**Property, Plant and Equipment (PP&E)**

1. The term “Property Plant and Equipment” refers to a tangible or physically verifiable item that meets ALL the following five criteria:
2. Provides future economic or service benefits to UNDP – i.e. the PP&E item is held for use in the implementation of UNDP Programmes or for administrative purposes;
3. Is expected to be used during more than one reporting period, which, is 12 months;
4. Has a value of US$5,000 (US$5,000 for UNCDF too) or more (New Capitalization Threshold effective 1.1.2020);
5. Is used and controlled by UNDP; and
6. Has a cost that can be reliably determined.
7. Fixed Asset Management is the process of safeguarding, maintaining, managing and accounting for PP&E, Finance Leases and Intangibles used and controlled by UNDP.
8. Property Plant and Equipment / Fixed Asset and Asset are used interchangeably to represent the same group of assets. Fixed Asset Management is the process of safeguarding, maintaining, managing and accounting for PP&E, Finance Leases and Intangibles used and controlled by UNDP.
9. Plant comprises those assets that are grouped together; held in use for the production or supply of goods or services; used in the implementation of UNDP programmes and administrative operations; and are expected to be used during more than one financial reporting period. Examples of such assets are heavy machinery; furniture and fixtures. The combined cost of such group of assets together should be US$5,000 or more and should meet the capitalization criteria described under “Recognition.”
10. Property is defined as class of assets that are: Either (a) Land or (b) Buildings that are owned and/or controlled by UNDP with a cost (or value if donated) of US$5,000 or more; and the cost of the Land or Building can be measured reliably.
11. Intangible Assets are the non-physical items of value that UNDP owns. The defining characteristics of an Intangible Asset are the lack of physical existence (cannot be touched), and having no set monetary value. They cannot be seen or touched, but are nonetheless important to UNDP’s success. Intangible Assets may be internally generated, such as internally developed software, or acquired from external sources e.g. goodwill (which may not apply to UNDP), or brand name e.g. If UNDP uses a reputable trademark in implementing one of its projects.
12. The capitalization thresholds for Intangibles are the following:
13. Internally developed software $50,000
14. Externally purchased Intangibles (software and other intangibles) $5,000

**Use and Control**

1. The term “use and control” is critical, in that it determines whether an asset should be capitalized or not. When an asset is capitalized, the total cost of the asset is expensed over several [accounting periods](https://www.dictionary.com/browse/accounting-period?s=t) instead of [expensed](https://www.dictionary.com/browse/expensed?s=t) upon purchase.
2. UNDP has control of an asset when it can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit. In general, an asset will meet the “use and control” criteria where it is physically located on UNDP premises (whether owned or leased).
3. UNDP operates under various implementation modalities. These implementation modalities are also a useful indicator of whether UNDP uses and controls an asset. All assets bought from the biennium support budget or institutional budget (i.e. UNDP administrative/operations budget) qualify for capitalization if they meet all the 5 criteria under Recognition paragraph above. Assets acquired for projects implemented through Country Office Support to NIM and Direct Implementation may qualify for capitalization, provided the assets are under the “use and control” of UNDP. Such assets are referred to in this policy as development project assets. If a project under which UNDP has “use and control” over the assets is expected to last exactly one year or less and the assets are under UNDP’s use and control before the project is closed, Offices should record and capitalize such assets instead of expensing as the process to transfer assets takes time and such assets will end up having been used and controlled by UNDP for more than 12 months.
4. Those implementation modalities under which UNDP does not typically use or control assets, like full NIM projects, the asset will be expensed and not capitalized.
5. In addition to location and implementation modality, additional criteria that may be used to determine whether UNDP has control over PP&E are:
   1. Was the purchase of the PP&E item carried out (or resulted from) instructions given by UNDP?
   2. Is legal title in the name of UNDP?
   3. Is the PP&E item physically located on premises or locations used by UNDP?
   4. Is the PP&E item physically used by staff employed by UNDP or by personnel working under UNDP’s instructions?
   5. Can UNDP decide on an alternative use of the PP&E item?
   6. Is it UNDP that decides to sell, or dispose of, the PP&E item?
   7. If the PP&E item were to be removed or destroyed, would UNDP take the decision to replace it?
   8. Does a UNDP representative regularly inspect the PP&E to determine its current working condition?
6. In determining whether or not an asset should be recorded in UNDP’s books, the substance of the transaction needs to be considered. For example, if UNDP hands over a vehicle to an implementing partner that has total “use and control” over the asset but nevertheless retains the vehicle title in UNDP’s name, then the vehicle should not be recorded in UNDP’s books as UNDP does not manage this vehicle on a daily basis nor does it have control over how it is used. It is recommended that in all cases, apart from the case of NGO implementation, handing over of a vehicle is accompanied by transfer of title as well. All vehicles that still have UNDP title should be used in line with UNDP vehicle management policy.

**Management of Assets**

1. All PP&E, Finance Leases, and Intangible Assets used and controlled by UNDP, regardless of their value, must be managed appropriately in compliance with the UNDP Financial Regulations and Rules. These guidelines, together with the Internal Control Framework (ICF) and this POPP content, establish the procedures and systems that facilitate compliance with International Public Sector Accounting Standards (IPSAS), as well as with accurate reporting. Such compliance includes periodic verification of the existence of assets; assessing assets for impairment; reconciling physical verification results to the records; as well as internal controls and checks to ensure completeness and accuracy of records.

**PP&E classes**

1. UNDP will recognize the following classes or groupings of PP&E:
2. Tangible assets
3. Land
4. Buildings
5. Leasehold improvements
6. Communications and IT equipment
7. Heavy machinery and other equipment
8. Vehicles
9. Furniture and Fittings
10. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples of intangible assets include software licenses, trademarks, copyrights and developed software.

1. Finance leases

A Finance Lease is a capital lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred, even though UNDP does not hold legal title during the duration of the lease.

1. This policy does not apply to inventory items procured solely for distribution to third parties in the conduct of its mission or items that will be used by UNDP for administrative purposes within 12 months, i.e. consumables or supplies. Please refer to the Inventory Management Policy for more details.

**PP&E under International Public Sector Accounting Standards (IPSAS)**

1. PP&E used and controlled by UNDP will be capitalized under IPSAS.
2. Capitalization is the process of recording the costs associated with the acquisition or constructions of an asset in the statement of financial position as opposed to expensing the full cost at one go. This cost is then expensed over the Z life (the average period over which an asset is used) of an asset via a process known as Depreciation.
3. Depreciation is the measure of wearing out, consumption or other loss of value of an asset over its useful life. This is also known as a depreciation expense.
4. Replacement value/ fair market value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.
5. Net book value is the amount as which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

**Impact on Budget Utilisation**

1. All PP&E will be budget-checked at the point of acquisition but will not be budget-checked for depreciation expense. Although depreciation is a type of expense, depreciation does not generate a cash outflow and, as such, there is no impact on budget utilisation. What this means is that, when an asset with a purchase cost of $10,000 is procured, the $10,000 is charged to the budget () when the Purchase Order (PO) is approved and budget-checked. The subsequent depreciation expenses, although posted to the project Chart of Accounts (COA) in the GL, is not charged to the budget but reflects the usage of the asset over time. Subsequent GMS charged to depreciation expense is budget checked and for this reason it is important that every asset should be recorded against a valid COA and all assets disposed before closing a project.
2. Given the comprehensiveness of the Quantum Asset Management data on PP&E, this information should be utilized as a tool for budget and replacement planning. For example, an office should review the assets in its asset register that have reached the trigger for replacement and budget accordingly.
3. As depreciation will not have an impact on budget utilisation, there will be differences in depreciation expenses between the General Ledger accounting (GL) andproject balance. This is a perfectly acceptable difference to have as a result of the design of the PP&E business process under IPSAS.

**Assets and closure of projects**

1. No asset should be left in the closed project. Project cannot be closed if it has not completed disposal or transfer of its assets.
2. Well in advance of the project closure, project management should identify assets disposal methods taking into consideration respective provisions of the project document, UNDP Policy as well as local circumstances.
3. Assets disposal methods, requirements and procedures are described in details in the Disposal policy ([link](https://popp.undp.org/node/301)).