

# ASSET ACCOUNTING POLICY

## GUIDELINE 6: DERECOGNITION

### Version 1.0

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ECM 7996681	Approved By: <i>'Uncontrolled' copy once printed</i>	Version 1.0	Date: 30/06/19 Page 1 of 4
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## 1.0 PURPOSE

This guideline is intended to support the Asset Accounting Policy. It provides additional explanations on derecognising assets from the fixed asset register.

## 2.0 WHEN ASSET DERECOGNITION SHOULD OCCUR

An asset should be derecognised from the Statement of financial position and recorded as a disposal within the fixed asset register whenever the asset is:

- disposed by way of trade-in, cash settlement or for any other type of consideration received by the Council such as a land swap
- scrapped with no consideration applicable
- destroyed through fire, flood or some other event
- lost or stolen
- retired, decommissioned or abandoned and thereby removed from service with no future economic benefits expected
- transferred to another entity via legislation, ministerial decree, Council policy or any other means.

All decisions to derecognise an asset should be appropriately documented and authorised.

## 3.0 PARTIAL DERECOGNITION OF INFRASTRUCTURE ASSETS

Partial derecognition of an infrastructure asset is to occur whenever:

- a significant component or section of an infrastructure asset is destroyed, abandoned or decommissioned with no future economic benefit expected to be generated from its use; or
- major renewal works have been undertaken resulting in a significant component or section of an infrastructure asset being replaced.

## 4.0 ACCOUNTING FOR THE DERECOGNITION OF NON-CURRENT ASSETS

The gain or loss on disposal is the difference between net consideration received and the carrying amount of the portion disposed within the fixed asset register.

Net consideration includes cash, trades, land swaps, any other type of asset received, liabilities transferred/extinguished less any costs associated with disposing the asset.

Costs of disposal can include real estate commission fees, dismantling costs, dumping fees and associated legal costs.

Depreciation should be processed up to the date the asset is removed from service (or identified as being no longer in service when the actual date is not known) to ensure the appropriate carrying value is used in the calculation of the gain or loss on disposal.

## 5.0 PROBITY AND SENSITIVE EXPENDITURE REQUIREMENTS

The Probity and sensitive expenditure policy states that, as part of normal business assets will from time to time be disposed of. Typically this is when the assets have become obsolete, worn out or surplus to requirements.

It is not considered appropriate for staff to have the opportunity of obtaining such surplus assets.

ECM 7996681	Approved By: <i>'Uncontrolled' copy once printed</i>	Version 1.0	Date: 30/06/19 Page 2 of 4
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Where disposal has been authorised by a member of the Executive Leadership Team and it is not cost-effective to tender the assets on the open market, the assets are to be donated through the waste minimisation team to a relevant community group. Where that is not possible the assets can be given to an up-cycle business to be sold and re-used.

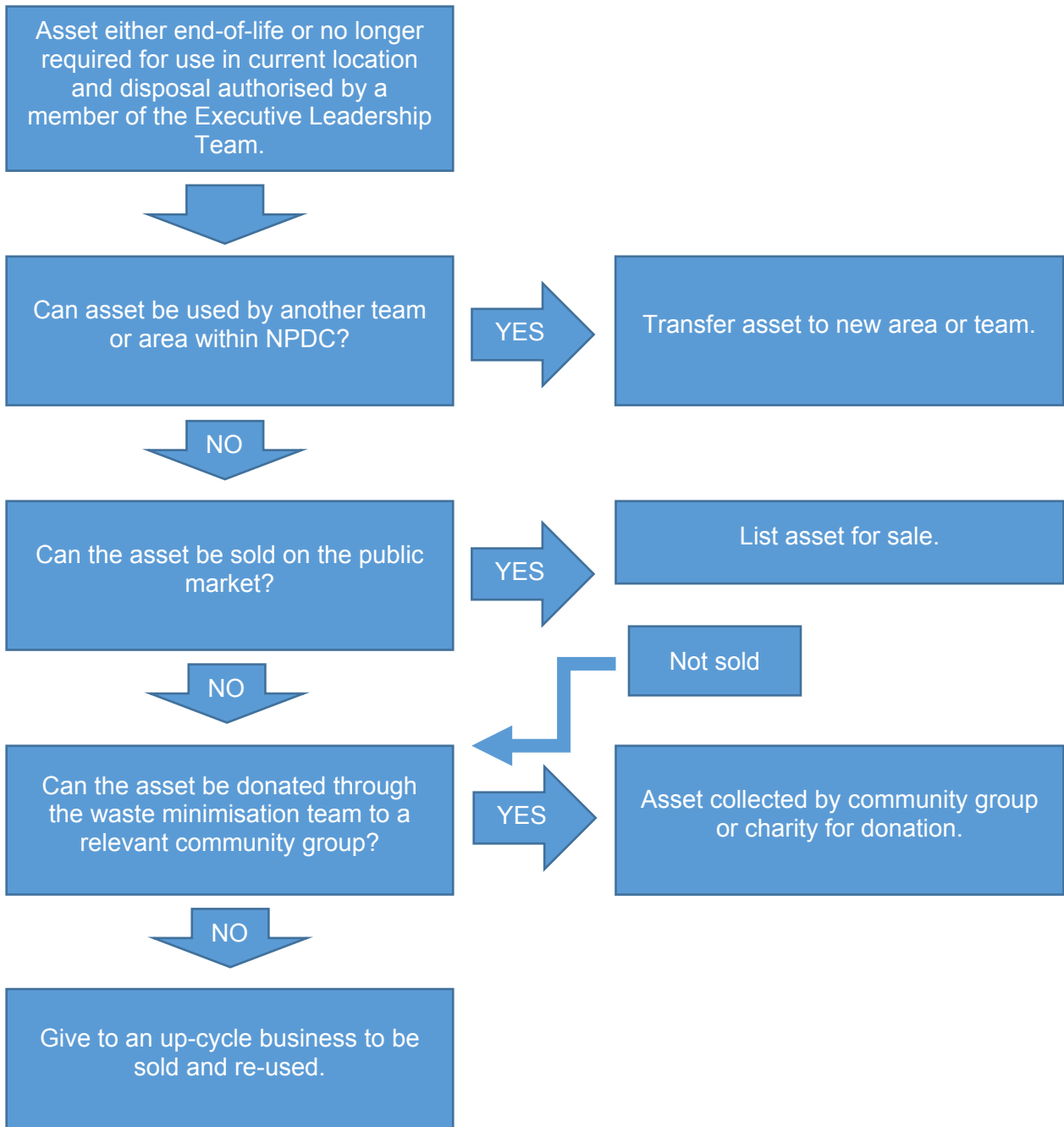
Refer to [Appendix A](#) for a flow chart to help determine appropriate disposal method.

## 6.0 GUIDELINE REVIEW

The guideline is to be formally reviewed on a triennial basis in conjunction with Asset Accounting Policy review.

ECM 7996681	Approved By: <i>'Uncontrolled' copy once printed</i>	Version 1.0	Date: 30/06/19 Page 3 of 4
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**APPENDIX A: MINOR ASSET DISPOSAL PROCESS**



ECM 7996681	Approved By: <i>'Uncontrolled' copy once printed</i>	Version 1.0	Date: 30/06/19 Page 4 of 4
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