

ASPE

At a Glance

Section 3061 - Property, Plant
and Equipment

Section 3061 - Property, Plant and Equipment

Effective Date
Fiscal years beginning on or after January 1, 2011¹

Property, Plant and Equipment

- Identifiable tangible assets that meet all of the following criteria:
 - Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other property, plant and equipment;
 - Have been acquired, constructed or developed with the intention of being used on a continuing basis; and
 - Are not intended for sale in the ordinary course of business.

Measurement

Cost

- Property, plant and equipment are measured at cost.
 - Cost includes:
 - The amount of consideration given up to acquire, construct, develop or better an item of property, plant and equipment.
 - All costs directly attributable to the acquisition, construction, development or betterment of the asset including installing it at the location and in the condition necessary for its intended use.
 - Any asset retirement cost accounted for in accordance with Section 3110.
 - If the cost of an asset acquired other than through a business combination is different from its tax basis on acquisition, the cost of the asset is adjusted to reflect the related future income tax consequences.
 - The cost of each item acquired as part of a basket purchase is determined by allocating the total price paid to each item on the basis of its relative fair value at the time of acquisition.
 - The cost of an item of property, plant and equipment made up of significant separable component parts is allocated to the component parts when practicable and when the lives of the separate components can be estimated.
 - Cost of an item of property, plant and equipment that is acquired, constructed or developed over time includes:
 - Direct construction or development costs.
 - Overhead costs that are directly attributable to the construction or development activity.
 - Carrying costs directly attributable to the acquisition, construction or development activity.
 - Capitalization of carrying costs ends when an item of property, plant and equipment is substantially complete and is ready for productive use.
 - Net revenue / expense derived from an item of property, plant and equipment prior to substantial completion and readiness for use.

Amortization

- Must be recognized in a rational and systematic manner that is appropriate to the nature of an item of property, plant and equipment with a limited life and its use by the enterprise.
- The amount of amortization charged to income is the greater of:
 - Cost less salvage value over the life of the asset; and
 - Cost less residual value over the useful life of the asset.
- An enterprise must review the amortization method and estimates of the life and useful life of an item of property, plant and equipment on a regular basis.

Betterment

- The cost incurred to enhance the service potential of an item of property, plant and equipment.
- A betterment is capitalized not expensed like repair and maintenance costs.

¹ Except as specified in paragraph 3061.29.

About BDO

BDO Canada LLP is a leading provider of professional services to clients across a variety of sectors and segments. For over 100 years, our team has served communities across Canada through a comprehensive range of assurance, tax, and consulting services, complemented by deep industry knowledge. With over 5000 people across 100 offices in Canada, and more than 1,800 offices in 164 countries, BDO is well-positioned to assist clients with both domestic and global needs.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO member Firms.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO Canada LLP to discuss these matters in the context of your particular circumstances.

BDO Canada LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it. BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

