

Responses to Cemetery Land Policy implementation issues

1. *Need to provide accurate data on number of interments is crucial but most systems will not cater for extraction of sites/positions used.*
Data on graves sites/positions used are not relevant as they cannot be reused, and the general principle of the policy is where cemetery trust is not able to sell a right of interment for an area (either sold or uncertainty due to lack of records) then the cost of that area shall be expensed.
2. *Determining specific sizes/areas for differing types of graves etc and how to allow for space between grave sites.*
Policy requires land to be identified and classified as either infrastructure (accounted for under AASB 116 & FRD116), interment or undeveloped land (treated as inventory and accounted for under AASB102 and FRD102).

The interment land for burials/mausoleum must be averaged over the number of right of interments within the land areas to derive a specific cost of inventory.

The cost of the inventory include areas surrounding the area of interments, such as but not limited to paths for visitor access as it is intrinsic to the interment site, and ornamental gardens etc, as such features add to the appeal and aesthetics of the place of interment.

3. *Treatment of 'passive areas'*
Depends on nature of the passive areas, but again the general principle of the policy applies. If it is intrinsic to the place of interment, then it should be included in the cost of the inventory.
4. *Unable to determine costs of goods sold based on prior year sales information, and unable to complete accurate comparatives for financial reports.*
The first time adoption provision states that interment or undeveloped land which has not yet been sold should be treated as inventory, with the carrying value of land as at 1 July 2007 being the deemed cost of inventory. Any adjustments required under the policy should be reported as per the requirements of AASB 108. *Accounting Policies, Changes in Accounting Estimates and Errors (Para 29)*, which includes presenting the amount of the adjustments for the current period and each period presented to the extent practicable.

All efforts should be made to determine to the best of your abilities the value of land that is to be treated as inventory as at 1 July 2007, 30 June 2008 and 30 June 2009. In the worst case scenario that only available interment sites can be identified as at 30 June 2009, then an estimate of the previous inventory balances and related cost of goods sold should be able to be ascertained from sales data for the period which supports the revenues recognised in your operating statement.

5. *Land revaluation creates impact on COGS and potentially the value attributed to inventory... can cause anomalies in reporting and cause confusion to readers of financial statements.*

As point 4 – carrying value of land as at 1 July 2007 is the deemed cost of inventory. Revaluations as at 30 June 2008 are identified and reversed for land that is to remain as inventory or which would have been inventory should it have not previously been sold.

Disclosure of the change in accounting policy will assist users of financial statements to understand nature and reasons for change in accounting policy.

6. *Uncertainty in proposed development of new areas makes it difficult to provide possible future position numbers.*

The new areas would be classified as undeveloped land, which is land which has not yet had a use identified and which in the future could be either be used for interment purposes or as infrastructure to support cemetery operations. Undeveloped land is accounted for as inventory at the cost of the entire undeveloped area until such time as development of the area or parts there of have begun and that certainty for the use of specific areas are determined.

7. *Apportionment of land values across each type of area (developed, undeveloped, used etc).*

Generally deemed cost will be used in the absence of actual cost data. Distinction of land types will be assisted by the Valuer-General survey or other surveys.

8. *Unmarked graves and areas not fully utilised – unable to accurately determine if there are any available sites without some sort of probing exercise and possible excavation.*

General principle applies, these areas are not infrastructure land and should be reported as inventory and as it is highly likely it's unable to be sold due to uncertainty in the absence of records, and other reasons (ie. need to probe/excavate to identify available sites) then the cost of the area shall be expensed.

9. *Restrictions/overlays that inhibit development in some areas.*

Policy guidance requires non-infrastructure land that is unable to be sold due to restrictions shall be expensed either in that reporting period or in a previous reporting period.

10. *The need to categorise developed/available and undeveloped positions for placement of cremated remains into limited tenure and perpetuity cause concerns as tenure is decided by purchaser at time of purchase.*

Policy guidance treats limited tenure as if it were permanent due to the immateriality of such sites.

11. Other key issues:

- *Lack of detailed land measurement information (for 'historic' areas)*
Valuer-General or other survey guidance should assist.
- *Existing land measurement data: sufficient accuracy for financial statement and audit purposes?*
VAGO and the Valuer-General will liaise on this.
- *Cremation memorial areas are not grid-like or established 'park style' hard to allocate whether area is infrastructure compared to rights of interment.*
If area is intrinsic to the place of interment, should be included in the cost of goods sold – expensed by way of amount of area used at each reporting period or expensed in full upon first sale within the area.
- *Do cremation memorials automatically revert back to inventory once limited tenure expires?*
Policy treats limited tenure as permanent.
- *Wall niches – small land occupancy and low COGS due to high number of ROIs per wall niche*
Expense in full upon first sale is available as an option.
- *Inherent difficulties/limitations obtaining/extracting data that is 50-100yrs old*
The policy allows for broad approaches such as not distinguishing pathways.
This should assist difficult data issues.
- *Resources available within cemeteries trust to implement project and maintain/update project*
For future assessment, should not prevent project commencement.
- *Capabilities of existing cemetery management/accounting systems eg. To record the size/value of ROI's and hence 'land COGS' when sale occurs –*
Valuer-General survey should assist.
- *Determination of appropriate valuation/cost base for land – Carrying value at 1 July 2007 being the deemed cost of inventory.*