© Commonwealth of Australia 2014

ISBN: 978-1-925205-11-4 (Online)

With the exception of the Commonwealth Coat of Arms and where otherwise noted, all material presented in this document is provided under a Creative Commons Attribution 3.0 Australia (http://creativecommons.org/licenses/by/3.0/au) licence.

The details of the relevant licence conditions are available on the Creative Commons website (accessible using the links provided) as is the full legal code for the CC BY 3 AU licence.

**Use of the Coat of Arms**

The terms under which the Coat of Arms can be used are detailed on the following website: www.itsanhonour.gov.au/coat-arms.

**Contact us**

Questions or comments about this guide should be directed to:

Public Management Reform Agenda
Department of Finance
John Gorton Building
King Edward Terrace
Parkes ACT 2600

Email: pmra@finance.gov.au

Internet: www.pmra.finance.gov.au

This guide contains material that has been prepared to assist Commonwealth entities and companies to apply the principles and requirements of the Public Governance, Performance and Accountability Act 2013 and associated rules, and any applicable policies. In this guide the: mandatory principles or requirements are set out as things entities and officials ‘must’ do; and actions, or practices, that entities and officials are expected to take into account to give effect to those and principles and/or requirements are set out as things entities and officials ‘should consider’ doing.
**Audience**

This Guide applies to: CFOs and CFO Units in all Commonwealth entities that have land under roads per AASB 1051.

*This guide is designed to be read in conjunction with the relevant Australian Accounting Standards.*

**Key points**

- **Policy:** Land under roads acquired on or after 1 July 2008 is required to be recognised where the criteria outlined below is met.

- **Purpose:** To convey to the above entities the accounting treatment of land under roads in accordance with AASB 1051 *Land Under Roads*.

- **Aim:** To provide guidance on specific accounting and reporting topics but does not take precedence over the financial reporting regulatory framework, which encompasses the Australian Accounting Standards (AAS) and the PGPA Financial Reporting Rule (FRR).

- **Reference previous guidance:** This guide replaces Finance Brief 35.

**Resources**


**Applicable accounting pronouncements**

- AASB 1051 *Land Under Roads*

**Contact information**

For further information or clarification, please email Budget Estimates and Accounting (BEA) at accountingpolicy@finance.gov.au.

**Background**

1. Land under roads is:

   “Land under roadways, and road reserves, including land under footpaths, nature strips and median strips.”

2. Land under roads acquired on or after 1 July 2008 is required to be recognised per AASB 116 *Property, Plant and Equipment*.

3. The Department of Finance has elected that land under roads acquired before this date continues to not be recognised.

4. The road constructed on the land is recognised and measured per AASB 116.

---

1 AASB 1051.A
Land under roads acquired on or after 1 July 2008

5. Land under roads acquired on or after 1 July 2008 shall only be recognised if and only if:

   (a) it is probable that associated future economic benefits will flow to the entity;

   (b) the cost or fair value can be reliably measured; and

   (c) the amount is material.

(a) Future Economic Benefits

6. The AASB Framework states that, for not-for-profit entities, assets provide a means for entities to achieve their objectives. Future economic benefits are synonymous with the notion of service potential\(^2\) and can be from the provision of needed services to beneficiaries.\(^3\)

7. Whilst the AASB Framework is silent in regards to the degree of the contribution necessary to meet this requirement, the future economic benefits test is assumed to be satisfied where it is probable that the entity will achieves its objectives. Entities will need to assess land under roads contribution to their objectives regularly.

(b) Reliably Measured

8. Fair value is determined based on the asset's highest and best possible use in accordance with AASB 116 (and thus, AASB 13 Fair Value Measurement). Therefore, the valuation of the land under roads would be based on its potential rather than as a road, where physically possible, legally permissible and financially feasible.

   For example, if the land on which the roads in the Parliamentary triangle is zoned as commercial it would be valued based on its potential to put an office building upon it, rather than as a road. However, in many cases the dimensions of the road, the need for continued road access and planning restrictions on surrounding areas will mean that the land under the roads cannot be applied to alternative uses.

9. Given the difficulties in reliably measuring land under roads, BEA requests entities contact BEA to assist in the determination of whether the land under roads can be reliably measured.

(c) Material

10. Even where the value of land under roads can be determined, it may only be recognised as an asset when material (in accordance with the applicable AAS).

---

\(^2\) AASB Framework.Aus49.1
\(^3\) AASB Framework.Aus54.2