

# Library Collection Policy

## Section 1 - Purpose

(1) The purpose of this Policy is to prescribe the financial reporting requirements for Study Skills collections at the University of Canberra (University).

(2) The objective of this Policy is to ensure that the cost of Study Skills materials are accounted appropriately and the common, reference and heritage collections are being valued and accounted accurately.

## Section 2 - Scope

(3) This Policy applies to all University staff.

(4) This Policy covers Finance & Analytics and Study Skills operations.

(5) This Policy is separate from the University's Assets Policy.

## Section 3 - Principles

### Introduction

(6) The purpose of this Policy is to prescribe financial reporting requirements for library collections at the University.

### Service Potential

(7) In determining whether a purchased item should be capitalised or expensed, the future service potential of the item must be considered. Similarly, service potential considerations are essential in determining the useful life of an asset. The service potential of a library collection is the cornerstone for any library accounting policy. For the purposes of this Policy, service potential is determined with reference to the availability of the information, i.e. the period of time over which an item is able to be accessed and used.

### Classification of Collections

(8) A Study Skills is generally made up of a variety of different collections, or types of books and other materials. For financial reporting purposes, the following classifications are to be used:

- a. common use collections;
- b. reference collections; and
- c. closed collections (Heritage)

### Common use Collections

(9) A common use collection is usually comprised of a large number of low value items which are used in the day-to-day operations of the Study Skills, e.g. undergraduate text books and technical publications. These items, in most

instances, may be borrowed. Due to a pattern of declining use, obsolescence and of physical deterioration over time, Study Skills materials in these collections generally have a short period of service potential (e.g. the greatest usage is within the first year). Individual items are continually being updated and replaced.

## **Reference Collections**

(10) Reference collections usually include both general and specialised items. These items are usually not able to be borrowed, but are available for use, even if archived. Generally, these items have variable uses (e.g. undergraduate and research purposes), and have a longer useful life than common use collections, but are not held indefinitely. If possible, these items would generally be replaced if lost or damaged.

## **Closed Collections (Heritage)**

(11) A closed collection is a permanently retained collection which has heritage, cultural or historic value that is worth preserving indefinitely and to which sufficient resources are committed to preserve and protect the collection and its service potential. The collection is generally held for public exhibition, education, or to provide a service to the community. Closed collections are not usually available for sale, for redeployment or for an alternative use.

## **Accounting Treatments**

(12) Items are to be allocated across the different collections by the University, based on their attributes. For example, items making up a law Study Skills may be split across the collection types, based on their attributes (i.e. some parts of the law Study Skills may be heritage, while others may be reference or common use). In addition, periodicals, subscriptions and electronic media with archive access can be split over the three classification types.

(13) Professional judgment will be required to assess the characteristics of each item to determine its correct classification. In determining the correct classification, considerations may include:

- a. the useful life of the material – is it limited, long term or indefinite?
- b. how the items are stored and used; and
- c. the nature of Study Skills expenditure within that category – regular replacement of holdings, expenses related to controlling the environment in which the asset is used, etc.

## **Common Use Collections**

### **Treatment**

(14) The greatest usage of items within these collections would occur within the first year, with a rapid decline over subsequent years. In recognition of their limited life and the cost/benefit of valuing collections with a high turnover of material, common use items are to be expensed on acquisition.

### **Management**

(15) A system to ensure the security of common use collections remains the responsibility of University Study Skills Management, even though these items are expensed on acquisition.

## **Reference Collections**

### **Treatment**

(16) Based on their longer periods of service potential to the Study Skills, material reference collections are to be capitalised and recognised at fair value, based on the methodology outlined below. The advice from independent valuer is to depreciate this over 10 years.

## **Asset Class**

(17) Items in this category are to be recognised in the Balance sheet as 'Study Skills Reference Collection'.

## **Fair Value**

(18) Fair value is to be determined using average replacement cost, based on the average cost of purchases over a period considered as most closely providing an accurate average value for the collection. This cost is to be applied to all capitalised materials in the collection at year end. It is considered that a five year period would provide an accurate average value; the basis for determining the appropriate 'averaging' period should be documented by the University Study Skills. Once determined, this period should be consistently applied. A maximum rolling five year period is considered appropriate for determining average replacement cost based on the following:

- a. Five years is consistent with the business practice for revaluation of Study Skills collections.
- b. Five years should provide a smoothing of any peaks and troughs experienced in the cost of books. For example, there may be one year when a large number of high value law reference items are purchased. If this average cost was applied to all items in the collection, over inflation of the fair value may result. Using a five year rolling average cost should result in this peak being effectively managed.

(19) This average cost should then be applied to all capitalised items including material acquired for no cost, ensuring these are assigned a replacement value.

(20) Any changes in the fair value of the collection are to be recognised in the Asset Revaluation Reserve. Revaluation increments and decrements are to be accounted for in accordance with [Australian Accounting Standard 116 - Property, Plant and Equipment](#).

## **Removal of Items from Collection**

(21) To ensure a materially accurate valuation, assessments by University Study Skills must be made on a regular basis to determine whether items are still providing benefit or whether they should be removed from the collection. This may be included as part of the stock take process, i.e. an assessment is made of each item as it is physically verified. At a minimum, all capitalised items should be considered at least once every three years to determine whether they should be removed from the collection.

## **Depreciation**

(22) The University will depreciate the cost of the reference items over 10 years and in deciding the economic life the following factors had been taken in to account to assess the University Study Skills collections:

- a. physical lives – how long the item will last, taking into account user populations and climatic conditions or subject matter; and
- b. relevant lives – the period during which the content or subject matter is relevant to the Study Skills' user population.

(23) The above approach has been supported by the independent valuation officer engaged by the University in 2008.

## **Independent Valuation**

(24) The University will obtain an independent valuation of closed and reference collections at least once every five years, and must obtain independent confirmation that the methodology being applied is appropriate.

## **Closed Collections**

## **Treatment**

(25) Closed collections are to be capitalised and recognised at fair value, based on the methodology outlined below.

## **Threshold**

(26) A recognition threshold of \$5,000 is to be applied to the closed collections. If the value of the collection as a whole is less than \$5,000, then it must be expensed, similar to common use items.

## **Asset Class**

(27) Items in this category will form part of the “Study Skills – Closed collections” class in the balance sheet.

## **Valuations**

(28) As with all property, plant and equipment, valuations can be performed by either:

- a. an independent valuer
- b. an in-house valuer; or
- c. a combination of independent and in-house valuers.

(29) To ensure fair, ‘arm’s length’ valuations of closed collections, it is preferred that revaluations be undertaken by independent, professionally qualified experts. However, there may be few independent valuers with the expertise to value certain collections. In these instances, employees with relevant expertise/knowledge may undertake an in-house review.

## **Depreciation**

(30) Closed collections are generally subject to stringent curatorial preservation techniques. As a result, they may have an indefinite life, may be held in perpetuity and appreciate in value. Study Skills operational rules exist to restrict access to reference and closed collection items and mandate retention of items in the closed collections. Therefore no depreciation will be applied.

## **Periodicals, Electronic Media and Internally Developed Information**

### **Periodicals and Subscriptions**

(31) Generally, periodicals and subscriptions would be regarded as common use and expensed on acquisition. However, it may be appropriate for some of these items to be included in either the reference or closed collections. Therefore, the University Study Skills will determine the correct classification for individual items and account for them accordingly.

### **Electronic Media**

(32) Access to electronic media is generally obtained by either outright purchasing of the information or through a licence agreement. Under either method, the issue of control, as well as expected economic benefits, must be considered when determining whether capitalising or expensing is appropriate.

(33) When electronic media is purchased outright, control over the asset is generally obtained to partially satisfy the asset recognition criteria. Assuming the other asset recognition criteria are satisfied, the University Study Skills will determine the correct classification of the individual items of electronic media, and account for them accordingly.

(34) When information is accessed through a licence agreement, there is no access to the information unless the licence fee is paid and other terms of the agreement are met, e.g. access rights and copyright clauses apply. Where this occurs, the University does not have control of the information. Consequently, the annual licence fee should be

expensed, and not recognised as an asset.

(35) However, where the University has archival access, capitalising this electronic media may be appropriate, as the benefit lasts for more than one year. The University Study Skills will determine the correct classification of the individual items of electronic media, and account for them accordingly.

## Impairment

(36) In accordance with [Australian Accounting Standard 136 - Impairment of Assets](#), the University will annually assess whether there are indicators that Study Skills assets are impaired.

(37) There may be instances of impairment for heritage books, e.g. questions over the authenticity of the item, or an item being damaged during a flood. While a heritage book may be water damaged, it may be retained for its historical value, even though the fair value of the book may have decreased.

(38) Professional judgement should be used to identify indicators of impairment for Study Skills collections.

## Disclosure

(39) In addition to normal disclosures for non-current physical assets, University must disclose in its financial statements:

- a. the basis on which collections are classified;
- b. whether collections are capitalised or expensed, and the basis for this;
- c. if capitalised, how the fair value of the collections is determined; and
- d. if capitalised, whether collections are depreciated, and the basis for this.

## Physical Security and Verification

(40) Stock takes of capitalised collections should be undertaken every three years. Ideally, capitalised collections should be physically verified on an annual basis however, a rolling three-year stock take may be employed. A formal stock take of expensed collections may not be considered necessary. However, sufficient controls must be implemented to allow proper management of the holdings and to ensure security of the collections.

# Section 4 - Procedures

(41) Nil.

# Section 5 - Appendix

## Formula To Calculate Fair Value Of A Reference Study Skills Collection By University Study Skills

(42) The formula to calculate average replacement cost of the Reference Study Skills Collection is as follows:

Opening number of items held at 1 January  
+ Number of purchases and other acquisitions during financial year (including transfers in)  
- Number of disposals and write-offs during financial year (including transfers out)  
= Closing number of items held at 31 December  
x Average cost over five year period applied (i.e. total value of purchases/number of items purchased)

= Total average replacement cost for the collection at 31 December

## Status and Details

<b>Status</b>	Historic
<b>Effective Date</b>	18th April 2023
<b>Review Date</b>	18th April 2024
<b>Approval Authority</b>	Vice-Chancellor
<b>Approval Date</b>	18th April 2023
<b>Expiry Date</b>	31st December 2024
<b>Custodian</b>	Geoff Drummond Chief Financial Officer
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