

ASSET CAPITALIZATION		DOCUMENT TYPE: POLICY
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PURPOSE

The purpose of this policy is to identify the basis of how to account for and report tangible capital assets.

PRINCIPLES

1. As a publicly funded institution, the College is accountable for its capital assets.
2. In the case of uncertainty in determining whether a particular asset qualifies as a capital asset, or determining which costs should be capitalized, or determining fair market value, or determining useful life, for the purposes of this policy professional judgement must be exercised.
3. Professional judgement is based on a person's past experience and training.
4. This policy does not apply to capital assets which are held by the College as part of a work of art collection, historical treasure collection, or other similar type of collection. These collections are subject to operational policy and held for public exhibition, education, or research.

POLICY

The College will account for its capital assets in accordance with Public Sector Accounting Standards. This policy will apply to all capital assets held by the College, including capital leases. This policy applies to tangible capital assets, such as property, plant, and equipment. This policy does not apply to intangible assets, such as patents, copyrights, trademarks, and goodwill.

DEFINITIONS

Capital Maintenance is any action or improvement that maintains and/or extends the life of the capital asset.

Intangible Properties are capital assets that lack physical substance.

Capital Lease is a lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of the asset to the lessee. This occurs if one or more of the following conditions are present:

- There is reasonable assurance that the lessee will obtain ownership of the leased asset by the end of the lease term either through a transfer of ownership at the end of the term of the lease or if the lease provides for a bargain purchase option;
- The term of the lease is such duration that the lessee will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its lifespan. This usually occurs where the lease term is for 75% or more of the economic life of the asset; or
- If the present value of the minimum lease payments is 90% or more of the fair value of the leased property at the lease inception.

Cost is the amount of consideration given up to acquire, construct, develop, or better a capital asset and includes all costs directly attributable to the acquisition, construction, development or betterment of the capital asset including installing it at the location and in the condition necessary for its intended use. For a contributed capital asset, cost is considered to be fair value at the date of contribution.

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.

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Net Book Value or Net Carrying Amount of a capital asset is cost less both accumulated amortization and the amount of any write downs.

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

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

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

Useful Life is the estimate of the period over which a capital asset is expected to be used by the College or the number of production or similar 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.

LEGISLATIVE AND COLLECTIVE AGREEMENT REFERENCES

- CPA Canada Public Sector Accounting Handbook

LINKS TO OTHER RELATED POLICIES, DOCUMENTS AND WEBSITES