Assets Capitalisation and Disclosure

Application for GRAP 11

Presenter : Siyabonga Bekwa
Date: 30 July 2026
Company: Dynamic Dashing Solutions

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- **Introduction**
- Asset capitalisation- GRAP.
- Practical Example.
- Disclosure Requirements.

MFMA Report

- **Property, plant and equipment:** 61 municipalities (25%) could not properly account for their assets because they had not updated their asset registers with the assets that they had bought, were busy building or had disposed of, or that had been stolen or vandalised. Most of the instances (64%) related to a lack of evidence to substantiate the values disclosed in the financial statements.

- If a municipality does not know the true state of its assets (property, plant and equipment), it cannot adequately budget for maintenance. This can lead to dilapidated assets in the long run, affecting the municipality's ability to deliver services at the required level.

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- GRAP STANDARDS

- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 17-Property Plant and Equipment

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Important Definitions

Property, plant and equipment are 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 reporting period.

Useful life is:
(a)the period over which an asset is expected to be available for use by an entity; or
(b)the number of production or similar units expected to be obtained from the asset by an entity.

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Important Definitions

Recognition

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 or service potential associated with the item will flow to the entity; and

(b)the cost or fair value of the item can be measured reliably.

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Infrastructure assets

Some assets are commonly described as “infrastructure assets”. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

(a)they are part of a system or network;
(b)they are specialised in nature and do not have alternative uses;
(c)they are immovable; and
(d)they may be subject to constraints on disposal.

Examples of infrastructure assets include **road networks, sewer systems, water and power supply systems and communication networks**.

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Initial costs

"although not directly increasing the future economic benefits or service potential of any particular existing item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits or service potential from its other assets"

Example : Transport, Import duties, levies , feasibility study costs, professional fees, costs of site preparation; initial delivery and handling costs; installation and assembly costs; costs of testing .

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Initial costs

- its **purchase price**, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

- **any costs directly attributable to bringing the asset to the location** and condition necessary for it to be capable of operating in the manner intended by management;

- the **initial estimate of the costs of dismantling** and removing the item and restoring the site on which it is located,

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Subsequent costs

Repairs and Maintence

Under the recognition principle an entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met

The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions of this Standard

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Issues faced by Municipalities:

WIP and Capital conversion

Capital project finances are complex and are made more complex with the use of cumulative certificates, which are very often misinterpreted.

The payments are difficult to check without a thorough knowledge of the methods used for developing them.
This includes:
Calculation of retention and maximum retention
Materials on Site
Previous payments

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Solution:
Use or develop a system that test the inputs to the payment and confirms that all parameters are correct. (No payments processed that have not been run through this system)

Ensure that the same system keeps a record of all capital project payments and is able to track expenditure against the contracted amount including any variations.

Ensure that the same system is able to report on Contract expenditure at FYE – Contracts Register, Commitments Register, Retention Register.

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Capitalisation – Measurement

- **Important factors** to consider when capitalizing infrastructure:

- Verification of Physical assets.
- Bills of quantities.
- As Built drawings.
- Completion Certificates – Practical Certificates.
- General ledger.- Track complete expenditure
- WIP Register
- Progress Reports

- What do you do if No Practical Certificate or Completion has been issued but infrastructure is being used?

- What do you do if the project is abandoned ?

Capitalisation – Measurement

- **Refer to practical example of work in progress capitalisation**

SUMMARY OF SCHEDULE OF QUANTITIES

SECTION	DESCRIPTION	SCHEDULED	PREVIOUS	THIS MONTH	VALUE OF WORK	OUTSTANDING
1200	GENERAL REQUIREMENTS AND PROVISIONS	R 112 348.00	R 96 218.40	R 16 129.60	R 112 348.00	0.0%
1300	CONTRACTOR'S ESTABLISHMENT ON SITE	R 172 500.00	R 157 500.00	R 15 000.00	R 172 500.00	0.0%
1400	HOUSING, OFFICES AND LABORATORIES	R -	R -	R -	R -	#DIV/0!
1500	ACCOMMODATION OF TRAFFIC	R 50 500.00	R 48 300.00	R 2 200.00	R 50 500.00	0.0%
1600	OVERHAUL	R 15 750.00	R -	R 15 750.00	R 15 750.00	0.0%
1700	CLEARING AND GRUBBING	R 31 604.38	R 31 650.00	R -	R 31 604.38	0.0%
2100	DRAINS	R 92 100.00	R 92 100.00	R -	R 92 100.00	0.0%
2200	PREFABRICATED CULVERTS	R 1 049 613.42	R 1 033 978.20	R 15 635.22	R 1 049 613.42	0.0%
3100	BORROW MATERIAL	R 25 050.00	R 4 050.00	R 21 000.00	R 25 050.00	0.0%
3300	MASS EARTHWORKS	R 159 800.00	R 159 800.00	R -	R 159 800.00	0.0%
3400	PAVEMENT LAYERS OF GRAVEL MATERIAL	R -	R -	R -	R -	#DIV/0!
5100	STONE PITCHING	R -	R -	R -	R -	#DIV/0!
5200	GABIONS	R 86 000.00	R 59 000.00	R 27 000.00	R 86 000.00	0.0%
5600	ROAD SIGNS	R 56 727.78	R -	R 56 727.78	R 56 727.78	0.0%
8100	TESTING MATERIALS AND WORKMANSHIP	R 60 500.00	R -	R 60 500.00	R 60 500.00	0.0%
	TOTALS FOR WORKS	R 1 912 493.58	R 1 682 596.60	R 229 942.60	R 1 912 493.58	**0.0%**

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Capitalisation – Measurement

- Refer to practical example of work in progress capitalisation

Barcode	Project Nam	Description	Component	Cost	Final Cost	Date
Jaku-01	Jakuja Bridge	Bridge Culvert - Jakuja Bridge	Bridge Culvert	1,049,613.42	1,886,652.16	2025/04/29
Jaku-02		Road Surface - Jakuja Bridge	Road Surface	159,800.00	287,236.24	2025/04/29
Jaku-03		Gabions - Jakuja Bridge	Gabions	28,666.67	51,527.57	2025/04/29
Jaku-04		Gabions - Jakuja Bridge	Gabions	28,666.67	51,527.57	2025/04/29
Jaku-05		Gabions - Jakuja Bridge	Gabions	28,666.67	51,527.57	2025/04/29
Jaku-07		Drain - Jakuja Bridge	Drain	46,050.00	82,773.65	2025/04/29
Jaku-08		Drain - Jakuja Bridge	Drain	46,050.00	82,773.65	2025/04/29
Jaku-09		Road Sign - Jakuja Bridge	Road Sign	14,181.95	25,491.67	2025/04/29
Jaku-10		Road Sign - Jakuja Bridge	Road Sign	14,181.95	25,491.67	2025/04/29
Jaku-11		Road Sign - Jakuja Bridge	Road Sign	14,181.95	25,491.67	2025/04/29
Jaku-12		Road Sign - Jakuja Bridge	Road Sign	14,181.95	25,491.67	2025/04/29
				1,444,241.20		
			Total Project Co	2,595,985.08		Transffered
				1,151,743.88		

Capitalisation – Measurement

- **Refer to practical example of work in progress capitalisation**

Calculations of Culvert = Cost allocated on BOQ plus cost of additional expenditure not directly allocated to a structure. (This split is done based on a ratio of total cost not allocated being – cost of Culvert divided by total cost allocated , multiplied by total cost unallocated.)

Cost of Culvert R1,049,613.42
Total cost R1,444,241.20
Ratio= 0.73
Unallocated cost R1,151,743.88
Total unallocated cost allocated to Culvert = R837,038.74
Thus total R1,886,652.16

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Disclosure

The financial statements shall disclose, for each class of property, plant and equipment recognised in the financial statements:

- the **measurement bases** used for determining the gross carrying amount;
- the **depreciation methods** used;
- the **useful lives** or the depreciation rates used;
- the **gross carrying amount** and the **accumulated depreciation** (aggregated with accumulated impairment losses) at the **beginning** and **end** of the period;

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Disclosure

a reconciliation of the carrying amount at the beginning and end of the period showing:

- **additions**;
- **disposal**;
- **acquisitions** through a **transfer of functions** between entities under common control, and entities not under common control or a merger;
- **increases** or **decreases** resulting from **revaluations** ;
- **impairment losses** recognised in surplus or deficit;
- **impairment losses reversed** in surplus or deficit ;
- **depreciation**;
- the **net exchange differences** arising on the translation of the financial statements from the functional currency into a different presentation currency,
- **other changes.(** Transfer in and out) (Newly identified assets).(Donations).. etc

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Disclosure

The financial statements shall also disclose for **each class of property, plant and equipment** recognised in the financial statements:

- the existence and amounts of **restrictions** on title and property, plant and equipment **pledged as securities** for liabilities;
- the amount of **contractual commitments** for the acquisition of property, plant and equipment; and
- if it is not disclosed separately on the face of the statement of financial performance, the amount of **compensation from third parties** for items of property, plant and equipment that were **impaired**, **lost or given up** that is included in surplus or deficit.

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Disclosure

An entity shall disclose the following in the notes to the financial statements in relation to property, plant and equipment which is in the **process of being constructed or developed**:

- The **cumulative expenditure** recognised in the carrying value of property, plant and equipment. These expenditures shall be disclosed in aggregate per class of asset.

- The carrying value of property, plant and equipment that is taking a **significantly longer period of time to complete** than expected, including reasons for any delays.

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- The carrying value of property, plant and equipment where construction or development has been **halted** either during the current or previous reporting period(s). The entity shall also disclose **reasons for halting** the construction or development of the asset and indicate whether any impairment losses have been recognised in relation to these assets.

(Individually or in aggregate, for example per project, per class or another relevant basis.)

- An entity shall separately disclose expenditure incurred to **repair and maintain** property, plant and equipment in the notes to the financial statements.
- (an entity may include amounts paid to service providers, as well as amounts spent on materials and time spent by employees in repairing and maintaining the asset(s)

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- If items of property, plant and equipment are stated at **revalued amounts**, the following shall be disclosed:

- the **effective date** of the revaluation;
- the **methods and significant assumptions** applied in estimating the items' fair values;
- the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques; and
- the **revaluation surplus**, indicating the change for the period and any restrictions on the distribution of the balance to owners of net assets.

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- **capital work-in-progress**
- ageing of projects included in capital work-in-progress
- long outstanding or relate to projects that have been stopped, and whether impairment has been considered.
  (individually or in aggregate, for example per project, per class or another relevant basis)

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Property, Plant and Equipment Note 1

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
AUC - Community	R 19,940,787.46	-	R 19,940,787.46	R 2,466,367.65	-	R 2,466,367.65
AUC - Electricity	R 9,420,359.15	-	R 9,420,359.15	R 1,750,556.56	-	R 1,750,556.56
AUC - Roads Storm Water	R 16,714,413.61	R 339,222.01	R 16,375,191.60	R 34,692,682.24	-	R 34,692,682.24
Buildings	R 149,943,176.30	R 83,578,845.34	R 66,364,330.96	R 150,028,169.46	R 80,271,131.89	R 69,757,037.57
Community Assets	R 270,017,618.21	R 160,866,456.54	R 109,151,161.67	R 263,819,511.41	R 156,246,207.75	R 107,573,303.66
Computer equipment	R 4,718,357.63	R 3,295,564.74	R 1,422,792.89	R 3,779,372.28	R 2,958,531.29	R 820,840.99
Electricity	R 996,627,462.65	R 783,500,755.59	R 213,126,707.06	R 997,356,281.95	R 739,810,108.89	R 257,546,173.06
Finance Leased Assets	R 19,842,970.23	R 6,569,206.53	R 13,273,763.70	R 7,791,382.23	R 596,048.46	R 7,195,333.77
Furniture and office equipment	R 2,735,159.87	R 2,410,442.48	R 324,717.39	R 2,763,475.87	R 2,409,564.38	R 353,911.49
Heritage assets	R 3,854,570.87	-	R 3,854,570.87	R 3,854,570.87	-	R 3,854,570.87
Intangibles	R 2,484,740.11	R 2,329,149.54	R 155,590.57	R 2,484,740.11	R 2,245,271.41	R 239,468.70
Land	R 119,690,805.85	-	R 119,690,805.85	R 119,690,805.85	-	R 119,690,805.85
Machinery and equipment	R 2,925,556.00	R 2,211,360.76	R 714,195.24	R 3,394,231.42	R 2,479,064.65	R 915,166.77
Roads	R 668,119,655.12	R 443,924,708.08	R 224,194,947.04	R 631,695,701.86	R 416,018,894.82	R 215,676,807.04
Sanitation	R 354,777,841.60	R 310,329,280.03	R 44,448,561.57	R 355,983,801.67	R 293,860,542.62	R 62,123,259.05
Solid Waste Disposal	R 67,445,639.42	R 47,762,232.53	R 19,683,406.89	R 67,445,639.42	R 44,343,739.67	R 23,101,899.75
Transport assets	R 15,039,275.21	R 9,567,570.02	R 5,471,705.19	R 15,520,675.20	R 8,182,560.89	R 7,338,114.31
Water	R 487,225,092.36	R 432,500,569.95	R 54,724,522.41	R 487,225,092.36	R 412,645,247.51	R 74,579,844.85
Total	**R 3,211,523,481.65**	**R 2,289,185,364.14**	**R 922,338,117.51**	**R 3,151,743,058.41**	**R 2,162,066,914.23**	**R 989,676,144.18**

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Property, Plant and Equipment Note 2 - June 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Depreciation	Impairment loss	Total
AUC - Community	R 2,466,367.65	R 24,709,635.47	-	-	R 7,235,215.66	-	-	R 19,940,787.46
AUC - Electricity	R 1,750,556.56	R 9,420,359.15	-	-	-	-	-	R 11,170,915.71
AUC - Roads Storm Water	R 35,494,024.24	R 20,595,402.57	-	-	R 36,487,959.50	-	R 339,222.01	R 19,262,245.30
Buildings	R 69,757,034.57	-	R 34,022.34	-	-	R 3,358,684.27	-	R 66,364,327.96
Community Assets	R 107,573,282.66	-	R 38,863.42	R 7,235,215.66	-	R 5,616,237.66	R 2,256.57	R 109,151,140.67
Computer equipment	R 820,839.99	R 1,027,685.76	R 27,325.80	-	-	R 394,501.62	R 3,906.44	R 1,422,791.89
Electricity	R 257,546,164.06	-	R 192,825.95	-	-	R 44,224,562.51	R 2,077.54	R 213,126,698.06
Finance Leased Assets	R 7,195,333.77	R 12,051,588.00	-	-	-	R 5,973,158.07	-	R 13,273,763.70
Furniture and office equipment	R 353,911.49	R 76,592.00	R 25,638.52	-	-	R 80,147.58	-	R 324,717.39
Heritage assets	R 3,854,570.87	-	-	-	-	-	-	R 3,854,570.87
Intangibles	R 239,468.70	-	-	-	-	R 83,878.13	-	R 155,590.57
Land	R 119,690,805.85	-	-	-	-	-	-	R 119,690,805.85
Machinery and equipment	R 915,166.77	-	R 74,596.58	-	-	R 126,374.95	-	R 714,195.24
Roads	R 215,676,744.09	-	R 17,565.02	R 36,487,959.45	-	R 27,901,908.25	R 50,346.18	R 224,194,884.09
Sanitation	R 62,123,230.07	-	R 15,315.41	-	-	R 17,659,382.07	-	R 44,448,532.59
Solid Waste Disposal	R 23,101,892.75	-	-	-	-	R 3,418,492.86	-	R 19,683,399.89
Transport assets	R 7,338,114.31	-	R 297,344.13	-	-	R 1,553,576.66	R 15,488.33	R 5,471,705.19
Water	R 74,579,835.85	-	-	-	-	R 19,855,322.44	-	R 54,724,513.41
Total	**R 990,477,344.25**	**R 67,881,262.95**	**R 723,497.17**	**R 43,723,175.11**	**R 43,723,175.16**	**R 130,246,227.07**	**R 413,297.07**	**R 926,975,585.84**

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Reconciliation of work in progress - 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	32 606 970	2 466 368	35 073 338
Additions/capital expenditure	29 676 540	24 709 636	54 386 176
Transferred to completed items	(36 487 960)	(7 235 216)	(43 723 176)
	25 795 550	19 940 788	45 736 338

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Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	45 919 418	29 243 628

*Prior year Property, Plant and Equipment balances have been restated. The restatments performed have been disclosed in Note 42

Projects affected by significant delays

Reason for delay	Project name	Carrying Value as at 30 June 2024	Expected completion date

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Question:

- with regards to capitalisation of internal labour costs, should there be a distinction between idle, normal and overtime hours, especially with overtime in cases where it is planned overtime and in others where is it unplanned overtime?

- Long unclaimed Retention balances, is there a standard speaking to the write off these balances?

GRAP 11- Construction Contracts

Question:

- with regards to capitalisation of internal labour costs, should there be a distinction between idle, normal and overtime hours, especially with overtime in cases where it is planned overtime and in others where is it unplanned overtime?

- Long unclaimed Retention balances, is there a standard speaking to the write off these balances?

Thank You!

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