

## TANGIBLE CAPITAL ASSET DEFINITION

This procedure is governed by its parent policy. Questions regarding this procedure are to be directed to the identified Procedure Owner.

<b>Category:</b>	F. Finance
<b>Parent Policy:</b>	F23
<b>Approval Date:</b>	May 24, 2023
<b>Effective Date:</b>	May 24, 2023
<b>Procedure Owner:</b>	Chief Financial Officer

<b>Overview:</b>	While this document provides guidance on definitions, the authoritative source is determined by Public Sector Accounting Standards 3150 - Tangible Capital Assets.
<b>Procedures:</b>	<p>Tangible capital assets are presented in the financial statements in general categories such as:</p> <ul style="list-style-type: none"> <li>• Land</li> <li>• Buildings &amp; improvements</li> <li>• Furniture, equipment and vehicles</li> <li>• Computer hardware &amp; software</li> </ul> <p><b>General Criteria for a Capital Asset:</b>            All of the following criteria must be met to meet the definitions of a tangible capital asset:</p> <ul style="list-style-type: none"> <li>• A tangible and identifiable item, valued at over \$5,000 (calculated based on the total costs of a functioning unit including labour, materials, transportation and installation costs, but excluding recoverable GST). Computer hardware, including laptops, projectors and tablets, will have a threshold of \$1,500;</li> <li>• Has an expected useful life of more than one year;</li> <li>• The item is not bought or sold in the normal course of operations (e.g. inventory); and</li> <li>• It is held for use in any of the following ways:               <ul style="list-style-type: none"> <li>○ Production or supply of goods or services (example: oven within a cafeteria kitchen)</li> <li>○ For rental to others (example: dorm rooms)</li> <li>○ Administrative purposes (example: computer equipment or printers)</li> <li>○ Development or construction of tangible capital assets</li> <li>○ Repair of tangible capital assets where repairs are expected to extend the useful life of the asset (example: replacing an engine within agricultural equipment or replacing a boiler in the central heating system of a building)</li> </ul> </li> </ul>

Note: Costs incurred to maintain tangible capital assets that are in line with expectations are not capital in nature and should be expensed. Examples include changing the oil in vehicles or changing filters within the heating and air conditioning system of a building.

Note: Works of art, historical treasures and collections are not capitalized as the estimates of future benefits associated with such property cannot be made.

**Special Criteria for a Capital Asset:**

- **Bulk purchases** – When several assets are purchased together the cost of each asset is determined by allocating the total cost incurred to each asset proportionate to their value. If this allocated cost is under the threshold then they will be expensed instead of capitalized.
- **Capital leases** – Leases will be classified as either capital or operating leases, based on meeting certain criteria. Capital leases will have the leased asset recorded as a tangible capital asset for all accounting purposes including amortization, financial statement presentation and disposition. There will be a loan set up for the corresponding payment requirements. Operating leases will have all costs expensed as incurred in the period that the good or service was received. See PSAS, Public Sector Guidelines 2 for capital lease criteria. If any of the following criteria are met then the leased item is a capital lease:
  - Transfer of ownership of the asset at the end of the lease, or the presence of a bargain purchase option
  - The duration of the lease is essentially the same as the expected useful life of the asset (defined as being 75% or more of the expected useful life of the asset)
  - The cost of the lease is essentially the same as the cost that would be incurred to purchase the asset (defined as being 90% or more of the cost of the asset)
- **Leasehold improvements** – costs incurred to improve a leased item are capitalized if they meet the general criteria for tangible capital assets noted above. The expected useful life would be the remaining time on the lease.

**Related Information:**

F23 Tangible Capital Assets Policy  
F23 Tangible Capital Asset Management Procedure

**Review Period:**

1 year initially, followed by 3 year review

**Revision History:**

New: June 2014  
Revised: May 2021  
Revised: May 2023