



Write-Down of Assets

Procedure No.: CS-FIN-2	Council Resolution No.: N/A
Department: Finance	Authority: CAO
Effective Date: January 9, 2012	Revision Date:
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Supersedes: N/A	
Related Policy No.: CS-FIN-2	
Related Policy Name: Write-Down of Assets	

Purpose

To establish the procedures to implement the write-down of assets when there is a reduction in value affecting the financial statements of the Town of Taber.

Operating Guidelines

- 1) During the annual review process in conjunction with the audited financial statements and in consultation with the Town of Taber's external audit process, any assets requiring a write-down will be assessed and documented.
- 2) When conditions indicate that a tangible capital asset no longer contributes to a department's ability to provide goods and services, or that the value of economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset should be reduced to reflect the decline in the asset's value. (In accordance with sec. 3150.32 of Public Sector Accounting Standards (PSAS))
- 3) The net write-downs of tangible capital assets should be accounted for as expenses in the statement of operations. (In accordance with sec. 3150.33 of PSAS)
- 4) A write-down will not be reversed. (In accordance with sec. 3150.34 of PSAS)
- 5) A write-down of the cost of a tangible capital asset should be completed when it is demonstrated that the reduction in future economic benefits is expected to be permanent. Conditions that may indicate that the future economic benefits associated with a tangible capital asset have been reduced and a write-down is appropriate include (In accordance with sec. 3150.35 of PSAS):



- a. A change in the extent to which the tangible capital asset is used;
 - b. A change in the manner in which the tangible capital asset is used;
 - c. Significant technological developments;
 - d. Physical damage;
 - e. Removal of the tangible capital asset from service;
 - f. A decline in, or cessation of, the need for the services provided by the tangible capital asset;
 - g. A decision to halt construction of the tangible capital asset before it is complete or in usable or saleable condition; and
 - h. A change in the law or environment affecting the extent to which the tangible capital asset can be used.
- 6) The persistence of such conditions over several successive years increases the probability that a write-down is required unless there is persuasive evidence to the contrary regardless of any change in circumstances. (In accordance with sec. 3150.36 of PSAS)
- 7) When the tangible capital asset no longer contributes to the department's ability to provide goods and services, it would be written down to residual value, if any. This would be appropriate when the department has no intention of continuing to use the asset in its current capacity, and there is no alternative use for the asset. (In accordance with sec. 3150.37 of PSAS)
- 8) In other circumstances, it will be necessary to estimate the value of expected remaining future economic benefits. Where a department can objectively estimate a reduction in the value of the asset's service potential to the department, and has persuasive evidence that the reduction is expected to be permanent in nature, the tangible capital asset would be written down to the revised estimate of the value of the asset's remaining service potential to the department. (In accordance with sec. 3150.38 of PSAS)
- 9) All write-downs must be authorized by the department head and manager before recording to the tangible capital asset records.
- 10) Individual tangible capital asset write-downs must be brought to Council's attention for purposes of understanding the de-valuation of the particular assets in the financial statements and for their ultimate approval.

Additional References

- Canadian Institute of Chartered Accountants (CICA)
- Public Sector Accounting Board (PSAB)


CHIEF ADMINISTRATIVE OFFICER

May 24, 2019
DATE

