

## Change in Asset Capitalisation Thresholds Process

This document is provided as a brief overview of the steps required to effect the change in accounting policy to a threshold of \$3,000.

You will need to:

- a) Identify the assets between your current threshold and the \$3,000 threshold as at 1 July 2007. The written down value of these assets at 1 July 2007 will form the adjustment of opening assets and accumulated surplus/deficits.
- b) Determine the value of depreciation on the assets identified in step a) during 2007-08. The depreciation expense will need to be reduced by this figure, with a corresponding adjustment in reported accumulated depreciation representing the reversal of the entry to accumulated depreciation.
- c) Identify the assets purchased and capitalised in 2007-08 below the \$3,000 threshold. The capitalised costs of these assets will need to be deducted from the asset value in the balance sheet as at 30 June 2008 and added to Expenses representing the purchase of items below the threshold.
- d) Determine the value of depreciation on the assets identified in step c) during 2007-08. The depreciation expense will need to be reduced by this figure, with a corresponding adjustment in reported accumulated depreciation representing the reversal of the entry to accumulated depreciation.
- e) Identify the assets purchased and capitalised in 2008-09 below the \$3,000 threshold. The capitalised costs of these assets will need to be transferred from asset accounts to an expense account representing the purchases of items below the threshold.
- f) Determine the value of depreciation on the assets identified in steps a), c) and e) during 2008-09. Any depreciation entries based on the lower capitalisation threshold will need to be reversed.

### Proposed change in accounting policy note.

On 1 July 2008 the trust changed its accounting policy in relation to its asset capitalisation threshold, increasing it from \$x,xxx to \$3,000. This change in policy was required for compliance with policies released by the Cemeteries Financial Policy Committee convened by the Department of Human Services which are designed to provide consistent accounting treatment across Victorian Cemetery Trusts.

The change in accounting policy has been applied retrospectively and comparative information in relation to the 2007-08 financial year has been restated accordingly. The following table details the changes in comparative information in regard to the change in capitalisation threshold.

	30 June 2008	Increase/ (Decrease)	30 June 2008 Restated	Impact on 2008-09 without policy change
<b>Balance Sheet Extract</b>				
Property, Plant and Equipment	W	(100)	W-100	120
<b>Total Assets</b>	<b>X</b>	<b>(100)</b>	<b>X-100</b>	<b>120</b>
Accumulated Surplus/(deficit)	Y	(100)	Y-100	120
<b>Total Equity</b>	<b>Z</b>	<b>(100)</b>	<b>Z-100</b>	<b>120</b>
<b>Operating Statement Extract</b>				
Depreciation Expense	D	(10)	D-10	12
Supplies and Consumables Expense	E	40	E+40	(22)
<b>Total Expenses</b>	<b>F</b>	<b>30</b>	<b>F+30</b>	<b>(10)</b>
<b>Net Result</b>	<b>G</b>	<b>(30)</b>	<b>G-30</b>	<b>10</b>

Where:

1. \$100 is the written down value of assets as at 30/6/08 that are below the new threshold (including \$40 of purchases in 2007-08). See steps a to d above.
2. \$10 is the depreciation expense on under threshold assets as at 1/7/07 and assets purchased between 1/7/07 and 30/6/08. See steps b and d above.
3. \$40 is the cost of assets purchased between 1/7/07 and 30/6/08. See step c above.
4. \$120 is the \$100 written down value of assets as at 30/6/08 that are below the new threshold plus \$20 of asset below threshold purchased in 2008-09. See steps a to e above.
5. \$12 is the depreciation expense on \$120 of assets in item 4 above. See step f above.
6. \$22 is the assets purchased below threshold in 2008-09. See step e above.