



SUBJECT: Fixed Asset Capitalization Limit	CATEGORY: Finance	NO. 404
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PREAMBLE

SIAST prepares its financial statements in accordance with the standards contained in the CICA Public Sector Accounting (PSA) Handbook. PSA standards include the requirement to capitalize and amortize tangible capital assets.

POLICY

SIAST will capitalize assets as follows:

	Threshold
Projects (including leasehold improvements)	\$5,000
Computers – hardware	All purchases
Computer software	\$5,000
Library reference material	All purchases
Other high risk items	As determined by associate vice-president, financial services or controller
All other assets	\$1,000

DEFINITIONS**Tangible Capital Assets**

Tangible capital assets are items with physical substance that have a useful life extending beyond the accounting period in which acquired. Assets held for resale are not capital assets. Software is included under the definition of tangible capital assets under PSA standards.

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

The capitalized cost of the asset includes the purchase price and related freight, installation, taxes (net of rebates) and other direct costs of getting the asset into the condition necessary for its intended use.

Projects

Projects are defined within the following categories:

1. **Leasehold Improvements** - improvements to SIAST occupied land or buildings will be capitalized provided that the expenditure is at least \$5,000 and that the expense incurred is a *betterment* as opposed to repairs and maintenance. A *betterment* being a cost incurred to enhance the service potential of an asset. Service potential may be enhanced when there is an increase in service capacity, associated operating costs are lowered, the useful life is extended or the quality of output is improved. Repairs and maintenance typically maintain the existing service capacity and occur on a regular basis.
2. **Furniture or equipment upgrades** – this includes furniture and equipment purchases that have a clearly identifiable common purpose, that is belong to the same program, upgrade or renovation. The components of the *project* must be identified by the budget unit manager and dean (or equivalent) prior to any *project* assets being purchased. Each individual component of the *project* must be at least \$200. The value of the *project* in total must be at least \$5,000 in order to be capitalized as a *project*.

Computers

All purchases of computers will be capitalized, including situations where several different components are purchased and put together to form one computer. Upgrades to existing computers will not be capitalized unless the cost of the upgrade exceeds the \$1,000 threshold.

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, videotapes, CD-ROMs and digital video discs. Periodicals, such as newspapers and magazines, generally do not meet the definition of a capital asset and should be expensed in the year purchased. SIAST Finance will capitalize the additions to the library collections in one lot on a monthly basis.

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 SIAST's ability to track them. Tracking provides a measure of control over these items, thereby reducing the risk to SIAST. An example of a high risk item would be an electronic tablet such as an iPad.

Determination of High Risk Items

The determination of high risk items to be capitalized is at the discretion of the controller or

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associate vice-president, financial services. As new electronic tools are introduced into the organization, senior management, Financial Services will assess the need for their capitalization. Information on items considered to be of high risk and requiring capitalization will be provided annually during budget development, and as they become known.

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