Title: CAPITAL ACQUISITIONS AND DISPOSITIONS
Policy No. C3004
Category: Finance
Effective Date: April 1, 2012

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1. PURPOSE

To prescribe the requirements for the capitalization and amortization of capital assets.

2. DEFINITIONS

Amortization expense: The allocation of the cost of a capital asset over a period of time in order to recognize its estimated use.

Betterments: Improvements to a facility that have the potential to either extend the useful life or increase the productive capacity of the facility.

Capital assets: Tangible goods including system and enterprise software that have a useful life of greater than one year, are used on a continuing basis and are not for resale in the ordinary course of operations of the College.

Capital cost: The total amount of consideration given up to acquire, develop or better a capital asset, including net taxes, duties, transportation and the costs of putting the asset into use, but excluding training and other non-asset related costs.

Capitalization threshold: The minimum capital cost amount for which acquisitions of capital assets will be capitalized.

Capitalization: The deferral of the capital cost of an asset in order to allow for its amortization.

GAAP: Generally Accepted Accounting Principles required by applicable legislation.

3. AUTHORITY

3.1 Related Acts and Regulations

Budget Transparency and Accountability Act
Financial Administration Act
College and Institute Act

3.2 Related Policies

A1007 - Financial
C3001 - Purchasing

4. RELATIONSHIPS WITH COLLECTIVE AGREEMENTS

None.

5. POLICY

General

5.1 Purchases of capital assets that meet or exceed the capitalization threshold for that asset category will be capitalized and amortized over their estimated useful lives.

5.2 Capital assets will be grouped into similar categories for ease of administration and for determining the amortization expense for each period.

Capitalization of Assets

5.3 Capital Assets will be grouped into the following categories:

- Office furniture and equipment – capital assets that do not meet the definition of any other category;
- Computer desktop hardware – monitors, desktops, laptops, printers and related physical assets;
- Computer network hardware – switches, routers, servers, in-wall cabling and other related capital assets;
- Computer software –system and enterprise software, excluding any portion considered to be an annual fee or maintenance;
- Books and publications – bound and loose leaf publications, periodicals and other printed materials that are owned by the College, excluding any portion of the cost considered to be annual fees or maintenance;
- Buildings and improvements – buildings acquired or constructed and improvements to owned premises that meet the definition of betterments;
- Leasehold improvements – improvements to leased premises that meet the definition of betterments;
- Assets under capital leases – leased assets where the lease qualifies as a capital lease under generally accepted accounting principles.

5.4 The capitalization threshold for all asset categories except computer desktop hardware and computer network hardware is $2,500. The capitalization threshold for computer desktop hardware and computer network hardware is $300.

5.5 Purchases of similar items that in aggregate are greater than the capitalization threshold will be capitalized. Purchases may be reviewed and reclassified subsequent to purchase where required to adhere to this requirement.

5.6 Computer components such as keyboards, mice, hard drives, and connector cables are considered to be supplies due to the uncertainty of their useful lives and are not capitalized.

5.7 The following software-related costs are considered period costs and are therefore not capitalized:
- Annual software maintenance charges;
- Annual license fees;
- Application software not purchased on an enterprise-wide basis.

5.8 Library collections that require an annual license fee in order to remain available are not considered to be capital assets and the applicable license fees are expensed as period costs and not capitalized.

5.9 Labour costs may be capitalized as follows:
- Costs of external labour may be capitalized to the extent the labour is required to construct a capital asset or to put a capital asset into use;
- Costs of contract labour may be capitalized similar to external labour where the contract labour is clearly identifiable as required to construct a capital asset or to put a capital asset into use;
- Costs of employee labour may be capitalized when the labour is clearly identifiable with the construction of a capital asset or to put a capital asset into use, and the employee time can be accurately determined. Cost will include the hourly rate of the employee plus fringe and overtime, where applicable.

Amortization and Useful Life

5.10 Amortization expense will be calculated on a straight-line basis for all asset categories over the estimated useful life of each category. Amortization commences at the time that the asset is available for use by the College. Estimates of availability for use may be utilized when the resulting imprecision is not significant.

5.11 The estimated useful life of each asset category is as follows:
- Office furniture and equipment – five to ten years
- Computer desktop hardware – three years
- Computer network hardware – eight years
- Computer software – life of the license agreement, maximum of three years
- Books and publications – ten years
- Buildings and improvements – remaining estimated useful life of the building, not to exceed 40 years
- Leasehold improvements – remaining lease term
- Assets under capital leases – useful life of the asset to the maximum of the lease term when title to the assets is not expected to transfer to the College.

5.12 Betterments that are determined to extend the useful life of a facility will result in a change in that estimated useful life and the amortization period of the facility will be revised to reflect this extension.

Dispositions of Capital Assets

5.13 Capital assets that have been completely amortized are deemed to be disposed and are removed from the accounting records at that time.

5.14 Proceeds of disposition, if any, for disposals of capital assets that have been previously deemed to have been disposed are considered to be miscellaneous revenues.

5.15 When capital assets are disposed prior to the end of their useful life, the capital asset is removed from the accounting records at the time of disposition and the difference between the proceeds of disposition and the remaining unamortized cost of the capital asset is considered a gain or loss, as appropriate, upon disposition.

6. GUIDELINES/STANDARDS

None

7. EXCEPTIONS

None

8. RESPONSIBILITY

For inquiries about this policy, contact the Vice President, Administration and Finance.

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David Ross
President

Adopted by: Langara Council – February 14, 2012