

## ASSET CAPITALISATION GENERAL POLICY

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### Intent

To set thresholds for the capitalisation of non-current assets for Douglas Shire Council.

### Scope

This policy applies to all Douglas Shire Council activities.

### Reference

#### Legislation

*Local Government Regulation 2012*

#### Other

Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB)

### Provisions

The following sets out the Asset Capitalisation Thresholds for Douglas Shire Council as required by Section 206 of the *Local Government Regulation 2012*.

### Definition

Australian Accounting Standard AASB 116 defines Property Plant and Equipment as 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.

The Standard states that the cost of an item of property, plant and equipment 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.

In simpler terms a non-current asset may generally be an item with a life of more than 12 months and any expenditure on an item which meets the above criteria may be eligible for capitalisation.

### Thresholds

In accordance with the limits prescribed by Section 224 of the *Local Government Regulation 2012*, the capitalisation thresholds for Council are set at \$1 for land, \$1 for network assets, \$5,000 for plant and equipment and \$10,000 for all other assets. Any expenditure below these thresholds is expensed in the period in which it is incurred.

**Related Documents**

This policy is to be used in conjunction with Council's:

- Procurement General Policy
  - Revaluation of Non-Current Assets General Policy
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This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review: Chief Financial Officer

ORIGINALLY ADOPTED: 16/06/2015

CURRENT ADOPTION: 18/06/2019

DUE FOR REVISION: 30/06/2023