

<b>UNSW Accounting Procedure</b>	
<b>Linked UNSW Policy</b>	Property, Plant & Equipment (PPE) & Intangible assets
<b>Responsible Officer</b>	Director, Corporate Finance and Advisory Services and Shared Services
<b>Contact Officer</b>	Senior Manager, Capital Asset Management Reporting, Corporate Finance and Advisory Services (CFAS)
<b>Review</b>	Every year
<b>Effective Date</b>	31 December 2013

## 1. Objective

This procedure outlines the process to account for amortisation expense determined in accordance with AIFRS, at a departmental level (i.e. Faculties, Schools & Divisions) in NS Financials.

## 2. Basis of Accrual

### 2.1 Leasehold Improvements:

Amortisation on leasehold improvements is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The useful life of leasehold improvement is restricted by the lease period and other terms of the leasing agreement.

### 2.2 Intangible assets:

- Patents: Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its estimated useful life, usually 20 years.
- Computer Software: The asset is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the asset's estimated useful life of 5 years.
- Licenses: Amortisation for licenses that have a finite useful life is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives. Licenses that have an indefinite useful life are not amortised and are assessed for impairment annually.

## 3. Accounting procedure

### 3.1 NS Financials - Asset Management System (AMS): Updating asset database

At the beginning of each year, the historical cost/ fair value and useful lives, of leasehold improvements in the AMS database, are updated with the Valuation report data maintained by Capital Asset Management Reporting, CFAS.

### 3.2 NS Financials - Asset Management System (AMS): Monthly Amortisation of Leasehold Improvements

The AMS generates amortisation expenses, at a 'Central' level, to the relevant asset amortisation expense and accumulated amortisation (provision) accounts. The fair value of the asset, determined through annual revaluations, is amortised on a straight line basis over the estimated remaining useful life recorded in the AMS.

Additional capitalisations during the year to leasehold improvements are updated through the AMS by the Assets Unit, to generate the appropriate amortisation expense.

### **3.3 NS Financials - Asset Management System (AMS): Monthly Amortisation of Intangible assets**

The cost of the asset is amortised on a straight line basis over the estimated remaining useful life recorded in the AMS. The AMS generates amortisation expenses, at a 'Central' level, to the relevant asset amortisation expense and accumulated amortisation (provision) accounts.

Additional capitalisations during the year to intangible assets are updated through the AMS by the Assets Unit, to generate the appropriate amortisation expense. Also refer procedure on 'Accounting for expenditure incurred on IT projects'.

### **3.4 Capital Asset Management Reporting, CFAS: Month end adjustments & Reconciliation**

Capital Asset Management Reporting, CFAS reviews and reconciles, the amortisation expenditure generated by the AMS, to the 'should be' amortisation balance as per the annual revaluation reports and IT project capitalisation summary. Any variance will be investigated. Business Units are not required to reconcile asset amortisation balances.

### **3.5 Revaluation adjustments- Leasehold Improvements**

In December, Capital Asset Management Reporting, CFAS processes manual adjustments to record any revaluation gain/ loss arising from the valuation exercise. As such adjustments impact only the Balance Sheet accounts, journals are done at a 'Central' level.

## **4. Operational aspects**

### **4.1 Treatment of existing amortisation provision balances at 'Central' level**

The existing balance in the accumulated amortisation accounts will not be pushed down to the business units.

### **4.2 Charges to Business Units (i.e. Faculties, Schools & Divisions)**

The amortisation expenses related to leasehold improvements and intangible assets will not be charged to the business units.