

Policy Name	Asset Capitalization and Amortization		
Policy #	404	Category	Financial Services
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Procedures Approved by	CFO & Vice-President, Administrative Services	Review Date	See Policy Review Date or As Required

See the related [POLICY](#).

DEFINITIONS

Amortize – to gradually recognize the expense pertaining to a capital asset over a period of time.

Betterment – a cost incurred to enhance the service potential of an asset.

Capitalize – to record a transaction as a capital asset.

Cost – is the amount of consideration given up to acquire, construct, develop or better a tangible capital asset, and includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use.

Evergreen – a computer replacement program managed by Information Technology Services. Computers, under this program, are replaced on a schedule, subject to budget availability.

Fair Value – is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Net Book Value – of a tangible capital asset is its cost, less both accumulated amortization and the amount of any write-downs.

Repairs and Maintenance – maintains the existing service potential of an asset.

Residual value – is the estimated net realizable value of a tangible capital asset at the end of its useful life.

Service Potential – is the output or service capacity of a tangible capital asset, and is normally determined by reference to attributes such as physical output capacity, quality of output, associated operating costs, and useful life.

Tangible Capital Assets – are non-financial assets having physical substance that:

- i) Are held for use in the production or supply of goods and services; for rental to others, for administrative purposes; for the development, construction, maintenance or repair of other tangible capital assets;
- ii) Have useful economic lives extending beyond an accounting period;
- iii) Are to be used on a continuing basis; and
- iv) Are not for sale in the ordinary course of operations.

Useful Life – is the estimate of either the period over which a tangible capital asset is expected to be used, or the number of production or similar units that can be obtained from the tangible capital asset. The life of a tangible capital asset may extend beyond the useful life of a tangible capital asset. The life of a tangible capital asset, other than land, is finite, and is normally the shortest of the physical, technological, commercial and legal life.

PROCEDURES

1. Capitalization Thresholds:

Saskatchewan Polytechnic will capitalize assets at cost based on the following thresholds:

Description	Threshold
Leasehold improvements	≥ \$5,000
Computers & Tablets – hardware	≥ \$500
Computer software	≥ \$5,000
Library reference material	All purchases
Other high risk items	As determined by Capital Committee
All other assets	≥ \$5,000

For the purpose of applying the capitalization threshold, the asset will be evaluated using the invoice price before taxes, rebates and other incidental expenses such as courier or postage expenses.

Leasehold Improvements – Improvements to Saskatchewan Polytech occupied land or building will be capitalized provided the expenditure is at least \$5,000 and the expense incurred is a betterment as opposed to repairs and maintenance.

Computers and Tablets – All purchases of computers and related devices ≥ \$500 will be capitalized. Upgrades to existing computers will not be capitalized unless the cost of the upgrade exceeds the \$500 threshold.

Computer Software – Costs directly related to the development and deployment of computer software will be capitalized. Costs incurred after software implementation, including annual maintenance and subscription fees, will be recorded as an expense and are not capitalized.

Library Reference Material – Most reference material purchased by the libraries meet the definition of a capital asset and therefore will be capitalized. This would include books, academic journals, videos, and CDs. Subscriptions, such as newspapers, magazines or electronic

databases, generally do not meet the definition of a capital asset and should be expensed in the year purchased.

Other High Risk Items – High risk items are items of value that are mobile, easily transferrable and have an attractive or common use. Because of these characteristics, they are at high risk of theft or loss. Capitalizing and tagging these items enhances Saskatchewan Polytechnic’s ability to track them. The determination of high risk items to be capitalized will be based on the recommendation of the Capital Committee or a Senior Management Association (SMA) member in consultation with Financial Services. At the time of updating these procedures, Saskatchewan Polytechnic has not identified any items matching this criteria requiring capitalization.

Lot purchases – Bulk furniture and equipment purchases with individual components less than \$5,000 are not capitalized.

Contributions – Saskatchewan Polytech may receive contributions of tangible capital assets. The cost of a contributed asset is considered equal to its fair value at the date of contribution.

Land – normally has an unlimited life and would not be amortized.

2. Amortization:

The cost, less any residual value, of a tangible capital asset with a limited life should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use by Saskatchewan Polytechnic. The amortization of the costs of tangible capital assets should be accounted for as expenses in the statement of operations.

Saskatchewan Polytechnic amortizes capital assets using the straight-line method of amortization as follows:

Class #	Class Name	Examples	Estimated Useful Life
10	Furniture and equipment	Desk	10 years
20	Industrial/General Equipment	Welders, Saws, Microscopes, Grinders, Lathes, Appliances, Transmissions, Engines	10 years
30	Heavy Equipment	Caterpillars, Tractors, Dump Trucks	10 years
40	Specialized equipment (electronic equipment used in medical or laboratory applications that would tend to have a shorter life than general equipment)	X-ray machine, Oscilloscopes	5 years
50	Library reference material	Books, Videos, CDs	5 years

60	Vehicles	Cars, Trucks, Snowmobiles, Boats	8 years
71	Evergreen personal computers	Computers and laptops replaced by Evergreen program	4 years
72	Non-Evergreen personal computers	Computers and laptops not replaced by Evergreen program	4 years
73	Computer software	One-time Software Acquisitions Fees (does not include annual licensing fees)	5 years
74	Portable Devices not included in Evergreen	Tablets, iPads, Surface Pro	2 years
75 (NEW)	Data Centre Computing Equipment	Servers, storage	4 years
76 (NEW)	Network Hardware	Switches, routers, firewalls, Wi-Fi, access points	5 years
80	Office Equipment/Audio Visual	TVs, Projectors, Cameras, Smart Boards	5 years
90	Leasehold Improvements	Major projects to Saskatchewan Polytechnic occupied space	15 years, unless otherwise stated
91	Buildings	Owned building	40 years
95	Land	Owned land	N/A

3. Write-downs – When conditions indicate that a tangible capital asset no longer contributes to Saskatchewan Polytechnic’s ability to provide goods and services, or the value of future 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.

4. Disposals – Disposals of tangible capital assets in the accounting period may occur by sale, destruction, loss or abandonment. Such disposals represent a reduction in an investment in tangible capital assets, regardless of how that investment is reported. The difference between the net proceeds on disposal of a tangible capital asset and the net book value of the asset should be accounted for as a revenue or expense in the statement of operations. The disposal of capital assets must be done in compliance with the Saskatchewan Polytechnic Asset and Materials Disposal policy #414.