



Asset Depreciation Policy

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Department:	Finance	Division:	Revenue and Finance
Function:		Responsible Officer:	Manager, Revenue and Finance

A - PREAMBLE

1. The Accounting Standard AASB 116 – Property, Plant & Equipment prescribes the accounting treatment for property, plant and equipment so that users of the financial report can discern information about an entities investment in its property plant and equipment and the changes in such investment. One of the principal issues in accounting for property, plant and equipment is how a capitalised asset is to be depreciated, taking into consideration its cost, useful life, any residual value at the conclusion of its useful life and the depreciation method by which the consumption of the assets economic benefits are consumed. This can have significant implications for the operating result of the Council.

B - SCOPE

1. This policy directs those Council officers who are charged with accounting for Councils assets and related purposes.

C – POLICY PURPOSE/OBJECTIVES

1. This policy specifies what depreciation method, useful life and residual value are to be applied to Councils assets.

D - DEFINITIONS

1. **Asset Class** – The categories of assets used by the Council for the purposes of Asset Management and Accounting.
2. **Cost** - The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.
3. **Depreciable Amount** – The cost of an asset, or other amount substituted for cost, less its residual value.
4. **Depreciation** – The systematic allocation of the depreciable amount of an asset over its useful life
5. **Materiality** – Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to:

- a. Influence the economic decisions of users taken on the basis of the financial report;
or
 - b. Affect the discharge of accountability by the management or governing body of the entity.
6. **Property, plant and equipment** – Tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one accounting period.
 7. **Recognition** – The cost of an item of property, plant & equipment shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably.
 8. **Residual Value** – The amount that the Council 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.
 9. **Useful Life** – The period over which an asset is expected to be available for use by the Council; or the number of production or similar units expected to be obtained from the asset.

E - POLICY STATEMENT

1. The City of Salisbury will adhere to the Asset Depreciation Policy Framework as attached to this Asset Depreciation Policy.

F - LEGISLATION

1. *Local Government Act 1999*
2. *Local Government (Financial Management) Regulations 1999.*

G - REFERENCES

1. AASB 116 – Property, Plant & Equipment
2. AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors
3. UIG 1030 – Depreciation of Long Lived Physical Assets

H - ASSOCIATED PROCEDURES

1. City of Salisbury Financial Reporting Process
2. Accounting Treatment of Land Under Roads
3. Asset Capitalisation Policy
4. Asset Valuation Policy
5. Asset Impairment Policy

Document Control

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