

FINANCE

Tangible Capital Assets F007

POLICY

SC capitalizes and amortizes tangible capital assets in keeping with Public Sector Accounting (PSA) standards.

PURPOSE

This policy ensures that SC follows the Regional Colleges Accounting and Reporting Manual (the manual) which also provides capitalization criteria for tangible capital assets.

SCOPE

All of SC's tangible capital assets, as defined in Regional Colleges Accounting and Reporting Manual.

STANDARDS

Southeast College (SC) prepares its financial statements in accordance with the standards contained in the CPA Canada Public Sector Accounting Handbook.

GUIDELINES

A tangible capital asset will be recorded on the Statement of Financial Position at cost. The cost of a capital asset includes the purchase price and other acquisition costs.

Capital assets will be amortized using the straight-line method of amortization. The amortization will be shown as an expense in the Statement of Operations.

Amortization begins in the year the capital asset is placed into use. A full year's amortization is provided for in the year the asset is put into use regardless of when this event occurs in the fiscal year. No amortization is provided in the year the asset is disposed of.

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The amortization method and the estimate of the useful life of a capital asset should be reviewed on a regular basis.

Asset	Description	Useful Life	Threshold
Land		Indefinite	N/A
Land Improvements		5 years	\$ 5,000
Buildings	Includes any betterment to an owned building	20 – 50 years	\$20,000
Leasehold improvements	All improvements and renovations made to a building that has a definite lease period	Variable depending on lease	\$10,000
Vehicles	Includes licensed motor vehicles used primarily for transportation	5 years	\$ 5,000
Machinery and Equipment	Includes any machinery and equipment not classified elsewhere	5 years	\$ 5,000
Computer Hardware	Includes, but not limited to, personal computers, laptops, monitors and printers	3 years	\$ 2,000
Office Equipment	Includes, but not limited to, photocopiers and fax machines	5 years	\$ 2,000
Office Furniture	Includes, but not limited to, desks, tables, chairs and filing cabinets	10 years	\$ 2,000
System Development	Includes costs incurred to design, develop and implement a computer system. Both external consulting and government salary costs are included.	Variable depending on expected life of the system	\$20,000

WRITE DOWNS OF CAPITAL ASSETS - When a capital asset no longer has any long-term service potential to the college, the excess of its net carrying amount over any residual value should be recognized as an expense in the statement of operations. A write down should not be reversed.

DISPOSAL OF A CAPITAL ASSET - On disposal of a capital asset, whether by sale, destruction, loss, abandonment or expropriation, the difference between the net proceeds on disposal and the net carrying amount is recognized in the statement of operations.

PROCEDURE:

Asset disposal decisions, and the reasons for taking them, are to be documented. If no monetary transaction is involved, the necessary documentation must be completed as per its specific process set out below.

Facilities will have the responsibility of ensuring the price established will be based on current market value and condition of the assets/materials.

Acceptable methods of disposal are:

- trade;
- tender;
- sale;
- auction;
- donation;
- Other methods reviewed and approved by the VP of Corporate Services such as scrap, recycle for parts, etc.

DEFINITIONS

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.

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.

Capitalized cost: of an 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.

Intangible Properties: are capital assets that lack physical substance. Examples of intangible properties include brand names, copyrights, franchises, licenses, patents, software, subscription lists, and trademarks.

Capital Lease: is a lease that, from the point of view of the lessee, transfers substantially all benefits and risks incident to ownership of the asset to the lessee.

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.

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 units that can be obtained from the capital asset by the college. The life of a capital asset may extend beyond its useful life to the college. The life of a capital asset is normally the shortest of the physical, technological and legal life.

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Amortization: is the costs less estimated residual values of capital assets with limited lives, are amortized in a rational and systematic manner over their useful lives. PSAB standards allow for a straight line or declining balance method of amortization depending on the expected useful lives of the capital assets and their expected service to the organization.

REFERENCES

Executive Expectations G30
Purchasing F001
Tendering F002
Signing Authority Matrix G33
Regional Colleges ARM
Disposal of Surplus Equipment FXXX

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