

## Agenda Item 6: Infrastructure Assets

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IPSASB Meeting

March 10-13, 2020

New York, USA

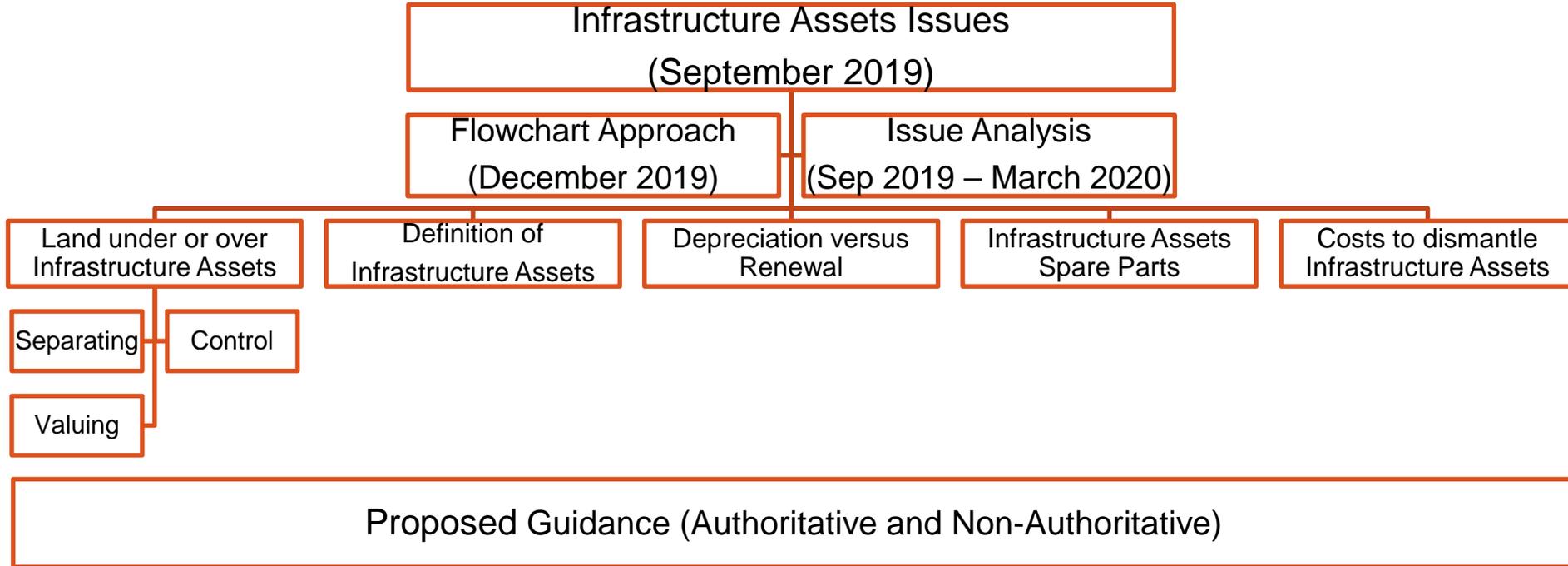
# Project management: Stocktake

- Road Map – progress to date and future meeting plans
- Board Decisions – previous decisions taken and key future issues
- Board Instructions – satisfied with actions taken?
- Other Issues?

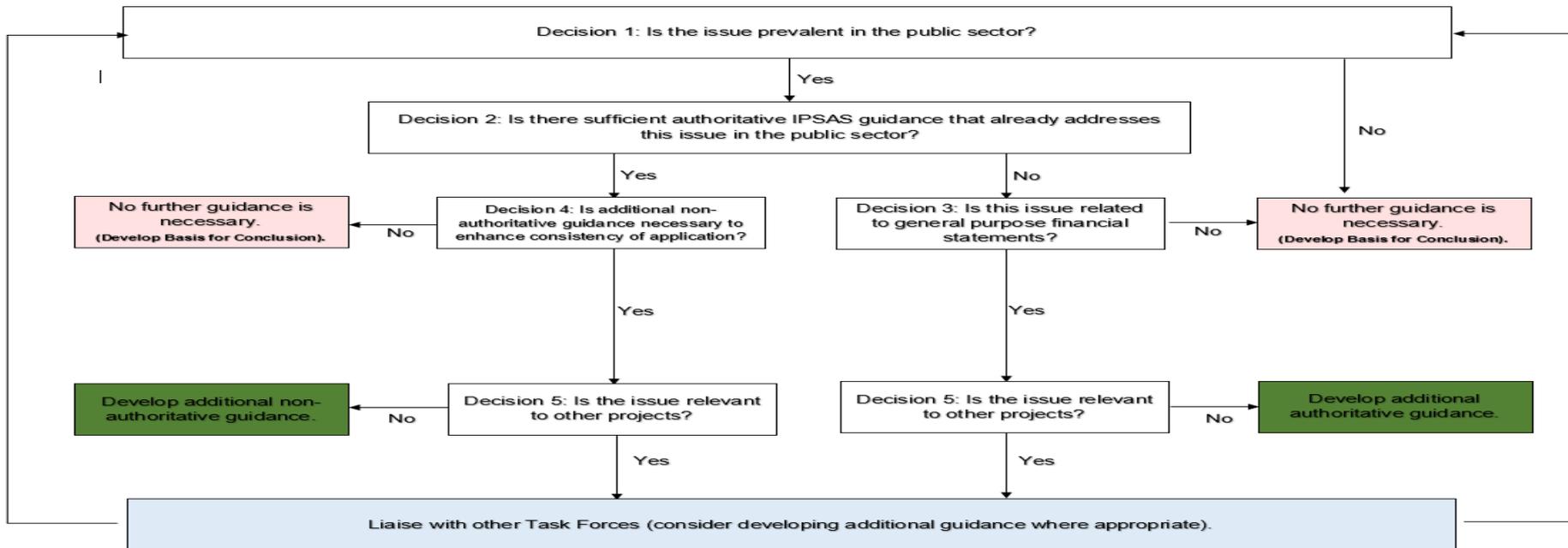
# Session Outline (1/1)

Topic	Agenda Item
Project Overview and Flowchart	Introduction
Revised Guidance for Land and Infrastructure Assets	6.2.1
Definition, characteristics and examples of Infrastructure Assets	6.2.2
Depreciation versus Renewals Accounting	6.2.3
Infrastructure Assets Spare Parts	6.2.4
Costs to dismantle Infrastructure Assets	6.2.5
Next Steps	Conclusion

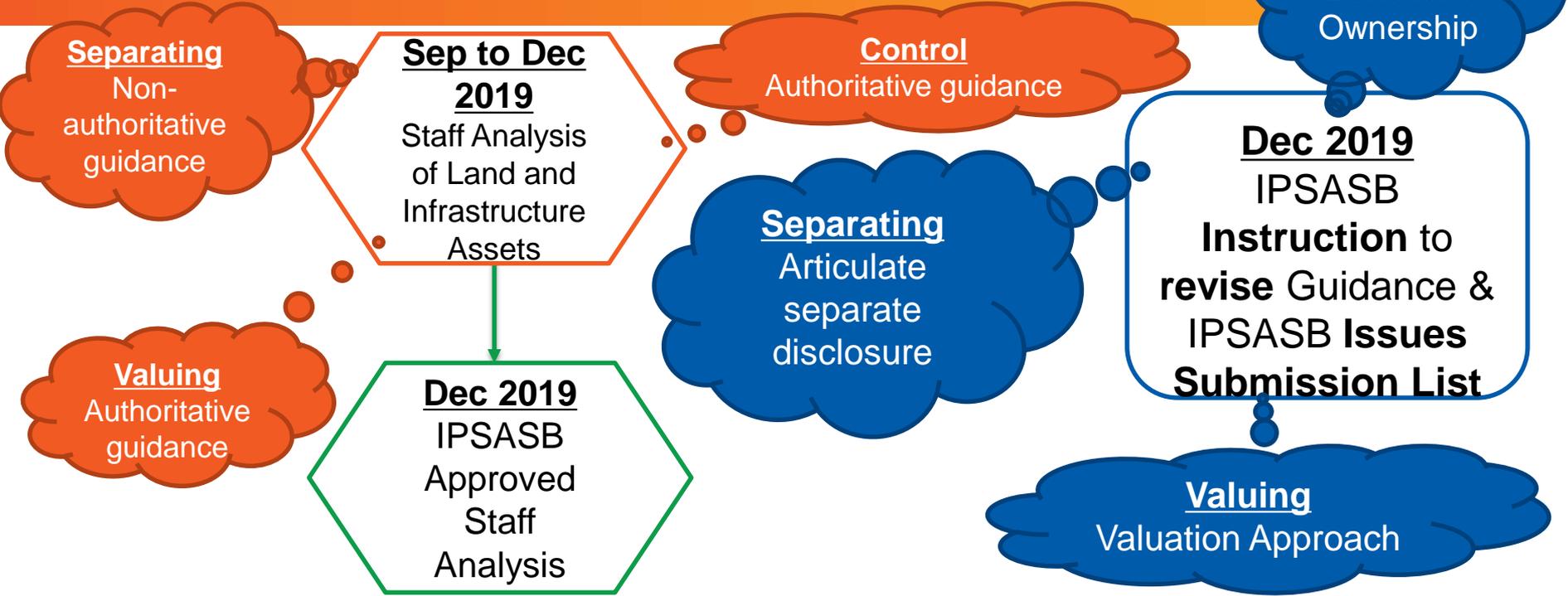
# Project Overview (Introduction) (1/2)



# IPSASB Approved Flowchart (Introduction) (2/2)



# Revised Guidance for Land under or over Infrastructure Assets (Agenda Item 6.2.1) (1/7)



# Separating, Control and Valuing Land under Infrastructure Assets (Agenda Item 6.2.1) (2/7)

## Separating Land under or over Infrastructure Assets

### Staff Analysis

- IPSAS 17.88 states *disclose each class of PPE.*
- IPSAS 17.52 provides *examples of classes of PPE.*

### Staff Recommendation

- IPSAS 17 states *separately disclose land and general PPE.*
- Develop non-authoritative guidance states *separately disclose land and infrastructure assets.*

### Proposed Guidance comprise of:

- Implementation Guidance and Basis for Conclusions.
- **IG5-6** states *land and infrastructure assets should be separately accounted for.*
- **IG7** states *land and infrastructure assets should be separately disclosed.*
- Refer to **Appendix 6.2.1A (Pages 4-5 of Agenda Item 6.2.1).**

# Separating, Control and Valuing Land under Infrastructure Assets (Agenda Item 6.2.1) (3/7)

1. Does the IPSASB agree with the additional guidance recommended by staff for **Separating** land under or over infrastructure assets?
2. Refer to **IG5-IG7 and BC15 – BC17** in Appendix 6.2.1A (Pages 4-5 of Agenda Item 6.2.1).

# Separating, Control and Valuing Land under Infrastructure Assets (Agenda Item 6.2.1) (4/7)

## Control of Land under or over Infrastructure Assets

### Staff Analysis

- IPSAS 17.14 states *recognize PPE when probable future economic benefits and cost measured reliably.*

### Staff Recommendation

- IPSAS 17 does not provide control guidance.
- Develop authoritative application guidance on control of asset.
- Develop non-authoritative guidance on beneficial ownership.

### Proposed Guidance comprise of:

- Application Guidance, Implementation Guidance and Basis for Conclusions.
- **AG1-AG6**, explains control of asset. **IG9-IG17**, explains beneficial ownership.
- Refer to **Appendix 6.2.1B (Pages 6-10 of Agenda Item 6.2.1).**

# Separating, Control and Valuing Land under Infrastructure Assets (Agenda Item 6.2.1) (5/7)

1. Does the IPSASB agree with the additional guidance recommended by staff for **Control** of land under or over infrastructure assets?
2. Refer to **AG1-AG6, IG9-IG17** and **BC18-BC19** in Appendix 6.2.1B (Pages 6-10 of Agenda Item 6.2.1).

# Separating, Control and Valuing Land under Infrastructure Assets (Agenda Item 6.2.1) (6/7)

## Valuing Land under or over Infrastructure Assets

Staff Analysis

IPSAS 17.42-48: *Revalued assets measured at fair value (market based/ value). If difficult, use **similar items** fair value. **Specialized assets** use **Depreciated Replacement Cost**.*

Staff Recommendation

Develop authoritative guidance. *No guidance on land if PPE value increase.*  
Develop additional non-authoritative guidance as *difficult to value specialized land and infrastructure assets.*

### **Proposed Guidance comprises of:**

- Application Guidance, Implementation Guidance and Basis for Conclusions.
- **AG7-AG8**, explains valuing land when PPE value increases.
- **IG19-IG27**, explains approach to valuing land and infrastructure assets. Refer to Appendix 6.2.1C (Pages 11-15, Agenda Item 6.2.1).

# Separating, Control and Valuing Land under Infrastructure Assets (Agenda Item 6.2.1) (7/7)

1. Does the IPSASB agree with the additional guidance recommended by staff for **Valuing** land under or over infrastructure assets?
2. Refer to **AG7-AG8, IG19-IG27 and BC20-BC21** of Appendix 6.2.1C (Pages 11-15 of Agenda Item 6.2.1).

# Definition, Characteristics and Examples of Infrastructure Assets (Agenda Item 6.2.2) (1/4)

## Definition, characteristics and examples of Infrastructure Assets

### Flowchart

### Task Force Analysis

Decision 1 Is the issue prevalent in the public sector?

Yes

**Decision 2** Is there sufficient authoritative IPSAS guidance?

Yes for Definition and No for Characteristics and Examples

Decision 3 Is issue related to financial statements?

Yes for Characteristics and Examples and Not Applicable for Definition

**Decision 4** Is non-authoritative guidance necessary?

No for Definition and Not Applicable for Characteristics and Examples

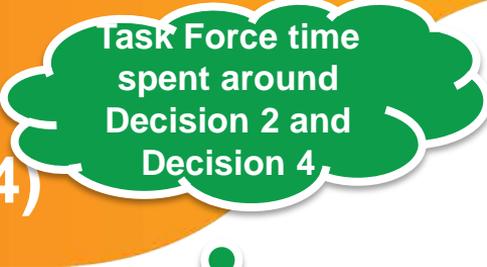
Decision 5 Is the issue relevant to other projects?

No

Flowchart recommendation

Authoritative for Characteristics and Examples and No further guidance for Definition

# Definition, Characteristics and Examples of Infrastructure Assets (Agenda Item 6.2.2) (2/4)



## Definition, characteristics and examples of Infrastructure Assets

<p><b>Decision 2</b> - Is there sufficient authoritative IPSAS guidance?</p>	<p><b>Sufficient guidance for Definition (IPSAS 17.5(b), 13 &amp; 21)</b></p> <ul style="list-style-type: none"> <li>▪ <i>PPE includes Infrastructure Assets.</i></li> <li>▪ <i>Infrastructure assets meet definition of PPE.</i></li> <li>▪ <i>Characteristics and examples of PPE.</i></li> </ul> <p><b>Insufficient guidance for Characteristics and Examples (IPSAS 17.21)</b></p> <ul style="list-style-type: none"> <li>▪ <i>Network/System, Constraint on Disposal, Immovable, Specialized.</i></li> </ul>
<p><b>Decision 4</b> - Is non-authoritative guidance necessary?</p>	<p><b>No additional guidance necessary for Definition</b></p> <ul style="list-style-type: none"> <li>▪ <i>Infrastructure assets are tangible so accounting is similar to PPE.</i></li> <li>▪ <i>Infrastructure thought to include roads, bridges, sewers already included in the characteristics and examples.</i></li> <li>▪ <i>GFS and IIFM infrastructure asset definitions included in the Characteristics.</i></li> <li>▪ <i>Definition may not capture all attributes (Complex).</i></li> <li>▪ <i>Jurisdictions have not defined Infrastructure Assets.</i></li> <li>▪ <i>No interpretation issues in the private sector who apply IAS 16.</i></li> </ul>

# Definition, Characteristics and Examples of Infrastructure Assets (Agenda Item 6.2.2) (3/4)

## Guidance proposed by the Task Force

### Definition

- No further guidance necessary.
- Basis for Conclusions paragraphs **BC24-BC25**, explains *no further guidance for definition is necessary*.
- **Refer to Appendix 6.2.2C (Pages 9-10 of Agenda Item 6.2.2).**

### Characteristics and Examples

- Additional authoritative core guidance to *add the characteristics and examples of infrastructure assets*.
- IPSAS 17 paragraph 21.
- **Refer to Appendix 6.2.2B (Pages 7-8 of Agenda Item 6.2.2).**

# Definition, Characteristics and Examples of Infrastructure Assets (Agenda Item 6.2.2) (4/4)

1. Does the IPSASB agree with the Task Force recommendation:
  - a) **Develop additional authoritative core guidance for characteristics and examples of infrastructure assets; and**
  - b) **No further guidance necessary for definition of infrastructure assets?**
2. Does the IPSASB agree with additional guidance recommended by the Task Force for **Characteristics and Examples** - Refer to Appendix 6.2.2B (Pages 7-8 of Agenda Item 6.2.2).
3. Does the IPSASB agree with the Basis for Conclusions paragraphs explaining Task Force **rationale for no additional guidance for definition?** Refer to Appendix 6.2.2C (Pages 9-10 of Agenda Item 6.2.2).

# Depreciation versus Renewals Accounting (Agenda Item 6.2.3) (1/3)

## Depreciation versus Renewals Accounting of Infrastructure Assets

### Flowchart

### Task Force Analysis

Decision 1	Is the issue prevalent in the public sector?	Yes
Decision 2	Is there sufficient authoritative IPSAS guidance?	Yes (par 13, 59, 64, 68, 71)
Decision 3	Is issue related to financial statements?	Not Applicable
<b>Decision 4</b>	Is non-authoritative guidance necessary?	No
Decision 5	Is the issue relevant to other projects?	Yes (Measurement and Heritage)
Flowchart recommendation		No further guidance

# Depreciation versus Renewals Accounting (Agenda Item 6.2.3) (2/3)

Task Force time spent around Decision 4

## Depreciation versus Renewals Accounting

**Decision 4** - Is non-authoritative guidance necessary?

- No further non-authoritative guidance for Renewals Accounting:**
- Renewals accounting states *don't depreciate when you maintain the assets since the assets remains steady.*
  - Historical cost and current value measurement models state *you need to depreciate even if value of asset increases. Maintenance doesn't negate depreciation.*
  - Depreciation *measures consumption.*

**Guidance proposed by the Task Force**

- No further guidance necessary.
- Basis for Conclusions paragraphs **BC26-BC28**, explains no further guidance for renewals is necessary.
- **Refer to Appendix 6.2.3B (Pages 6-8 of Agenda Item 6.2.3).**

# Depreciation versus Renewals Accounting (Agenda Item 6.2.3) (3/3)

1. Does the IPSASB agree with the Task Force recommendation:
  - a) **No further guidance** necessary for renewals accounting for infrastructure assets?
2. Does the IPSASB agree with Basis for Conclusion paragraphs explaining Task Force **rationale for no additional guidance for renewals accounting**? Refer to Appendix 6.2.3B (Pages 6-8 of Agenda Item 6.2.3).

# Infrastructure Assets Spare Parts (Agenda Item 6.2.4) (1/3)

## Accounting for Infrastructure Assets Spare Parts

### Flowchart

Decision 1 Is the issue prevalent in the public sector?

Decision 2 Is there sufficient authoritative IPSAS guidance?

Decision 3 Is issue related to financial statements?

**Decision 4** Is non-authoritative guidance necessary?

Decision 5 Is the issue relevant to other projects?

Flowchart recommendation

### Task Force Analysis

Yes

Yes (par 17, 18, & 23)

Not Applicable

Yes (Clarify principle)

No

Non-Authoritative Guidance

# Infrastructure Assets Spare Parts (Agenda Item 6.2.4) (2/3)



## Accounting for Infrastructure Assets Spare Parts

**Decision 4** - Is non-authoritative guidance necessary?

**Additional non-authoritative guidance is necessary for Infrastructure Assets Spare Parts:**

- *To clarify existing IPSAS 17 principle.*
- *Infrastructure assets spare parts that are capital versus Inventory.*
- *Spare parts are usually inventory unless they meet definition of PPE.*
- *Material spare parts are PPE.*
- *Held for long periods.*
- *Professional judgment.*

**Guidance proposed by the Task Force**

- Non-authoritative Implementation guidance to distinguish Infrastructure Assets Spare Parts that are Inventory (consumable) and PPE (added value).
- Paragraphs **IG28-IG30**, explains the distinction.
- **Refer to Appendix 6.2.4B (Pages 5-7 of Agenda Item 6.2.4).**

# Infrastructure Assets Spare Parts (Agenda Item 6.2.4) (3/3)

1. Does the IPSASB agree with the Task Force recommendation to:
  - a) **Develop additional non-authoritative implementation guidance for infrastructure assets spare parts?**
2. Does the IPSASB agree with additional guidance recommended by the Task Force? Refer to Appendix 6.2.4B (Pages 5-7 of Agenda Item 6.2.4).

# Costs to dismantle Infrastructure Assets (Agenda Item 6.2.5) (1/3)

## Accounting for costs to dismantle Infrastructure Assets

### Flowchart

### Task Force Analysis

Decision 1

Is the issue prevalent in the public sector?

Yes

Decision 2

Is there sufficient authoritative IPSAS guidance?

Yes (par 30, 32, & 91)

Decision 3

Is issue related to financial statements?

Not Applicable

**Decision 4**

Is non-authoritative guidance necessary?

Yes (Clarify principle)

Decision 5

Is the issue relevant to other projects?

Yes  
(Measurement & Heritage)

Flowchart recommendation

Non-Authoritative Guidance

# Costs to dismantle Infrastructure Assets (Agenda Item 6.2.5) (2/3)



## Accounting for costs to dismantle Infrastructure Assets?

**Decision 4** - Is non-authoritative guidance necessary?

**Additional non-authoritative guidance is necessary for costs to dismantle Infrastructure Assets:**

- Clarify existing IPSAS 17 principles.
- Illustrate impact of the present obligation (legal and/or constructive) of decommissioning costs on the cost/value of PPE.
- Illustrate no provision is made, and no amount is capitalized, for future decommissioning costs.

**Guidance proposed by the Task Force**

- Non-authoritative implementation guidance to illustrate impact of decommissioning costs on the cost/value of PPE.
- Paragraphs **IG31-IG33**, explains *the accounting for decommissioning costs*.
- **Refer to Appendix 6.2.5B (Pages 5-7 of Agenda Item 6.2.5).**

# Costs to dismantle Infrastructure Assets (Agenda Item 6.2.5) (3/3)

1. Does the IPSASB agree with the Task Force recommendation to:
  - a) **Develop additional non-authoritative implementation guidance for costs to dismantle infrastructure assets?**
2. Does the IPSASB agree with additional guidance recommended by the Task Force? Refer to Appendix 6.2.5B (Pages 5-7 of Agenda Item 6.2.5).

## Conclusion – Next Steps (1/2)

Issues **Bolded** were already analyzed by the Task Force on February 25th

Task Force Analysis and guidance to be discussed at the June IPSASB meeting

Outstanding Issues

**Disclosure requirements of Infrastructure Assets**

**Accounting for deferred maintenance expenses**

**Application of control requirements to infrastructure assets that cross more than one jurisdiction**

**Application of control requirements to other infrastructure assets**

**Accounting for land easements (right-of-way and access rights)**

Insufficient guidance on derecognition of infrastructure assets

Assessment of impairment of infrastructure assets could be complex

## Conclusion – Next Steps (2/2)

### Task Force Analysis and guidance to be discussed at the September meeting

#### Outstanding Issues

Applying the componentization approach may not be suitable for infrastructure assets.

Initial and subsequent measurement of infrastructure assets

Complex to value network assets

Complex to distinguish subsequent expenditure as capital or expenses

Threshold of initial and subsequent infrastructure assets costs to capitalize or expense



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