



POLICY STATEMENT

Policy Name	Asset Capitalization and Amortization		
Policy #	404	Category	Finance
Policy Sponsor	Associate Vice-President, Financial Services	Previous Revision Date	June 5, 2013
Policy Approved by	President & CEO	Issue or Revision Date	September 6, 2018
Procedures Approved by	CFO & Vice-President, Administrative Services	Review Date	September 2023

See the related [PROCEDURES](#).

PURPOSE

The purpose of this policy is to identify the basis of accounting for capital assets.

SCOPE

This policy applies to tangible capital assets, such as property, plant, and equipment. This policy does not apply to intangible assets, such as patents, trademarks, copyrights, and goodwill.

GUIDING PRINCIPLES

1. As a publicly funded institution, Saskatchewan Polytechnic is accountable for its actions and must use its resources responsibly and effectively.
2. All expenditures must be reasonable, appropriate, and defensible.

POLICY

Saskatchewan Polytechnic will account for its capital assets in accordance with Public Sector Accounting Standards.

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.

RELATED POLICIES/DOCUMENTS

#405	Fraud Prevention and Reporting
#410-G	Operating and Capital Budgets
#413-G	Procurement
#414	Saskatchewan Polytechnic Asset and Materials Disposal
#504b	Management Authorities Grid

APPLICABLE LEGISLATION OR REGULATIONS

CPA Canada Public Sector Accounting Handbook