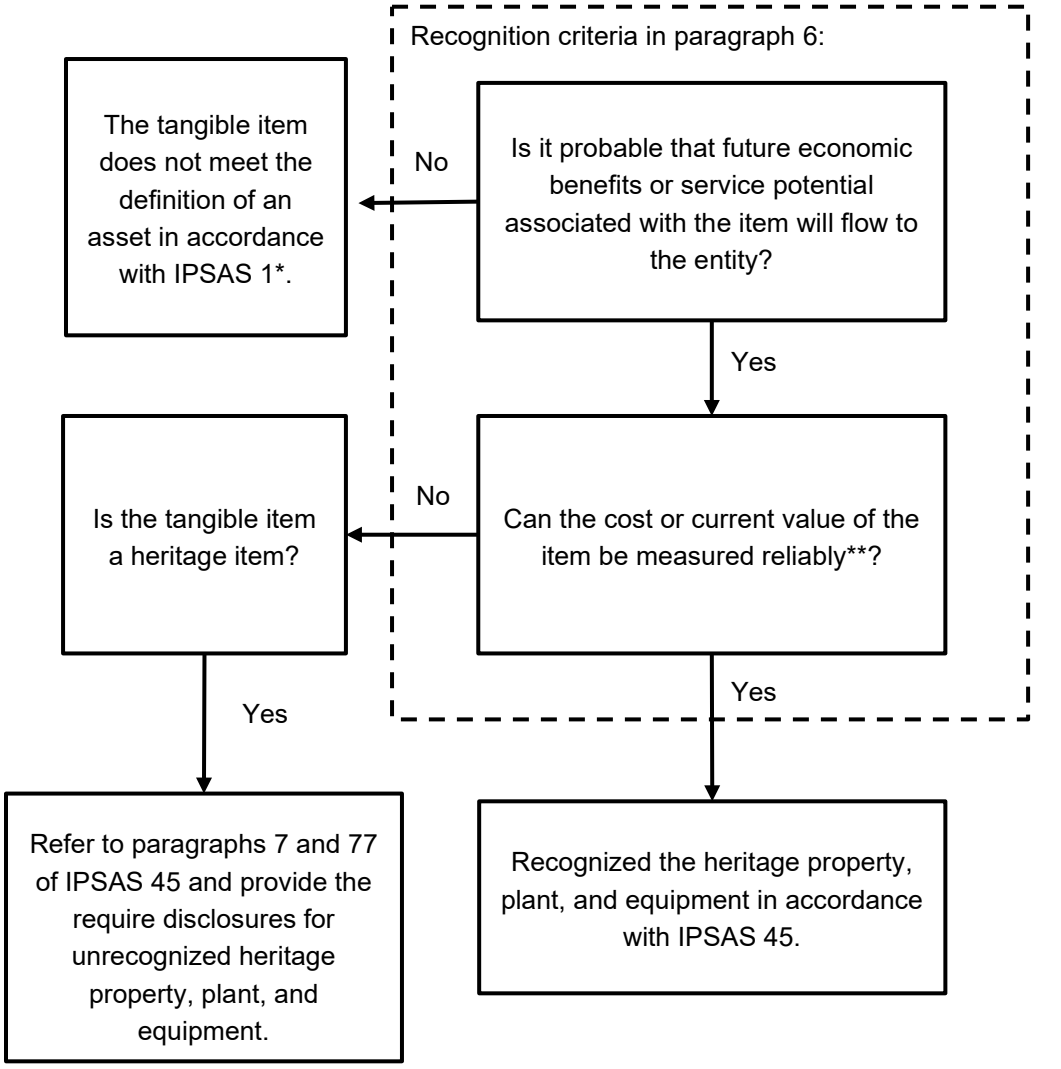
(c) **Cost-benefit**: When capitalization thresholds are set at appropriate levels, they reduce the cost of tracking large numbers of small-value items, while still conferring the benefits of meeting users' needs and capturing material values. If a capitalization threshold is set too low, this could create significant additional costs – in the form of work for staff – without any benefit.

IG13. An entity should consider whether different classes of property, plant, and equipment need different capitalization thresholds.

IG14. Capitalization thresholds are often applied to individual items rather than to groups of similar items. However, the cumulative effect on a group of similar assets should be considered when relevant. This may be the case when a group of assets are acquired at the same time as part of a single project, for example assets acquired for an extensive building program.

Decision Tree – Heritage Item

This decision tree accompanies, but is not part of, IPSAS 45.



* **Assets** are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

**** Measurement Considerations:**

- Cost as described in paragraphs 14-19.
- Current value:
  - Current operational value: The amount the entity would pay for the remaining service potential of an asset at the measurement date.
  - Fair value: The price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.
- Reliable information: Information that is free from material error and bias and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.

Subsequent Measurement

Current Value Model

Measurement Bases

Can a class of property, plant, and equipment measured using the current value model mix current operational value and fair value measurement bases?

IG15. Yes. The measurement model, i.e., historical cost model or current value model, must be applied consistently to an entire class of property, plant, and equipment. As long as the measurement model is applied to an entire class of property, plant, and equipment, different measurement bases can be applied within the class. This may occur when a class of property, plant, and equipment is measured using the current value model. Individual items within this class of property, plant, and equipment may be measured at current operational value or fair value depending on the primary objective for which an entity holds an item, or part of an item, of property, plant, and equipment. (See paragraph 27).

Is a change in current value measurement basis, from current operational value to fair value, considered a change in accounting policy in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*?

IG16. No. The current value measurement basis may change because of a change in the objective for which an entity holds an item or part of an item of property, plant, and equipment.

IG17. For example, a public hospital has ten wards, nine of which have been used for fee-paying patients on a commercial basis, while the tenth ward was used for non-fee-paying patients, The entity decides to repurpose the tenth ward to fee-paying patients on a commercial basis, changing the objective for which the entity holds the tenth ward from operational capacity to financial capacity. As a result, the entity starts measuring the tenth ward at fair value.

Current Value Measurement of Heritage Assets

Do restrictions on the use of heritage assets affect an entity's ability to derive its current value either on initial recognition (if, for example, the asset is donated), or subsequently (when the entity subsequently revalues its heritage assets)?

IG18. No. Restrictions on the use of heritage assets do not affect an entity's ability to derive current values for them. However, restrictions will need to be taken into account when deriving a current value.

Where a heritage asset is viewed as irreplaceable, does this affect an entity's ability to derive its current value?

IG19. No. A view that a heritage asset is irreplaceable does not affect an entity's ability to derive a current value.

IG20. Many heritage assets are viewed as irreplaceable from a heritage perspective. From a financial reporting perspective, the ability to derive a current value involves the ability to ascertain values for equivalent assets. "Equivalent assets" do not have to be identical assets when deriving a current value. Where an entity needs to estimate a current value for a heritage asset, it will need to consider information available on current values, even when, from the perspective of its heritage nature, the asset is irreplaceable. Obtaining current values for heritage assets may be complex and difficult. It could involve judgment to reach an estimate that is derived from a range of possible values. These measurement challenges are a normal part of financial reporting, and not unique to the valuation of heritage assets. The need for professional judgment, expert valuation advice, and/or the use of estimates to derive a current value is not a sufficient basis for concluding that a current value cannot be derived.

IG21. A consideration of the following factors will support an entity's assessment of whether it can derive a current value for a heritage asset:

(a) Replacement of service potential: A current value is likely to be derivable, if the service potential of the heritage asset could be replaced, if necessary, through either:

(i) Purchasing a similar asset; or,

(ii) Reproducing or reconstructing the asset, with reproduction applying to either the whole asset or parts of the asset on either an “as needed” basis or through application of a replacement cycle for the asset.

(b) By contrast, the heritage asset’s current value may not be derivable if its service potential cannot be replaced through purchasing another, similar asset or through reproduction.

IG22. Significance of the heritage asset: A current value is likely to be derivable, if the heritage asset’s service potential mainly relates to its ability to represent an era or type, such that another heritage asset of the same era or same type could be similarly representative.

By contrast, a heritage asset’s current value may not be derivable if its service potential is independent of the heritage asset’s ability to represent an era or type and depends, instead, on something unique and specific to that heritage asset.

Valuing Land Under or Over Infrastructure Assets

How should the land under or over infrastructure assets, such as land under roads or railways, be valued because the related infrastructure assets on top of the land are specialized and held for operational capacity?

IG23. IPSAS 45 is clear that:

(a) Land should be separately accounted for. This requirement applies to all land, including land under or over infrastructure assets; and

(b) Land under or over infrastructure assets accounted for under the current value model should be valued at current operational value or fair value. Because the infrastructure asset itself is a specialized asset, it will often be the case that the market approach will be challenging to apply, and that the asset will be more easily valued using the cost approach.

IG24. IPSAS 46, *Measurement* defines the cost approach as a measurement technique that reflects the amount that will be required currently to replace the service capacity of an asset (often referred to as the current replacement cost).

IG25. The replacement cost of the land is based on the current value of the land based on the existing site. For example, if the road runs through agricultural land, then the current value of the land under that section of the road will be agricultural and if the road runs through an industrial area, then the current value placed on the land under that section of the road will be industrial.

Frequency of Revaluation of Property, Plant, and Equipment

How often should property, plant, and equipment be revalued?

IG26. Paragraph 30 of IPSAS 45 specifies that the frequency of revaluations depends upon the changes in current value of the items of property, plant, and equipment being revalued. When the current value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. The purpose of this guidance is to assist entities that choose the current value model to determine whether carrying amounts differ materially from the current value as at reporting date.

IG27. An entity assesses at each reporting date whether there is any indication that a revalued asset’s carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting

date. If any such indication exists, the entity determines the asset's current value and revalues the asset to that amount.

IG28. In assessing whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date, an entity considers, as a minimum, the following indications:

External sources of information

(a) Significant changes affecting the entity have taken place during the period, or will take place in the near future, in the technological, market, economic, or legal environment in which the entity operates or in the market to which the asset is dedicated;

(b) Where a market exists for the assets of the entity, whether market values are different from their carrying amounts;

(c) During the period, whether a price index relevant to the asset has undergone a material change;

Internal sources of information

(d) Evidence is available of obsolescence or physical damage of an asset;

(e) Significant changes, adverse or favorable, affecting the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. Adverse changes include the asset becoming idle, or plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite. Favorable changes include capital expenditure incurred during the period to improve or enhance an asset in excess of its standard of performance assessed immediately before the expenditure is made; and

(f) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse or better than expected.

IG29. The list in paragraph IG28 is not exhaustive. An entity may identify other indications that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. The existence of these additional indicators would also indicate that the entity should revalue the asset to its current value as at the reporting date.

Depreciation

Heritage Assets' Useful Lives

What are the main factors to consider when assessing whether a heritage asset has an indefinite useful life?

IG30. Paragraph 52 states that there is a rebuttable presumption that non-land property, plant, and equipment have finite useful lives. For a heritage asset to have an indefinite useful life, an analysis of the relevant factors should show that it is reasonable for the entity to consider that there is no foreseeable limit to the period over which it is expected to provide service potential or be used operationally to generate net cash inflows for the entity. Paragraph 54 states that estimates of useful life, at the time the estimate is made, should reflect projections of the relevant factors that are realistic, rather than optimistic or pessimistic.

IG31. Paragraph AG28 states that a heritage painting or sculpture held in a protective environment that is carefully controlled to preserve the asset is an example of an asset that could have an indefinite useful life.

IG32. The main factors to consider when assessing whether a heritage asset has an indefinite useful life are:

(a) **Period providing service potential**: The entity should expect that, to the best of its knowledge, the period over which the heritage asset will continue to provide service potential and/or future economic

benefits will continue indefinitely. The assets' heritage value for future generations should be demonstrable, such that it is reasonable to expect that its heritage value will continue indefinitely.

(b) **Usage**: The usage of the heritage asset should not result in physical wear and tear to the heritage asset.

(c) **Preservation**: The entity should be able to describe the actions it has taken in the past and plans to continue to take to preserve the heritage asset, including adequate protection of heritage assets from the natural elements, where relevant. Preservation plans should include information on the likely availability of staff and financial resources to carry out the entity's preservation activities.

IG33. Entities apply judgment to estimate the useful life of an asset with reference to experience with similar assets. If circumstances change, the entity will need to consider whether the heritage asset still has an indefinite useful life. If the heritage asset is found to have a finite useful life, the entity will then treat it as a depreciable asset and account for it accordingly.

Identifying Parts of Infrastructure Assets that Should be Separately Depreciated

What should be considered when identifying parts of infrastructure asset networks or systems for financial reporting purposes?

IG34. An entity allocates the amount initially recognized in respect of an item of property, plant, and equipment to its significant parts and depreciates separately each part that will have a material impact or effect on determining the annual depreciation expense.

IG35. Property, plant, and equipment including infrastructure assets do not require separate recognition beyond the level required for financial reporting purposes. IPSAS 45 requires:

(a) Items with a cost or value that is significant in relation to the total cost of the item shall be depreciated separately; and

(b) Significant parts of property, plant, and equipment to be grouped with other significant parts that have a similar useful life and / or depreciation method when determining the depreciation charge.

IG36. One of the characteristics of infrastructure assets is that they are networks or systems comprised by a number of assets. Each of those assets or groups of similar assets may be a separate unit of account and may have parts.

IG37. Judgment is required in determining whether those parts of the assets or similar group of assets that make up the infrastructure asset networks or systems are significant in relation to the whole infrastructure asset network or system when determining whether or not to treat them separately. For financial reporting purposes, the following indicators can be helpful in identifying significant parts of an item of property, plant, and equipment:

(a) Parts should be separately identifiable and measurable;

(b) Parts should have significant value in relation to the asset; and

(c) Parts should have different estimated useful lives.

IG38. The entity must consider the facts and circumstances of the transaction as a whole, and materiality to determine the significant parts for the purposes of calculating depreciation.

Use of Information in the Asset Management Plans for Financial Reporting

Can asset management plans provide information useful for accounting for property, plant, and equipment?

IG39. Yes. Information in asset management plans may be used to account for property, plant, and equipment when the items of property, plant, and equipment are maintained in accordance with a sufficiently detailed asset management plan that is subject to effective internal controls and has reliable and up to date information.

IG40. Information from asset management plans can be a useful source of input to:

(a) Calculate depreciation. Paragraphs 47, 57, AG33 and AG35 indicate that depreciation reflects the consumption of the asset's future economic benefits or service potential by allocating the depreciable amount using a systematic basis over its useful life. Asset management plans may contain information on:

(i) The asset's expected useful life - Asset management plans may include information about the expected useful life based on its design/function/expected use; and

(ii) Expected patterns of asset consumption - Asset management plans may include information about the condition and maintenance history;

(b) Determine the significant parts of property, plant, and equipment. Paragraphs 41 and AG24 stipulate that an entity allocates the amount initially recognized in respect of an item of property, plant, and equipment to its significant parts and depreciates separately each part. Asset management plans may include information useful to determine or identify these significant parts of property, plant, and equipment which could in turn be useful to calculate depreciation, impairment, and/or facilitate derecognition of items of property, plant, and equipment;

(c) Calculate the estimated costs to maintain, restore and refurbish assets; and

(d) Determine whether there is an indication that property, plant, and equipment may be impaired. The relevant guidance for impairment is available in paragraph 59 of this Standard and IPSAS 21, *Impairment of Non-Cash-Generating Assets* or IPSAS 26, *Impairment of Cash-Generating Assets*.

Impairment

Under-Maintenance of Assets

What is under-maintenance of assets?

IG41. Under-maintenance of assets occurs when the level of maintenance of an asset is insufficient to maintain the service potential or the useful life of the asset.

Could under-maintenance impact the measurement of items of property, plant, and equipment that require constant maintenance such as infrastructure assets?

IG42. Yes. Under-maintenance may affect the measurement of property, plant, and equipment. It may be an indicator for impairment and may also impact the residual value and useful life of the property, plant, and equipment.

IG43. The relevant guidance for impairment is available in paragraph 59 of this Standard and IPSAS 21 or IPSAS 26. The relevant guidance for assessing the residual value and useful life of property, plant, and equipment is available in paragraphs 48 and 49 of this Standard.

IG44. No liability should be recognized when property, plant, and equipment are not adequately maintained because IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* is clear there is no present obligation to recognize maintenance expenses that will be incurred in the future.

Illustrative Examples

These examples accompany, but are not part of, IPSAS 45, Property, Plant, and Equipment.

Definition of Property, Plant, and Equipment

Assessment of Control

Control of Land under or over Property, Plant, and Equipment

Example 1-Case A (see paragraphs IE1-IE3) illustrates the principle to identify the reporting entity that controls the land under a road network where an entity has legal ownership of the land and the right to direct access to the land and to restrict or deny access of others to the land.

IE1. Provincial (State) Government enters into a long-term binding arrangement with the National Government to construct a road that passes through a National Park. The land is legally owned by the National Government and it has the title deeds of the land. The Provincial Government constructs a 200-mile road which connects two of its largest cities, City X and City Y. The road carries buses, cars and goods vehicles between these cities and has significantly shortened travel time between the cities.

IE2. The Provincial Government concludes that the National Government controls the land because the National Government:

(a) Legally owns the land;

(b) Retains all the rights to the land, as it can cancel the binding arrangement at any point in time; and

(c) Retains the ability to generate economic benefits arising from selling the land. The National Government has the right to sell the land at any time and can decide to whom the land can be sold, and at what price.

IE3. While the Province has the ability to ensure that the land immediately below the road is used to achieve its objectives, i.e., the National Government is not receiving any service potential or economic benefit from the land while the road is in use, the entity concludes this is insufficient to support its control of the land. Other indicators support control being retained by the National Government.

Example 1-Case B (see paragraphs IE4-IE5) illustrates the principle to identify the reporting entity that controls the land under a road network where an entity has unlimited and unrestricted use of the land.

IE4. The facts and circumstances remain the same except the land is transferred to the Provincial Government and the latter has unlimited and unrestricted use of the land and does not legally own the land.

IE5. Even though the Provincial Government does not legally own the land, the Provincial Government concludes it controls the land because it:

(a) Has the right to direct access to the land and to restrict or deny access of others to land because it has unlimited and unrestricted use of the land. The Provincial Government can decide how the land will be used;

(b) Has the ability to generate benefits in the form of economic benefits or service potential from the use of the land; and

(c) Ensures the land is used to achieve the Provincial Government’s service potential objective whereby the land will allow the Provincial Government to build a road that will transport vehicles and goods between the two cities.

Disclosures

Example 2 (see paragraph IE6) illustrates the general disclosure principles in paragraph 69-76.

IE6. The Department of the Interior is a public sector entity that controls a wide range of property, plant, and equipment, and is responsible for replacement and maintenance of the property. The following are extracts from the notes to its Statement of Financial Position for the year ended 31 December 20X1 and illustrate the principal disclosures required in accordance with this Standard.

Notes

1. **Land**

   (a) Land consists of twenty thousand hectares at various locations. Land is valued at fair value as at 31 December 20X1, as determined by the Office of the National Valuer, an independent valuer.

   (b) Restrictions on Titles:

   Five hundred hectares of land (carried at 62,500 currency units) is designated as national interest land and may not be sold without the approval of the legislature. Two hundred hectares (carried at 25,000 currency units) of the national interest land and a further two thousand hectares (carried at 250,000 currency units) of other land are subject to title claims by former owners in an international court of human rights and the Court has ordered that the land may not be disposed of until the claim is decided; the Department recognizes the jurisdiction of the Court to hear these cases.

2. **Buildings**

   (a) Buildings consist of office buildings and industrial facilities at various locations.

   (b) Buildings are initially recognized at cost, but are subject to revaluation to fair value on an ongoing basis. The Office of the National Valuer determines fair value on a rolling basis within a short period of time. Revaluations are kept up to date.

   (c) Depreciation is calculated on a straight-line basis over the useful life of the building. Office buildings have a useful life of twenty-five years, and industrial facilities have a useful life of fifteen years.

   (d) The Department has entered into five contracts for the construction of new buildings; total contract costs are 250,000 currency units.

3. **Machinery**

   (a) Machinery is measured at cost less depreciation.

   (b) Depreciation is calculated on a straight-line basis over the useful life of the machine.

   (c) The machinery has various useful lives:

   Tractors: 10 years

   Washing Equipment: 4 years

   Cranes: 15 years

   (d) The Department has entered into a contract to replace the cranes it uses to clean and maintain the buildings – the contracted cost is 100,000 currency units.

4. **Furniture and Fixtures**

   (a) Furniture and fixtures are measured at cost less depreciation.

   (b) Depreciation is calculated on a straight-line basis over the useful life of the furniture and fixtures.

(c) All items within this class have a useful life of five years.

Reconciliations **(in '000 of currency units)**								
	Land		**Buildings**		**Machinery**		**Furniture and Fixtures**	
Reporting Period	**20X1**	**20X0**	**20X1**	**20X0**	**20X1**	**20X0**	**20X1**	**20X0**
Opening Balance	2,250	2,025	2,090	2,260	1,085	1,100	200	150
Additions	–	–	250	100	120	200	20	100
Disposals	–	–	150	40	60	80	20	–
Depreciation (As per Statement of Financial Performance)	–	–	160	180	145	135	50	50
Revaluations (net)	250	225	–30	–50	–	–	–	–
Closing Balance (As per Statement of Financial Position)	2,500	2,250	2,000	2,090	1,000	1,085	150	200
Sum of Revaluation Surpluses (Paragraph 74(d))	750	500	250	250	–	–	–	–
Sum of Revaluation Deficits (Paragraph 74(e))	25	25	380	350	–	–	–	–
Gross Carrying Amount	2,500	2,250	2,500	2,430	1,500	1,440	250	250
Accumulated Depreciation	–	–	500	340	500	355	100	50
Net Carrying Amount	2,500	2,250	2,000	2,090	1,000	1,085	150	200

COMPARISON WITH IAS 16

IPSAS 45, *Property, Plant, and Equipment* is drawn primarily from IAS 16 (issued in December 2003, including amendments up to March 2018), *Property, Plant and Equipment*. The main differences between IPSAS 45 and IAS 16 are as follows:

- IPSAS 45 refers to both “economic benefits” and “service potential”, where appropriate, in the section on recognition of an item of property, plant, and equipment, while IAS 16 refers to “economic benefits”.
- IPSAS 45 at initial measurement requires that an item of property, plant, and equipment acquired through a non-exchange transaction be measured at its deemed cost. IAS 16 does not have such a requirement.
- The subsequent measurement models in IPSAS 45 are historical cost and current value models, while in IAS 16 the models are cost and revaluation.
- IPSAS 45 for subsequent measurement has two measurement bases in the current value model - current operational value and fair value. IAS 16 revaluation model has only one measurement basis - fair value.
- Under IPSAS 45 revaluation increases and decreases are offset within a class of assets basis, while in IAS 16 are offset on an asset basis.
- IPSAS 45 has disclosure requirements for unrecognized heritage assets, while IAS 16 does not have such a requirement.
- IPSAS 45 does not require the disclosure of the equivalent historical cost amounts, where an entity adopts the current value model and carries items of property, plant, and equipment at revalued amounts, while IAS 16 does.
- IPSAS 45 requires the disclosure of the sum of all revaluations, surpluses and deficits for individual items of property, plant, and equipment within that class. IAS 16 does not have such a disclosure requirement.

COMPARISON WITH GFS

In developing IPSAS 45, *Property, Plant, and Equipment*, the IPSASB considered Government Finance Statistics (GFS) reporting guidelines.

Key similarities and differences with GFS are as follows:

- The similarities and differences between the accounting under IPSAS 45 and GFS will depend on the facts and circumstances of the items of property, plant, and equipment.
- Both IPSAS 45 and GFS require an entity to recognize property, plant, and equipment. However, IPSAS 45 uses accounting terminology whereas GFS uses economic terminology, which may have a similar meaning.
- On initial recognition, IPSAS 45 requires measurement at cost or deemed cost where appropriate. As GFS requires the use of market prices, the same valuation can result.
- On subsequent measurement, IPSAS 45 allows historical cost, current operational value, or fair value measurement bases. In GFS, assets should be measured at market values, so the same valuation can result if the market approach is used as the measurement technique.
- In IPSAS 45 current value model increases or decreases in the carrying amount are recognized in net assets/equity or surplus or deficit, as appropriate. In GFS, changes in market value are recognized as other economic flows.
- Both IPSAS 45 and GFS require capitalization of transaction costs. Transaction costs in IPSAS 45 and GFS are presented together with the items of property, plant, and equipment, though ownership transfer costs of land in GFS are presented in land improvements.
- In IPSAS 45, depreciation can be based on historical cost or on current value, whereas consumption of fixed capital in GFS is always based on current value.
- IPSAS 45 includes disclosure requirements that are not present in GFS.