

Policy Name	Asset Capitalization and Amortization		
Policy #	404	Category	Financial Services
Policy Sponsor	Associate Vice-President, Financial Services	Previous Revision Date	September 6, 2018
Policy Approved by	President & CEO	Revision Date	July 1, 2025
Procedures Approved by	CFO & Vice-President, Administrative Services	Review Date	July 1, 2030

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.

Personal Computer: Computing devices designed for individual use, categorized into standard device classes: desktops, laptops, and workstations.

Cost: 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: 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: 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: Estimated net realizable value of a tangible capital asset at the end of its useful life.

Service Potential: 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: 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: 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 (Sask Polytech) will capitalize assets at cost based on the following thresholds:

Description	Threshold
Leasehold improvements	≥ \$10,000
Personal computers	ALL
Tablets	≥ \$1,000
Computer software	≥ \$25,000
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 Sask Polytech occupied land or building will be capitalized provided the expenditure is at least \$10,000 and the expense incurred is a betterment as opposed to repairs and maintenance. The \$10,000 leasehold improvement threshold is based on the total scope of the project; invoices related to the same leasehold improvement project will be capitalized regardless of the dollar amount.

Computer Hardware. All personal computers are capitalized. Tablets are capitalized if greater than or equal to \$1,000. All other computer equipment greater than or equal to \$5,000 is capitalized.

Computer Software – Purchase price, plus costs directly related to implementation, of purchased 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.

Lot/bulk Purchases – Bulk furniture and equipment purchases with individual components are not capitalized. Exceptions, such as outfitting a new campus building with furniture, will be considered for capitalization by Sask Polytech's capital committee.

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

Library – Sask Polytech does not capitalize library reference materials effective July 1, 2025.

Shipping/Freight – Generally, shipping/freight costs related to acquiring assets are capitalized. However, shipping costs may not be capitalized if they are on a separate invoice for a nominal amount.

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 Sask Polytech. The amortization of the costs of tangible capital assets should be accounted for as expenses in the statement of operations.

Sask Polytech amortizes capital assets using the straight-line method of amortization as follows:

Land, buildings & improvements				
Class #	Class Name	Examples	Threshold	Estimated Useful Life
90	Leasehold improvements	Major projects to Saskatchewan Polytechnic occupied space	\$10,000	15 years, unless otherwise stated
91	Buildings	Owned building	ALL	40 years
95	Land	Owned land	ALL	N/A
Transportation and operating equipment				
20	Operating equipment	Welders, microscopes, grinders, lathes, appliances, transmissions, engines, unlicensed vehicles, X-ray machine, specialized and laboratory equipment	\$5,000	10 years
30	Heavy equipment	Caterpillars, tractors, dump trucks	\$5,000	10 years
60	Licensed vehicles	Licensed cars, trucks, snowmobiles, boats	\$5,000	10 years
Office equipment and information technology				
10	Office furniture	Desk, desk partitions, other furniture	\$5,000	10 years
71	Personal computers	Desktops, laptops, workstations, Surface Pro	ALL	5 years
73	Computer software	One-time software acquisition costs (does not include annual licensing fees)	\$10,000	5 years
74	Tablets	iPad and similar devices	\$1,000	5 years
76	Other computer hardware and office equipment	Switches, routers, firewalls, Wi-Fi, access points, servers, storage, printers, copiers, scanners, audio-visual equipment	\$5,000	5 years

3. **Write-downs** – When conditions indicate that a tangible capital asset no longer contributes to Sask Polytech'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 netbook 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 Sask Polytech Asset and Materials Disposal policy #414.