Summary of Mandatory Treasury Policies

Purpose

The purpose of this document is to provide a summary of the Queensland Treasury (QT) specific policies contained within the Non-Current Asset Policies for the Queensland Public Sector (NCAPs), which apply to reporting periods beginning on or after 1 July 2019. In many instances, the policy arises from QT mandating a specific option (or closing off other options) allowed under an Australian Accounting Standard.

This summary does not include QT guidance material provided in the Non-Current Asset Policies for the Queensland Public Sector. It complements (but does not replace) existing Australian Accounting Standard requirements which must be referred to when preparing the annual financial statements.

Subject to certain specified exceptions, QT specific policies are mandatory for departments and statutory bodies.

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<tr>
<th>Ref</th>
<th>Policy</th>
<th>Compliance</th>
</tr>
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<td>Yes</td>
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<tr>
<td>NCAP 1: RECOGNITION OF ASSETS</td>
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| 1.3 | • For for-profit agencies, assets acquired free of charge or for nominal consideration by way of government grant must be recognised at fair value.  
  – This policy is an extension of paragraph 23 of AASB 120 Accounting for Government Grants and Disclosure of Government Assistance.  
  • For for-profit agencies, government grants are not to be deducted from the carrying amount of the related asset – government grants related to assets are to be presented in the Statement of Financial Position as deferred income, recognised as income on a systematic and rational basis over the useful life of the asset.  
  – This policy is an extension of paragraph 24 of AASB 120.  
  • Assets not recognised in previous periods that subsequently meet the recognition criteria (not as a result of an error) shall be recognised from the date that the criteria are met.  
  – This policy is an extension of paragraph 36 and 37 of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. | ☐ | ☐ | ☐ |
| 1.4 | • All training costs in relation to the acquisition (including development or construction) of assets are to be expensed.  
  – This policy is an extension of paragraph 19(c) of AASB 116 and paragraph 29(b) of AASB 138 Intangible Assets.  
  • Third party costs that are directly attributable to, not just associated with, bringing the constructing agency’s asset to the location and condition necessary for its intended operation, are to be capitalised by the constructing agency. Where an agency determines that the third party costs would not be incurred again when the asset is replaced, the costs must be expensed – either as a capital grant expense after initial capitalisation to work in progress, or directly expensed at the outset.  
  • Demolition and/or restoration costs are included in the value of the original asset only when there is a Provision for Restoration. Demolition and/or restoration costs are to be expensed in all other circumstances. | ☐ | ☐ | ☐ |

Queensland Treasury 1 June 2020
<table>
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<th>Ref</th>
<th>Policy</th>
<th>Compliance</th>
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| 1.5 | • All agencies must adopt the **asset classes** specified for Property, Plant and Equipment and Intangibles in Appendix 1.1.  
  - This policy is an extension of paragraph 37 of AASB 116. | ![ ] ![ ] ![ ] |
| 1.6 | • Not for-profit agencies consolidated into the whole-of-Government financial statements must adopt the **recognition thresholds** specified for Property, Plant and Equipment and Intangibles in Appendix 1.1.  
  - This policy is an extension of paragraph 7 of AASB 116.  
  - For-profit statutory bodies and agencies not consolidated into the whole-of-Government financial statements are exempt from this policy. | ![ ] ![ ] ![ ] |
| 1.7 | • **Easements** are intangible by their nature and are to be accounted for in accordance with AASB 138.  
  - This policy is an extension of paragraph 9 and 12(b) of AASB 138.  
  • All **land under roads** (to which the Land Act 1994 applies) acquired on or before 30 June 2008 must be recognised at fair value in accordance with AASB 1051 *Land Under Roads*. Land under roads acquired on or after 1 July 2008 is to be recognised in accordance with AASB 116.  
  - This policy is an extension of AASB 1051.  
  • Assets arising from service concession arrangements are to be accounted for in accordance with existing applicable Australian Accounting Standards and Interpretations.  
  - This policy is an extension of Interpretation 12 *Service Concession Arrangements*.  
  • Where there is an active market, **intangible assets** are to be carried at **fair value**, otherwise they must be carried at cost.  
  - This policy is an extension of AASB 138.  
  • Buildings that are leased principally to other Queensland State Government agencies are **not to be classified as investment property** either in the agency’s financial statements or in the whole-of-Government consolidated financial statements, unless the asset is surplus to requirements and held specifically to earn income.  
  - This policy is an extension of AASB 140 *Investment Property*. | ![ ] ![ ] ![ ] |
| 1.8 | • **Similar or like-natured assets** (including personal computers) which do not meet the definition of a **network** (a chain of interconnected but dissimilar assets connected for the provision of the one simultaneous service) are not to be grouped for capitalisation.  
  - The term ‘network’ is a QT definition.  
  - The policy is an extension of AASB 116. | ![ ] ![ ] ![ ] |
1.10 • The frequency of physically verifying the existence of property, plant and equipment assets should be determined by the agency after considering the risk profile and materiality of each class of property, plant and equipment. Property, plant and equipment assets may be verified on a rolling basis provided all assets are verified at least once every three years.
  - This is a QT policy supporting s.18 of the Financial and Performance Management Standard 2019. For more information refer Volume 3 (s. 3.8) of the Financial Accountability Handbook.

• Subject to materiality, property, plant and equipment assets not located during a stock-take are to be written off in that year, in accordance with the agency’s accounting policies and procedures, and authorised by an appropriately delegated officer.
  - This is a QT policy supporting s.18 of the Financial and Performance Management Standard 2019.

### NCAP 2: COMPLEX ASSETS

2.3 • A **complex asset** is a physical asset capable of disaggregation into significant components which must each:
  - be separately identifiable and measurable and able to be separated from the complex asset;
  - require replacement at regular intervals during the life of the complex asset to which it is related;
  - exceed the asset recognition threshold for the agency (N.B. agencies must not establish an additional mandatory threshold for identifying whether a component is significant);
  - have a significant value in relation to the total fair value or cost of the complex asset; and
  - have a different estimated useful life from the complex asset so that failure to depreciate it separately would result in a material difference in the annual depreciation expense for that asset.

  - The definition for ‘**complex asset**’ is a QT definition and the policy is an extension of AASB 116.

2.4 • Significant components are to be accounted for as a separate asset and depreciated separately from the complex asset.
  - This policy is an extension of AASB 116.

• The remaining components of a complex asset are to be depreciated over the estimated useful life of the complex asset itself.
  - This policy is an extension of AASB 116.

2.7 • Significant components are to be disclosed in the same class as the complex asset to which they relate.
  - This policy is an extension of AASB 116.
## NCAP 3: VALUATION OF ASSETS

### 3.2
- Plant and equipment and work in progress must be recorded at cost.  
  - This policy clarifies QT’s interpretation of AASB 116.
- Intangible assets for which there is no active market are to be carried at cost.  
  - This policy clarifies QT’s interpretation of AASB 116.
- Assets measured at cost are never to be revalued.  
  - This policy clarifies QT’s interpretation of AASB 116.

### 3.3
- After initial recognition, not-for-profit agencies consolidated into the whole-of-Government financial statements are to carry all land, buildings, infrastructure, heritage and cultural assets and major plant and equipment at fair value.  
  - This policy adopts the option in paragraph 31 of AASB 116 and closes the option to carry these assets at cost.
- Not-for-profit agencies consolidated into the whole-of-Government financial statements are to record investment property at fair value except in exceptional circumstances where fair value cannot be measured reliably.  
  - This policy closes the option to carry these assets at cost in AASB 140.

### 3.4
- Agencies are to follow Appendix 3.2 for the fair value level recommended for various types of assets. Where an agency has an asset that it believes should be categorised differently, that agency should consult with QT stating their preferred categorisation and justification for that.

### 3.5
- All assets in classes identified in Appendix 1.1 are to be revalued on an annual basis, where there is a material change to the value of the class.  
  - This policy is an extension of paragraph 31 of AASB 116.
- The annual revaluation of land, buildings, infrastructure, heritage and cultural, and major plant and equipment may incorporate either or both of the following methodologies:  
  - appraisals undertaken by independent professional valuer or internal expert;  
  - use of appropriate and relevant indices  
  - This policy is an extension of AASB 116.
- Letters issuing valuation instructions at a minimum must include the content in Appendix 3.3 Content Required from Valuers (or Other Relevant Professionals).
- Valuations undertaken by an independent professional or internal expert are to occur at least once every five years – more frequently if classes experience significant and volatile changes in fair value.  
  - This policy is an extension of para 31, 34 and 36 of AASB 116.
### 3.5
- For financial reporting purposes, the value of the Regulatory Asset Base (RAB) is not to be assumed to be the measure of fair value for the asset group – however, many of the inputs and assumptions may be an appropriate basis for determining fair value using the income approach.

### 3.6
- Revaluations based on the application of indices must result in a valid estimation of the asset's fair value, and the process of ensuring this is evidenced includes (but not limited to):
  - seeking assurance that the index used is robust, valid and appropriate;
  - testing of the application of the index to an asset for reasonableness;
  - documenting this process of assurance, including the assumptions and findings.
- Indices do not change the fair value level applied as at the last specific appraisal. Where an agency does not believe this is appropriate, that agency should consult with QT, stating their preferred categorisation and justification for that.

These policies are an extension of AASB 13 and AASB 116.

- For the purpose of restating accumulated depreciation/amortisation at the date of an asset's revaluation via either a specific appraisal or indexation:
  - the gross method of revaluation is to be used for depreciable assets valued using a cost (e.g. depreciated replacement cost) approach; and
  - the net method of revaluation is to be used for depreciable assets valued using a market or income approach.
    - This policy is an extension of paragraph 35 of AASB 116 and paragraph 80 of AASB 138.

### 3.7
- Where the values of heritage and cultural assets cannot be measured reliably, they are not to be recognised in the Statement of Financial Position but disclosed as a note to the financial statements.
  - This policy is an extension of paragraph G1 Australian Implementation Guidance of AASB 116.
- An idle or permanently retired asset exists where:
  - a physical/intangible asset has not been employed and/or has been unoccupied for 12 months or more;
  - the carrying amount of which is material to the relevant asset class; and
  - there are no plans in place to reinstate the asset to use.
- A temporarily idle asset is intended to be re-employed by the agency in future reporting periods
  - These policies are an extension of paragraph 79 of AASB 116.
- The ‘renewals accounting’ approach is not permitted.
  - This policy is an extension of paragraph 8 (d) of Interpretation 1030 Depreciation of Long-Lived Physical Assets: Conditions-Based Depreciation and Related Methods.
### NCAP 4: IMPAIRMENT OF ASSETS

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| 4.4 | Where **Community Service Obligations** are received, these are to be included in the calculation to determine an asset's recoverable amount.  
- This policy is an extension of AASB 136 *Impairment of Assets*. |  |  |  |
| 4.6 | When an asset is revalued using either a market or income valuation approach, accumulated impairment losses are to be eliminated against the gross amount of the asset  
- This policy is an extension of paragraph 35 of AASB 116 and paragraph 80 of AASB 138. |  |  |  |
| App 4.1 | Decisions to (or not to) impair assets should be approved by the CFO and documented in work papers. |  |  |  |

### NCAP 5: DEPRECIATION AND AMORTISATION

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| 5.6 | For the purpose of restating accumulated depreciation/amortisation at the date of an asset's revaluation via either a specific appraisal or indexation:  
- the gross method of revaluation is to be used for depreciable assets valued using a cost (e.g. depreciated replacement cost) approach; and  
- the net method of revaluation is to be used for depreciable assets valued using a market or income approach.  
- This policy is an extension of paragraph 35 of AASB 116 and paragraph 80 of AASB 138.  
- Re-lifing of an asset that is carried at cost and that still has some useful life after it has been fully depreciated is not permitted.  
- This policy is an extension of paragraph 51 of AASB 116. |  |  |  |

### NCAP 6: DISPOSAL OF NON-CURRENT ASSETS

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<tr>
<td>6.1</td>
<td>The asset revaluation surplus does not transfer when assets are transferred between agencies but remains with the transferring agency.</td>
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|  | Once amounts are transferred from the asset revaluation surplus to other equity accounts, they generally cannot be transferred back to the asset revaluation surplus and are not available to be applied against revaluation decrements for other asset classes of the agency.  
- This policy is an extension of Interpretation 1038 *Contribution by Owners Made to Wholly-Owned Public Sector Entities*. |  |  |  |
### 6.2 Policies

- The return of proceeds from the disposal of a non-current asset to the Consolidated Fund must be treated as an equity withdrawal and adjusted against contributed equity or, to the extent that this would result in negative contributed equity, accumulated surplus/deficit.

- If a transfer of an asset between wholly-owned State Government agencies meets the criteria in APG 9, and is accounted for as a non-appropriated equity injection/withdrawal, no gain or loss is to be recognised.
  - This policy is an extension of Interpretation 1038.

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<td>6.2</td>
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<td>Yes No N/A</td>
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### NCAP 7: ACCOUNTING FOR LIBRARY COLLECTIONS

#### 7.2 Future service potential

Future service potential must be considered in determining capitalisation as well as useful life.

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<td>7.2</td>
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#### 7.3 Library collections classification

- Library collections are to be classified consistently under:
  - common use collections;
  - reference collections; and
  - heritage collections

- The basis upon which library items are classified must be documented

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<td>7.3</td>
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<td>Yes No N/A</td>
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#### 7.4 Common use items

- Common use items are to be expensed on acquisition

**Reference collections**

- Collections with a value of $1,000,000 or above are to be capitalised and recognised at fair value, or else expensed.

- Collections are to be recognised in the financial statements as 'Library Reference Collection'.

- In cases where there are multiple copies of the same item, only one of the items per location is to be capitalised.

- The fair value determined during revaluation is to be applied to only one copy of multiple holdings per location.

- Fair value is to be determined in accordance with AASB 13 *Fair Value Measurement*

- Assessments must be made on a regular basis (at least once every three years) to determine whether items are still providing benefit or whether they should be removed from the collection.

- Reasons for the non-depreciation of collections must be documented and included in the notes to the financial statements.

- Independent confirmation that the valuation methodology is appropriate must be obtained at least once every five years.

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<td><strong>Heritage collections</strong></td>
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<td>• Collections with the value of $5,000 and above are to be capitalised and recognised at fair value, or else expensed.</td>
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<td>• Items in the heritage collection form part of the existing ‘Heritage and Cultural Assets’ class in the financial statements.</td>
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<td>• Fair value is to be determined in accordance with AASB 13 <em>Fair Value Measurement</em></td>
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<td>• If fair value cannot be determined it is not to be recognised on the Statement of Financial Position, but rather disclosed as a note to the financial statements, stating:</td>
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<td>✓ description of the nature of the collection;</td>
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<td>✓ purposes for which it is held;</td>
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<td>✓ reason why its heritage value cannot be reliably estimated; and</td>
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<td>✓ to the extent practicable, the annual costs of maintenance/preservation.</td>
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<td>• If an in-house valuation is conducted, the basis, methodology and assumptions underpinning the valuation are to be independently reviewed at least once every five years.</td>
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<td>7.5</td>
<td>• Each item of electronic media purchased outright that meets the asset recognition criteria must be classified and accounted for accordingly.</td>
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<td>• Annual licence fee paid to access electronic media must be expensed except where archival access is involved.</td>
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<td>• Internally developed information is to be considered as in-house intellectual property.</td>
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<td>7.6</td>
<td><strong>Digital library collections:</strong></td>
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<td>• Accounting treatment for ‘library collections’ to be applied to library collections of self-generated and purchased items in digital/electronic format.</td>
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<td>• Apply the corresponding recognition thresholds for physical collections i.e. $1,000,000 for reference collections and $5,000 for heritage and cultural collections.</td>
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<td>• Collection to be treated as an intangible asset, and recognised according to relevant class – refer to Appendix 1.1 and Appendix 1.3 to NCAP 1.</td>
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<td>• Apply policies for initial recognition and subsequent measurement of intangible assets (refer to NCAP 1.3, NCAP 1.7, Appendix 1.1 and NCAP 3.7)</td>
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<td>• Any costs to create/acquire duplicate digital copies of items are to be expensed.</td>
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### Non-current Asset Policies for the Queensland Public Sector

**Queensland Treasury**  
9 June 2020

#### Table of Contents

<table>
<thead>
<tr>
<th>Ref</th>
<th>Policy</th>
<th>Compliance</th>
</tr>
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| 7.9 | Disclosures in addition to normal non-current physical assets:  
- basis on which collections are classified;  
- whether collections are capitalised or expensed, including basis for the determination;  
- if capitalised – how fair value is determined;  
- if capitalised – whether depreciation is applied, including basis for the determination;  
- if fair value cannot be determined for a heritage collection – the reason.  
• Disclosure must be made of the insured value of the expensed common use collection, and the fact that although it does not necessarily equate to replacement cost, it provides an indication of replacement cost. | ![Yes](yes.png) ![No](no.png) ![N/A](n/a.png) |
| 7.10 | Stock-takes of capitalised collections are to be undertaken on a regular basis – a rolling three-year stock-take is acceptable.  
Although a formal stock-take of expensed collections may not be considered necessary, sufficient controls must be implemented to allow proper management of the holdings and to ensure security of the collections. | ![Yes](yes.png) ![No](no.png) ![N/A](n/a.png) |
| 7.11 | Any changes in accounting treatment of holdings as a result of adoption of library collections policies contained in the NCAPs must be accounted for as a voluntary change in accounting policy. | ![Yes](yes.png) ![No](no.png) ![N/A](n/a.png) |