

Property, Plant and Equipment

(IAS 16)

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Today's Agenda

1. Objective and Scope



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1. Objective and Scope

- The objective of IAS 16 is
 - to prescribe the accounting treatment for property, plant and equipment (PPE)
 - so that users of the financial statements can discern information about an entity's investment in its PPE and the changes in such investment.
- The principal issues in accounting for property, plant and equipment (PPE) are:
 - a) the recognition of the assets,
 - b) the determination of their carrying amounts and
 - c) the depreciation charges and impairment losses to be recognised in relation to them.

Definitions

What are PPE?

Recognition

Measurement

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1. Objective and Scope

- IAS 16 shall be applied in accounting for PPE
 - except when another standard requires or permits a different accounting treatment.



- IAS 16 does not apply to:
 - a) property, plant and equipment classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
 - b) biological assets related to agricultural activity (see IAS 41 *Agriculture*);
 - c) the recognition and measurement of exploration and evaluation assets (see IFRS 6 *Exploration for and Evaluation of Mineral Resources*); or
 - d) mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources.

However, IAS 16 applies to PPE used to develop or maintain the assets described in (a) and (d).

1. Objective and Scope

- Other IFRSs/IASs may require recognition of an item of PPE based on an approach different from that in IAS 16.
 - For example, IAS 17 *Leases* requires an entity to evaluate its recognition of an item of leased PPE on the basis of the transfer of risks and rewards.
 - However, in such cases other aspects of the accounting treatment for these assets, including depreciation, are prescribed by IAS 16.



1. Objective and Scope

- An entity shall apply IAS 16 to property that is being constructed or developed for future use as investment property but does not yet satisfy the definition of 'investment property' in IAS 40 *Investment Property*.
 - Once the construction or development is complete, the property becomes investment property and the entity is required to apply IAS 40.
 - IAS 40 also applies to investment property that is being redeveloped for continued future use as investment property.
 - An entity using the cost model for investment property in accordance with IAS 40 shall use the cost model in IAS 16.



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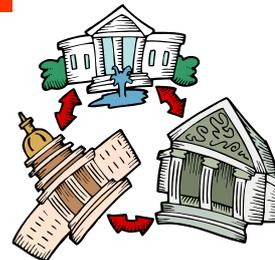
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1. Objective and Scope

Example

Are the following assets PPE?

- Copier acquired under an operating lease
- Motor vehicle acquired under finance leases
- Owned property used for rental purpose
- Investment property under re-development
- Property held for a currently undetermined future use
- Leasehold land separated from the leasehold building



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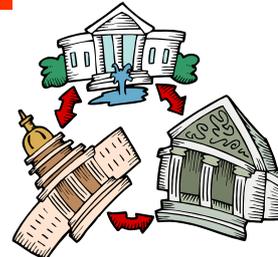
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1. Objective and Scope

Example

What are PPE? Are the following PPE?

- Building acquired under an operating lease × → IAS 17
- Building acquired under finance leases ✓
- Freehold property used for rental purpose × → IAS 40
- Investment property under re-development × → IAS 40
- Property held for a currently undetermined future use × → IAS 40
- Leasehold land separated from the leasehold building × → IAS 17



Today's Agenda

Definition

1. Objective and Scope

2. Definitions

What are PPE?

2. Definitions

- Property, plant and equipment (PPE) are tangible items 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 period.



2. Definitions

- Cost**
- is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction, or
 - where applicable, the amount attributed to that asset when initially recognised in accordance with the [specific requirements of other IFRSs](#)
e.g. IAS 39, IFRS 2

- Residual value**
- Discussed later



2. Definitions

Example

- Entity GV buys a machine by granting share options to the supplier, who can subscribe 100 shares of Entity GV.
 - The cash price of the machine is \$200.
 - The fair value of the options at the grant date is \$300.
 - How much should be recognised as the cost of machine?
- Per IAS 16, the amount attributed to the machine should refer to the specific requirements of IFRS 2 *Share-based Payments*.
 - Under IFRS 2, GV shall recognise an increase in equity if the machine is received in an equity-settled share-based payment transaction.
 - While the transaction is with a party other than employees and other providing similar services, there is a rebuttable presumption that the fair value of goods received can be estimated reliably (i.e. \$200 in this case).
 - In rare case (if presumption rebutted), the transaction is measured by reference to the fair value of the equity instruments (i.e. share options) granted.

2. Definitions

Case



- In its 2005 Interim Report, full set of HKFRS was adopted.
- New accounting policy on property, plant and equipment
 - Cost may include
 - transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.
 - The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Hedging under IAS 39

Today's Agenda

Definition



Recognition

1. Objective and Scope

2. Definitions

3. Recognition

3. Recognition

- The cost of an item of PPE shall be recognised as an asset if, and only if:
 - a) it is probable that future economic benefits associated with the item will flow to the entity; and
 - b) the cost of the item can be measured reliably.
- Major spare parts, servicing equipment, replacement and inspection can also be qualified as PPE.

Recognition Criteria

- If the recognition criteria is met, such cost is recognised; the carrying amount of the replaced parts or previous inspection is derecognised.

3. Recognition – Principle Updated

Improvement is no longer a threshold

Recognition criteria (capitalisation) for

Initial Cost

Subsequent Expenditure

Previous

Criteria not the same

- Probable that future economic benefit of the asset will flow to the enterprise
- Cost measured reliably

- Probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the entity

Now

Same criteria

- Probable that future economic benefit of the asset will flow to the entity
- Cost measured reliably

Same criteria applied to both costs

Expenditure not fulfilling the recognition criteria
– will be charged to income statement

Clearer approach on so-called **Component Accounting**

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3. Recognition – Principle Updated

Case

ESPRIT

Esprit Holdings Limited

- Adopted HK GAAP to 30 June 2003
- Begin to adopt all the new/revised IFRS in 2004 Annual Report
- Accounting policy on property, plant and equipment

– Subsequent costs

are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when

- it is probable that future economic benefits associated with the item will flow to the Group and
- the cost of the item can be measured reliably.

Capitalise

– All other repairs and maintenance

are charged to the income statement during the financial period in which they are incurred.

Expense

Clearer approach on so-called **Component Accounting**

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3. Recognition – Principle Updated

Case



Hong Kong Exchange and Clearing Limited (IEx)

- Consolidated financial statements of 2004 early adopted all HKFRSs issued up to 31 Dec. 2004, including HKAS 16, 17.....
- Accounting policy on fixed assets states –
 - Subsequent costs are included in the asset's carrying amount or recognised as separate asset, as appropriate, only when
 - it is probable that future economic benefits associated with the item will flow to the Group and
 - the cost of the item can be measure reliably

Capitalise

Expense

All other repairs and maintenance are charged to the profit and loss account during the year in which they are incurred

3. Recognition – Principle Updated

Case



Galaxy Entertainment Group Limited (2005 Annual Report)

- Major costs incurred in restoring assets to their normal working condition
 - are charged to the profit and loss statement.
- Improvements
 - are capitalised and depreciated over their expected useful lives to the Group.



Denway Motors Limited (2005 Annual Report)

- Major costs incurred in restoring the plant components to their normal working condition to allow continued use of the overall asset
 - are capitalised and depreciated over the period to the next overhaul.
- Improvements
 - are capitalised and depreciated over their expected useful lives to the Group.

4. Measurement at Recognition

- An item of PPE that qualifies for recognition as an asset shall be measured at its **cost**.

Cost

(as stated)

- the amount of cash or cash equivalents paid or
- the fair value of other consideration given to acquire an asset at the time of its acquisition or construction, or
- where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other IFRSs

e.g. IAS 39, IFRS 2



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4. Measurement at Recognition

- The **cost** of an item of PPE 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.
 - 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.

Purchase Price

Directly
Attributable Cost

Dismantling Cost



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4. Measurement at Recognition

Example

- Reel had purchased a significant amount of new production equipment during the year.
- The cost before trade discount of this equipment was \$50 million.
- The trade discount of \$6 million was taken to the income statement.

(Source from ACCA)

- IAS 16 states that:
 - any trade discounts and rebates shall be deducted from the cost of an asset and not taken to the income statement.
- Hence this practice is reversed with the resultant decrease in the depreciation charge and net profit.

4. Measurement at Recognition

Example

- Are the following items directly attributable costs?
 - a) costs of employee benefits arising directly from the construction or acquisition of the item of PPE;
 - 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, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
 - f) professional fees.

Yes

4. Measurement at Recognition

Example

- Can the following items be the costs of an item of PPE?
 - 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 business in a new location or with a new class of customer (including costs of staff training); and
 - d) administration and other general overhead costs.

No

4. Measurement at Recognition

- 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:
 - 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;
 - Initial operating losses, such as those incurred while demand for the item's output builds up; and
 - Costs of relocating or reorganizing part or all of an entity's operations.

Not part of the cost of PPE

4. Measurement at Recognition

Example

- John and Sherman Engineering Inc. introduced a new production line. The expenditures incurred for this new line include:
 1. \$50,000 for the costs of employee in fixing the interior of the factory to suit for the production line,
 2. \$100,000 in preparing the factory site,
 3. \$5,000,000 in purchasing the machines for the line,
 4. \$60,000 in arranging the initial delivery,
 5. The installation and assembly costs of the machines of \$55,000,
 6. Costs of initial testing of \$40,000,
 7. Professional fees in assessing the function and installation of \$20,000,
 8. Costs of grand opening the new line of \$30,000,
 9. Costs of introducing a new product manufactured by this new production line of \$950,000, and
 10. Administration and other general overhead costs in studying and following up the installation of \$25,000.
- Discuss and determine the cost of the new production line.

4. Measurement at Recognition

Answers

- The cost of the new production line recognised as property, plant and equipment should be \$5,325,000.
- The costs incurred not directly attribute to the acquisition and installation of the line to its intended use cannot be recognised.
- Therefore, the following costs are not included:
 - Costs of grand opening the new line of \$30,000,
 - Costs of introducing a new product manufactured by this new production line of \$950,000, and
 - Administration and other general overhead costs in studying and following up the installation of \$25,000.

4. Measurement at Recognition

Example

- Entity A leased an office for a lease term of 5 years in 2005 and incurred \$500,000 million in decorating the office.
- The lease requires Entity A to restore the office to its original status when the lease expires.
- Entity A estimates that the cost of restoration will be around \$60,000 at that time.
- Determine the cost of the decoration.

The cost of the decoration:

Cost of decoration: **\$500,000**

Initial estimate of restoring the site:

Present value of \$60,000

IFRIC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* set out how to account for the change of this estimate

Assuming discount rate is 6%,

- PV of \$60,000 is \$ 44,835
- Total initial cost is \$ 544,835

4. Measurement at Recognition

Example

- Several same air-condition plants have been installed by GV in several leasehold properties. When the properties are returned to the landlord in 4 years, the plants should be removed.
- The properties include factory (3 plants installed), show room (1 plant installed) and head office (2 plants installed).
- The purchase cost of each plant is \$1,000. The installation cost is \$1,000 for each plant. Present value of removal costs of the plant include \$400 resulted from installation only and \$400 from the usage during the 4 years.
- What is the cost of each plant to be recognised?

In accordance with IAS 16

- the cost of each plant installed in the factory should be \$2,400 (the purchase cost, installation cost and present value of removal cost from installation).
- the cost of each plant installed in the show room and head office should be \$2,800 (including the present value of all removal costs)
- Since the removal costs of such plants are incurred as a consequence of having used the machine during a particular period for purposes, other than to produce inventories during that period

4. Measurement at Recognition

Example

- Entity A operates an offshore oilfield where its 20-year licensing agreement requires it to remove the oil rig at the end of production and restore the seabed.
 - Costs of removal of the oil rig and restoration of the seabed include:
 - 75% relates to damage caused by building the oil rig
 - 10% relates to damage caused by regular maintenance of the oil rig
 - 15% arises through the extraction of oil
- 85%**
- The cost of the oil rig
 - includes the best estimate of **85%** of the eventual costs
 - a provision in the amount of that cost will be recognised when the oil rig has been constructed.
- removal of the oil rig and restoration of damage caused by building it
- for purposes, other than to produce inventories during that period
- recognised as a liability when the oil is extracted

4. Measurement at Recognition

Case



[A-Max Holding Limited \(奧瑪仕控股有限公司\)](#)

(One of the shareholders of "Greek Mythology" in Macau)

- Notes to the financial statements for year ended 31.3.2006
 - The cost of self-constructed items of property, plant and equipment includes
 - the cost of materials,
 - direct labour,
 - the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and
 - an appropriate proportion of production overheads and borrowing costs

4. Measurement at Recognition

Element of cost extended

Same amendment in
IAS 38 and
IAS 40

Rule on Exchange of Assets Revised

Cost of PPE acquired in exchange is measured at fair value

But not required if: In SSAP 17

- it is an exchange for similar assets

In IAS 16

**Commercial
Substance**

- the exchange transaction lack of Commercial Substance, or

**Fair Value of
Exchanged Asset**

- the Fair Value is not reliably measurable (both asset received and given up)

- If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

4. Measurement at Recognition

To determine **Commercial Substance**

- considering the extent to which its future cash flows are expected to change as a result of the transaction

Commercial Substance exists if:

- a) the configuration (risk, timing and amount) of the cash flows of the asset received differs from that of the asset transferred; or
- b) the entity-specific value of 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 fair value of the assets exchanged.

**Commercial
Substance**

4. Measurement at Recognition

- Even comparable market transactions do not exist, **Fair Value** of an asset is reliably measurable if
 - a) the variability in the range of various reasonable fair value estimates is not significant for that asset, or
 - b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.
- If an entity is able to determine reliably the fair value of either the asset received or the asset given up
 - then the fair value of the asset given up is used to measure the cost of the asset received
 - unless the fair value of the asset received is more clearly evident.

Fair Value of Exchanged Asset

Today's Agenda

Definition

1. Objective and Scope

Recognition

2. Definitions

3. Recognition

Measurement

4. Measurement At Recognition

**5. Measurement
After Recognition**

5. Measurement after Recognition

- An entity shall choose either:

Cost Model

Revaluation Model

- as its accounting policy and
- the entity shall apply that policy to an entire class of PPE.



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5. Measurement after Recognition

Cost Model

After recognition as an asset, an item of PPE shall be carried at

- its cost
- less
 - any accumulated depreciation and
 - any accumulated impairment losses

Revaluation Model

After recognition as an asset, an item of PPE shall be carried at

- a revalued amount, being its fair value at the date of the revaluation,
- Less
 - any subsequent accumulated depreciation and
 - subsequent accumulated impairment losses.

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5. Measurement after Recognition

Revaluation Model

What is fair value?

- **Fair value** is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
All IFRS/IAS have same definition on fair value now.
- The fair value of
 - land and buildings ⇒ is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers.
 - items of PPE ⇒ is usually their market value determined by appraisal.
- If there is no market-based evidence of fair value because of the specialised nature of the item of PPE and the item is rarely sold, ⇒ an entity may need to estimate fair value using
 - an income or
 - a depreciated replacement cost approach.

5. Measurement after Recognition

Answers

- An entity's non-current assets have been revalued by one of the directors of Issue who holds no recognised professional qualification and has used estimated realisable value as the basis of valuation.
- The plant and equipment is of a highly specialised nature and is constructed by the company itself and is mainly computer hardware.
(Source from ACCA)

- The tangible non-current assets have been valued by one of the directors of Issue.
- IAS 16 gives guidance on who should perform valuations by saying that the value should be determined by 'appraisal normally undertaken by professionally qualified valuers' and the director is not a qualified valuer.
- This fact places doubt on the values placed on the tangible non-current assets.

5. Measurement after Recognition

Answers

- The plant and equipment is of a specialised nature and is, therefore, difficult to value, especially as it has been constructed by the company itself.
- It could be argued that the director is perhaps the best person to value such assets.
- However, the lack of independence in the process and the lack of compliance with IAS 16 enhances the risk of reliance upon the figures for tangible non-current assets.
- Additionally IAS 16 states that the fair value of land and buildings and plant and equipment is usually market value not an estimate of realisable value.
- Further where there is no evidence of market value for plant and equipment because of its specialised nature (as is the case in this instance), then they are valued at depreciated replacement cost.
- Assets other than properties are easily valued and therefore there is suspicion as to the underlying reasons for the valuation of plant and equipment and the authenticity of the figures for tangible non-current assets.

5. Measurement after Recognition

Revaluation Model

Revaluations shall be made with sufficient regularity

- to ensure that the carrying amount does not differ materially from the fair value at the balance sheet date.

- The frequency of revaluations depends upon the changes in fair values of the items of PPE being revalued.
 - a) When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.
 - b) Some items of PPE experience significant and volatile changes in fair value, thus necessitating annual revaluation.
 - c) Such frequent revaluations are unnecessary for items of PPE with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every 3 or 5 years.

5. Measurement after Recognition

Revaluation Model

- When an item of PPE is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:
 - a) restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.
This method is often used when an asset is revalued by means of applying an index to its depreciated replacement cost.
 - b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.
This method is often used for buildings.

5. Measurement after Recognition

Example

- At year end, a class of motor vehicles has:
 - Cost of \$100,000 and accumulated depreciation of \$40,000
 - Revalued amount of that class of motor vehicles is \$90,000
- Show the revaluation effect
 - Accumulated depreciation restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.
 - Cost restated ($\$100,000 \times 90,000 / 60,000$) \$ 150,000
 - Accumulated depreciation restated ($\$40,000 \times 90,000 / 60,000$) (\$ 60,000)
 - Accumulated depreciation eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount
 - Cost \$ 100,000
 - Accumulated depreciation eliminated ($\$40,000 - \$30,000$) (\$ 10,000)

5. Measurement after Recognition

Revaluation Model

- Class →
- If an item of property, plant and equipment is revalued,
 - the entire class of PPE to which that asset belongs shall be revalued
 - If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to equity under the heading of revaluation surplus.
 - However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.
 - If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss.
 - However, the decrease shall be debited directly to equity under the heading of revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Entire class

To Equity directly

Negative to P/L

5. Measurement after Recognition

Revaluation Model

- Class →
- A class of PPE is a grouping of assets of a similar nature and use in an entity's operations and examples of classes include:
 - Land;
 - Land and buildings;
 - Machinery;
 - Ships;
 - Aircraft;
 - Motor vehicles;
 - Furniture and fixtures; and
 - Office equipment
 - The items within a class of PPE are revalued simultaneously 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.

5. Measurement after Recognition

Example

Revaluation Model

- In 2005, an entity buys a PPE at \$1,000 and adopts revaluation model.

Dr	PPE	1,000
Cr	Cash	1,000

- At year end of 2005,
 - PPE's fair value rises to \$1,500.

Dr	PPE (1,500 – 1,000)	500
Cr	Revaluation reserves	500

- At year end of 2006,
 - PPE's fair value falls to \$800.

Dr	Revaluation reserves	500
	Profit and loss	200
Cr	PPE (1,500 – 800)	700

- Ignore the depreciation, prepare journal for each situation above.

5. Measurement after Recognition

Revaluation Model

- The revaluation surplus included in equity in respect of an item of PPE may be transferred directly to retained earnings when the asset is derecognised.
- However, some of the surplus may be transferred as the asset is used by an 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 asset and depreciation based on the asset's original cost.

Dr	Depreciation (depreciation based on the asset's original cost)
Dr	Revaluation reserves (difference)
Cr	Acc. depreciation (depreciation based on the revalued carrying amount)

- Transfers from revaluation surplus to retained earnings are not made through profit or loss.

5. Measurement after Recognition

Example

Revaluation Model

- CJS Limited bought a car with a cost of \$50,000 on 1 Jan. 2005 and adopted the revaluation model.
- The estimated useful life of the car is 5 years.
- On 1 Jan. 2006, the car was revalued with a fair value of \$48,000 at that date.
- Prepare the journal entries for the year ended 31 December 2005 and 31 December 2006.

Year ended 31.12.2005

Dr PPE	50,000	
Cr Cash		50,000

Dr P/L (\$50K ÷ 5 years)	10,000	
Cr Accumulated depreciation		10,000

Dr Accumulated depreciation (48K – (50K – 10K))	8,000	
Cr Revaluation reserves		8,000

Year ended 31.12.2006

Dr P/L (same as 2005)	10,000	
Revaluation reserves (diff.)	2,000	
Cr Accumulated depreciation (\$48K ÷ 4 years)		12,000

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5. Measurement after Recognition

Example

- Argent values its remaining properties independently on the basis of 'existing use value', which is essentially current value.
- The directors have currently opted for a policy of revaluation in the financial statements with the annual transfer of the depreciation on the revalued amount from revaluation reserve to accumulated reserves.
- Local GAAP requires a full valuation every three years with gains and losses taken to income when the asset is available for sale.
- Discuss the implications for the Argent Group financial statements of a move from using local GAAP to using IFRS.

(Source from ACCA)

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5. Measurement after Recognition

Answers

- There is a fundamental difference of principle between IAS 16 and local GAAP.
- Where the company opts for a policy of revaluation, IAS 16 requires revaluation to fair value whereas at present the company utilises a policy of revaluation to current value.
- The use of 'existing use value' (EUV) for the properties is in accordance with local GAAP.
- IAS 16 states that the fair value of land and buildings is usually market value.
- Open market value can be greater or smaller than EUV especially where the property may be developed for an alternative use or the property has been adapted for the needs of the owner and there is little prospect of finding a buyer because of these alterations.

5. Measurement after Recognition

Answers

- Both local GAAP and IAS 16 expect that if a policy of revaluation is adopted, asset valuations should be reasonably current at each balance sheet date.
- Local GAAP requires three yearly full valuations by an external valuer but IAS 16 does not specify a maximum period between valuations, simply stating that valuations should be undertaken as frequently as is necessary.
- The requirements and guidance in respect of the basis of valuations are not as detailed as many local GAAPs.
- Finally, the reporting of gains and losses under IAS 16 will be different to local GAAP.
- Under IAS 16 revaluation gains are credited directly to equity under the heading of 'revaluation surplus' except where a revaluation loss exceeds an existing revaluation surplus, when the excess is charged to the income statement.
- Similarly if the revaluation gain reverses a revaluation loss on the same asset then it shall be recognised as income. Gains are not recognised in income until the asset is sold.

5. Measurement after Recognition

Cost Model

Depreciation

Revaluation Model

- **Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life.
- **Depreciable amount** is the cost of an asset, or other amount substituted for cost, less its residual value.
- **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.
- 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.

5. Measurement after Recognition

Depreciation

- Each part of an item of PPE with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
 - e.g. it may be appropriate to depreciate separately the airframe and engines of an aircraft
- The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset.

Clearer approach on so-called
Component Accounting

5. Measurement after Recognition

Example

Depreciation

At 1 Jan. 2005, AX bought a laser printing machine of \$50 million

- The machine will be used for 5 years (maximum useful life) and then dispose of at zero value
- The machine's laser head can operate 500 hours, after that replacement of a new laser head is needed
- The cost of a new laser head was \$10 million at that time and its residual value is zero.

- Cost of each part is significant in relation to the total cost of the parts
- Each part should be depreciated separately

Laser machine other than laser head is depreciated over 5 years

Laser head is depreciated over 500 hours

Under usage methods of depreciation, the depreciation charges can be zero while there is no production

5. Measurement after Recognition

Example

Depreciation

At 1 Jan. 2005, AX bought a laser printing machine of \$50 million

- The machine will be used for 5 years (maximum useful life) and then dispose of at zero value
- The machine's laser head can operate 500 hours, after that replacement of a new laser head is needed
- The cost of a new laser head was \$10 million at that time and its residual value is zero.

- Assume the laser head can operate 500 hours or 5 years, which is shorter.
- If the machine has not been used in the 2nd year, calculate depreciation on the laser head under different depreciation methods

Depreciation for 2nd year

If the laser head is depreciated

- over 500 hours (unit of production) > **zero**
- 5 years on a straight-line basis > **\$2 million**

5. Measurement after Recognition

Case



Annual Report 2005

- Where an item of property and equipment comprises major components having different useful lives,
 - they are accounted for as separate items of property and equipment.
- Depreciation
 - is calculated to write off the cost or deemed cost, less residual value if applicable, of property and equipment and
 - is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

5. Measurement after Recognition

Depreciation

Depreciable amount

- The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.
- The residual value and the useful life of an asset shall be reviewed at least at each financial year-end
 - if expectations differ from previous estimates, the change shall be accounted for as a change in an accounting estimate in accordance with IAS 8



5. Measurement after Recognition

Case



Depreciation

Depreciable amount

A-Max Holding Limited (奧瑪仕控股有限公司)

(One of the shareholders of "Greek Mythology" in Macau)

- Accounting policies for year ended 31.3.2006
 - Where parts of an item of property, plant equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.
 - Both the useful life of an asset and its residual value, if any, are reviewed annually.



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5. Measurement after Recognition

Depreciation

Residual Value ←

Depreciable amount

- Residual Value is updated as
 - 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
 - Inflation may be incorporated in residual value



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5. Measurement after Recognition

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

Be careful

- By referring to the definition of residual value
- It is still limited to the estimates that it would receive currently for the asset if
 - the asset were already of the age and
 - in the condition expected at the end of its useful life

Implication:

- If estimated residual value > carrying amount
 - ⇒ no depreciation is required
- But feasible only if
 - the management clearly intends to dispose of the PPE before the end of its physical usage life
 - otherwise, the estimated residual value is
 - minimal or even zero

5. Measurement after Recognition

Example

Same laser machine example as before

At 1 Jan. 2005, AX bought a laser printing machine of \$50 million

- The machine will be used for 5 years (maximum useful life) and then dispose of at zero value
- The machine's laser head can operate 500 hours, after that replacement of a new laser head is needed
- The cost of a new laser head was \$10 million at that time and its residual value is zero.

- At 31 Dec. 2005, the price of a new laser machine increases to \$75 million
- No change in cost of a new laser head and estimated maximum useful life
- Shall AX revise the residual value at 31 Dec. 2005?

No!

- AX has not changed its usage plan and the residual value after the estimated useful live would still be zero

5. Measurement after Recognition

Example

Another one

- At 1 Jan. 1985, Entity A bought a flat in Tai Koo Shing at \$ 500,000.
 - Entity A aimed to use it for 50 years until the end of its estimated useful life
 - The original estimated residual value is zero
 - Depreciation is calculated on a straight-line basis
 - At 31 Dec. 2004, the depreciated historical cost (and carrying amount) of the property was \$0.3 million

- Now, the price of a similar flat in Tai Koo is about \$ 3M
- Shall A revise the residual value?

No!

A has not changed its usage plan and the residual value after the estimated useful life would still be around zero

- If A changes its intention and aims to dispose of the flat in 10 years (i.e. 2015)
- Shall A revise the residual value?

Yes!

If A can demonstrate that it has an intention to dispose of it before the end of its economic life

5. Measurement after Recognition

Example

- Handrew, a listed company, is adopting IFRS in its financial statements for the year ended 31 May 2005.
- Its directors are worried about the effect of the move to IFRS on their financial performance and the views of analysts. The directors have highlighted some 'headline' differences between IFRS and their current local equivalent standards and require a report on the impact of a move to IFRS on the key financial ratios for the current period.
 - Previous GAAP requires the residual value of a non-current asset to be determined at the date of acquisition or latest valuation.
 - The residual value of much of the plant and equipment is deemed to be negligible. However, certain plant (cost \$20 million and carrying value \$16 million at 31 May 2005) has a high residual value.
 - At the time of purchasing this plant (June 2003), the residual value was thought to be approximately \$4 million.
 - However, the value of an item of an identical piece of plant already of the age & in the condition expected at the end of its useful life is \$8M at 31.5.05 (\$11 M at 1.6.04). Plant is depreciated on a straight line basis over 8 years.
- Write a report to the directors of Handrew discussing the impact of the change to IFRS on the reported profit and balance sheet of Handrew at 31 May 2005.

(Source from ACCA)

5. Measurement after Recognition

Answers

- Previous GAAP requires the residual value of a non-current asset to be determined at the date of acquisition or latest valuation.
- However, IAS 16 requires residual values to be reviewed at the balance sheet date.
- IAS 16 requires increases in an asset's residual value, based on current prices, to be reflected in the depreciation charge, thus reducing the expense in the income statement. If the residual value exceeds or equals the asset's carrying value then the depreciation charge is reduced to zero.
- Thus under previous GAAP residual value increases are reflected in disposal profits rather than in lower depreciation.
- The effect on the financial statements will be that the depreciation charge for the year will decrease.
- The residual value of the asset should be based on the current price for an identical piece of plant already of the age and in the condition expected at the end of its useful life.
- Any change in the residual value should be accounted for as an adjustment to future depreciation.

5. Measurement after Recognition

Depreciation

Useful Life ←

Depreciable amount

- The following factors are considered in determining the useful life of an asset, however, it often results in the diminution of the economic benefits that might have been obtained from the asset.
 - Expected usage of the asset. Usage is assessed by reference to the asset's expected capacity or physical output.
 - 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 programme, and the care and maintenance of the asset while idle.
 - 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.
 - Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

5. Measurement after Recognition

- 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 IFRS 5 and
 - the date that the asset is derecognised
- Land and buildings are separable assets and are accounted for separately, even when they are acquired together.

Depreciation

Depreciable amount

Implied that depreciation still required even PPE

- becomes idle or
- is retired from active use

5. Measurement after Recognition

- The depreciation method used
 - shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity
 - shall be reviewed at least at each financial year-end and
 - such a change shall be accounted for as a change in an accounting estimate in accordance with IAS 8
- Other than the above, 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.

Depreciation

Depreciable amount

Depreciation method



5. Measurement after Recognition

IAS 16 states that:

- 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:

Straight Line



results in a constant charge over the useful life if the asset's residual value does not change

Diminishing Balance



results in a decreasing charge over the useful life

Units of Production



results in a charge based on the expected use or output

Depreciation

Depreciable amount

Depreciation method

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5. Measurement after Recognition

- 2 broad schools of thought on the meaning of "consumption of economic benefits" of an infrastructure asset:

Time Based View

Supporters argue

- for the component approach and primarily straight-line depreciation method
- as they consider the passage of time determines the consumption of economic benefits for most components of toll roads.

Usage Based View

Supporters argue

- for the integral asset approach and units-of-usage depreciation method
- as they consider the usage or traffic flow determines the consumption of economic benefits for entire toll roads.

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5. Measurement after Recognition

Example

- A machine costs \$600,000 with an estimated useful life of 3 years?
- Calculate depreciation for the years under difference depreciation methods.

Depreciation

Depreciable amount

Depreciation method

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
Straight-line basis	200	200	200	600
Reducing balance (at 70%)	420	126	38	584
Sum-of-year-digit	300	200	100	600

5. Measurement after Recognition

Example

- A machine costs \$600,000 with an estimated useful life of 3 years?
- Estimated residual value is \$150,000.
 - Depreciable amount = \$450,000
- Calculate depreciation for the years under difference depreciation methods.

Depreciation

Depreciable amount

Depreciation method

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
Straight-line basis	150	150	150	450
Reducing balance (at 70%)	315	95	28	438
Sum-of-year-digit	225	150	75	450

5. Measurement after Recognition

- To determine whether an item of PPE is impaired, an entity applies IAS 36
- Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up shall be included in profit or loss when the compensation becomes receivable

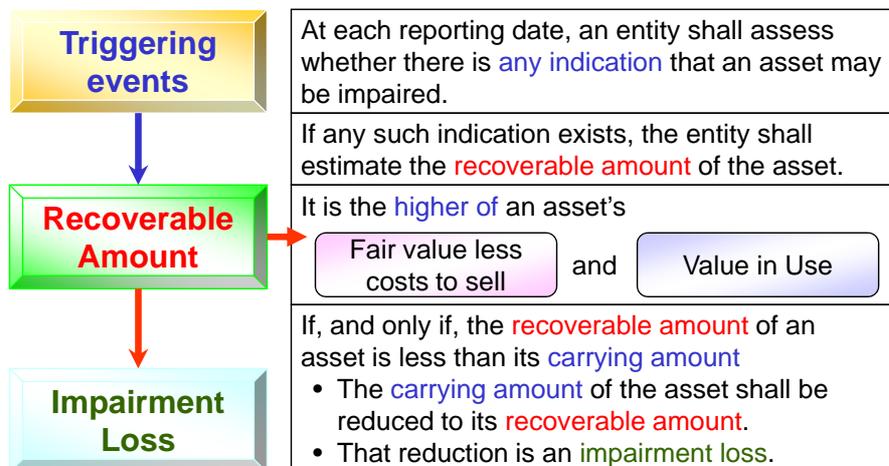
Depreciation

Depreciable amount

Depreciation method

Impairment

5. Measurement – Impairment



5. Measurement – Impairment

Triggering events

- An entity shall assess at each reporting date whether there is any indication that an asset may be impaired.
- If any such indication exists, the entity shall estimate the recoverable amount of the asset.

More to be discussed in
IAS 36 Impairment of
Assets

5. Measurement – Impairment

Compensation for impairment

- Impairments or losses of items of PPE, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately as follows:
 - a) impairments of items of PPE are recognised in accordance with IAS 36;
 - b) derecognition of items of PPE retired or disposed of is determined in accordance with this Standard;
 - c) compensation from third parties for items of PPE were impaired, lost or given up is included in determining profit or loss when it becomes receivable; and
 - d) the cost of items of PPE restored, purchased or constructed as replacements is determined in accordance with IAS 16.

Today's Agenda

Definition

1. Objective and Scope

2. Definitions

Recognition

3. Recognition

4. Measurement At Recognition

Measurement

5. Measurement After Recognition

6. Derecognition

6. Derecognition

- The carrying amount of an item of PPE shall be derecognised:
 - a) on disposal; or
 - b) when no future economic benefits are expected from its use or disposal.
- The gain or loss arising from the derecognition of an item of PPE shall be included in profit or loss when the item is derecognised (unless IAS 17 requires otherwise on a sale and leaseback).
- Gains shall not be classified as revenue.



6. Derecognition

• Derecognition on disposal

- The disposal of an item of PPE may occur in a variety of ways (e.g. by sale, by entering into a finance lease or by donation).
- In determining the date of disposal of an item, an entity applies the criteria in IAS 18 *Revenue* for recognising revenue from the sale of goods.
- IAS 17 *Leases* applies to disposal by a sale and leaseback.



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6. Derecognition

• Derecognition on replacement

- If, under the initial recognition principle,
 - an entity recognises in the carrying amount of an item of PPE the cost of a replacement for part of the item,
 - then it derecognises the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately.
- The gain or loss arising from the derecognition of an item of PPE shall be determined as the difference between
 - the net disposal proceeds, if any, and
 - the carrying amount of the item.



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6. Derecognition

Case



Melco Development Limited (新濠國際發展有限公司)

Accounting policies for year ended 31.12.2005

- An item of property, plant and equipment is derecognised
 - upon disposal or
 - when no future economic benefits are expected to arise from the continued use of the asset.
- Any gain or loss arising on derecognition of the asset (calculated as the difference between
 - the net disposal proceeds and
 - the carrying amount of the item)is included in the income statement in the year in which the item is derecognised.

Today's Agenda

Definition

1. Objective and Scope

Recognition

2. Definitions

3. Recognition

Measurement

4. Measurement At Recognition

5. Measurement After Recognition

Presentation and Disclosure

6. Derecognition

7. Disclosure

7. Disclosure

- The financial statements shall disclose, for each class of PPE:
 - 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

7. Disclosure

- Detailed information and reconciliation of the carrying amount of PPE are required (comparative reconciliation is also required). Information include:
 - i) additions;
 - ii) disposals;
 - iii) acquisitions through business combinations;
 - iv) increases or decreases resulting from revaluations and from impairment losses recognised or reversed directly in equity in accordance with IAS 36;
 - v) impairment losses recognised in profit or loss in accordance with IAS 36;
 - vi) impairment losses reversed in profit or loss in accordance with IAS 36;
 - 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.

7. Disclosure



Case

	Leasehold buildings \$'000	Computer trading and clearing systems \$'000	Other computer hardware and software \$'000	Leasehold improvements, furniture, equipment and motor vehicles \$'000	Total \$'000
Net book value at 1 Jan 2003					
– as previously reported (note ii)	117,000	444,232	105,304	71,572	738,108
– effect of adopting HKAS 17	(98,500)	–	–	–	(98,500)
– as restated (note i)	18,500	444,232	105,304	71,572	639,608
Additions	–	13,431	16,775	6,041	36,247
Disposals	–	(3,474)	(6,659)	(1,604)	(11,737)
Depreciation	(748)	(109,510)	(39,703)	(31,778)	(181,739)
Revaluation (note 34)	548	–	–	–	548
Net book value at 31 Dec 2003	18,300	344,679	75,717	44,231	482,927
At 31 Dec 2003					
At cost	–	1,345,403	347,385	231,519	1,924,307
At valuation	18,300	–	–	–	18,300
Accumulated depreciation	–	(1,000,724)	(271,668)	(187,288)	(1,459,680)
Net book value	18,300	344,679	75,717	44,231	482,927

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7. Disclosure

Case

15. PROPERTY, PLANT AND EQUIPMENT

Galaxy (2005 Annual Report)

Group	Buildings	Leasehold improvements	Plant and machinery	Gaming equipment	Other assets	Assets under construction	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost							
At 31st December 2004, as restated	40,295	32,546	700,383	–	256,681	–	1,029,905
Exchange differences	900	61	5,168	–	3,702	–	9,831
Acquisition of subsidiaries	–	1,962	–	30,873	11,318	333,085	377,238
Additions	578	1,271	24,465	91	22,936	419,221	468,562
Disposals	–	(1,062)	(3,872)	–	(11,699)	–	(16,633)
At 31st December 2005	41,773	34,778	726,144	30,964	282,938	752,306	1,868,903
Accumulated depreciation and impairment							
At 31st December 2004, as restated	4,668	24,153	396,713	–	137,488	–	563,022
Exchange differences	97	12	1,792	–	1,310	–	3,211
Charge for the year	1,273	2,113	49,530	1,950	25,664	–	80,530
Disposals	–	(176)	(3,560)	–	(11,699)	–	(15,435)
Impairment	1,698	–	10,702	–	670	–	13,070
At 31st December 2005	7,736	26,102	455,177	1,950	153,433	–	644,398
Net book value							
At 31st December 2005	34,037	8,676	270,967	29,014	129,505	752,306	1,224,505

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7. Disclosure

Case

Melco Development Limited (2005 Annual Report)



	Restaurant vessels, ferries and pontoons HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Gaming machine HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP								
COST								
At 1 January 2004	43,665	614	7,477	90,585	-	-	-	142,341
Acquired on acquisition of subsidiaries	-	-	3,829	16,983	43,637	-	-	64,449
Additions	7,475	-	6,093	9,262	17,137	263	12,030	52,260
Transfers	11,545	-	134	(134)	-	-	(11,545)	-
Disposals	(135)	(474)	-	(20,130)	-	-	-	(20,739)
At 31 December 2004	62,550	140	17,533	96,566	60,774	263	485	238,311
Exchange adjustments	-	-	7	11	-	7	-	25
Additions	2,880	3,861	23,394	36,138	100,274	1,064	-	167,411
Transfer	-	-	-	485	-	-	(485)	-
Disposals	(1,506)	-	(731)	(3,453)	(1,723)	-	-	(7,413)
At 31 December 2005	63,724	4,001	40,203	129,747	159,325	1,334	-	388,334

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7. Disclosure

- The financial statements shall also disclose:
 - a) the existence and amounts of restrictions on title, and PPE pledged as security for liabilities;
 - b) the amount of expenditures recognised in the carrying amount of an item of PPE in the course of its construction;
 - c) the amount of contractual commitments for the acquisition of PPE; and
 - d) if it is not disclosed separately on the face of the income statement, the amount of compensation from third parties for items of PPE that were impaired, lost or given up that is included in profit or loss.
- Similar disclosures are required on the PPE measured by using Revaluation Model.

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7. Disclosure

- Selection of the depreciation method and estimation of the useful life of 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 recognised in profit or loss or as a part of the cost of other assets, during a period; and
 - b) accumulated depreciation at the end of the period.
- In accordance with IAS 8 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 PPE, 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.

7. Disclosure

- If items of property, plant and equipment are 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 methods and significant assumptions applied in estimating the items' fair values;
 - d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;
 - e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and
 - f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

7. Disclosure

- Users of financial statements may also find the following information relevant to their needs:
 - a) the carrying amount of temporarily idle PPE;
 - b) the gross carrying amount of any fully depreciated PPE that is still in use;
 - c) the carrying amount of PPE retired from active use and held for disposal; and
 - d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.
- Therefore, entities are encouraged to disclose these amounts.

Today's Agenda

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4. Measurement At Recognition

5. Measurement After Recognition

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6. Derecognition

7. Disclosure

8. Transitional Provisions

8. Transitional Provisions

Except for the requirements on exchange of assets,

- No specific transitional provisions are incorporated in IAS 16.
 - Implies IAS 8 or IFRS 1 be followed.

For exchange of assets

- The requirements regarding the initial measurement of an item of PPE acquired in an exchange of assets transaction
 - shall be applied prospectively to future transactions.



Implementation

A more clearer approach stated in IAS 16 on

Component Accounting

Summary of the changes relating to it

- **Recognition:**
 - same recognition principles for all costs
- **Subsequent cost**
- **Measurement:**
 - each significant part depreciated separately
- **Depreciation**
- **Derecognition**
 - to derecognise the replaced part (and recognise the new part)



Implementation

A more clearer approach stated in IAS 16 on

Component Accounting

In implementation

- Significant parts (components) of a PPE can be
 - recognised, depreciated and derecognised separately and individually
- The replacement of each such part shall be treated as
 - a disposal of the original part of the asset and
 - an acquisition of a new part
- The cost of servicing an asset, when that is a part of a major overhaul or inspection, shall be
 - treated as a component of the cost of an asset and
 - depreciated over the period until the next servicing
- Examples:
 - aircrafts, hotels, infrastructure



Implementation

Example

Same laser machine example as before

At 1 Jan. 2005, AX bought a laser printing machine of \$50 million

- The machine will be used for 5 years (maximum useful life) and then dispose of at zero value
- The machine's laser head can operate 500 hours, after that replacement of a new laser head is needed
- The cost of a new laser head was \$10 million at that time and its residual value is zero.

- At 31 Dec. 2006, replacement of the laser head is needed after 400 hours of operation
 - The carrying amount of the laser head alone would be \$ 2 million at that date
 $[\$10M - (\$10M \div 500 \times 400)]$
 - The cost of a new laser head is \$ 8 million.
- If the laser head is replaced
 - Replaced laser head with \$ 2 million shall be derecognised
 - New laser head of \$ 8 million shall be recognised

Implementation

Case



Early adopted HKAS 16 only for 2004
Stated in 2004 Annual Report

- The adoption of HKAS 16 has resulted in
 - the Group's recognition of cost of replacing concrete road surface of an expressway and
 - the derecognition of the carrying amount of the replaced concrete road surface of the expressway



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Implementation

Case



Accounting policy for expenditure incurred after fixed assets have been put into operation:

- Ad hoc repairs and maintenance expenditures
 - are charged to the profit and loss account in the period in which they are incurred
- Cost of replacing concrete road surface of expressways
 - is recognised in the carrying amount of expressways and
 - the carrying amount of replaced concrete road is derecognised
- Expenditures for upgrading asphalt road surface of an expressways
 - are capitalised as additional costs of the expressway
- In other situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset
 - the expenditure is capitalised as an additional cost of that asset.

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Property, Plant and Equipment

(IAS 16)

29 May 2007

Full set of slides in PDF can be found in
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Property, Plant and Equipment

(IAS 16)

29 May 2007

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