Number:	FIN-313
Title:	Capitalization and Amortization
Person responsible for enforcement:	Vice-Rector, Administration
Entered into force:	October 31, 2018
Approved:	October 31, 2018 by the Board of Governors *This document replaces all previous regulations on this subject.*
Exception:	No exception to this regulation without prior written authorization from the Board of Governors

In this document, the masculine form is used without prejudice and for conciseness purposes only.

1. Objective

Help the University in identifying its capital expenditures and depreciation expenses based on established criteria, those expenditures having a significant impact on its financial situation.

2. Definitions

2.1 Fixed assets

Assets which exist both tangibly and physically and meet all the following criteria:

- will be used for the production of goods, for the provision of services or for University operations;
- were acquired, constructed, developed or enhanced in order to be used on a sustainable basis;
- will not be sold in the normal course of the University's activities.

2.2 Cost

The cost includes the purchase price and other acquisition costs such as:

- purchasing taxes, net of applicable refunds, installation costs including design fees, test and preparation costs, transportation costs and insurance, customs duties and other fees;
- professional fees such as those for lawyers, engineers, architects, brokers;
- land and survey costs, decontamination and development costs.

2.3 Improvement

Expenditures to improve the production capacity or service of an asset, to reduce operating costs or extend the useful life of the asset or increase the quality of products and services, but excluding routine maintenance or repair expenses to maintain the service potential of an asset. These changes must be durable in nature and benefit the University for several years.

2.4 Goods acquired through a capital lease

A capital lease is a lease in which substantially all the benefits and risks of ownership are transferred to the University. Goods acquired through a capital lease will be capitalized in the following cases:

- the lease provides for the transfer of the property to the University at expiration of the lease, or the lease includes an option to purchase at a preferential price; or
- the lease term is such that the University will substantially receive all the economic benefits expected to be derived from the use of the property; or

- the University is guaranteed that, at the end of the lease, it will recover its investment in the leased property and earn a return on that investment.

2.5 Maintenance and repair

Maintenance and repair costs help sustain the potential of a capital asset. These costs are charged to operations and are not part of capital costs.

2.6 Works of art and historical treasures

Property whose cultural, aesthetic or historical worth is such that it needs to be preserved and maintained. These works are not essential to the provision of a service and are therefore fully amortized during their year of acquisition.

3. General principles

3.1 Observations

An asset is recognized and appears in the financial statements when the following conditions are met:

- the cost of the asset can be measured and it is possible to make a reasonable estimate of its value;
- it is likely that the University will receive future economic benefits associated with the asset;
- the cost connected to the asset or asset pool is equal to or greater than the following capitalization threshold by asset class:

– Lands	$1
– Buildings	$10,000
– Office furniture and equipment	$5,000
– Machinery, tools and equipment	$50,000

In the case of books and periodicals, the threshold is the total annual expenditure.

An asset or asset pool requiring an outlay lower than the capitalization threshold specified above, and the associated maintenance and repair expenses, are considered operating costs and are not capitalized.

3.2 Amortization

Acquired tangible assets are recorded at cost. Contributions received as capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

– Paving	10 years
– Buildings	30 years
– Library – Book collections	10 years
– Library – Journals	5 years
– Library – Web access books	10 years
– Furniture and equipment	5 to 10 years

Given their indefinite useful life, lands are not amortized.

Current year purchases will be amortized at 50% of the annual expected duration of useful life.

4. Implementing procedure

The persons responsible must provide Financial Services with all information regarding assets, such as:

- the acquisition, modification, exchange or sale of an asset;
- the decommissioning (destruction, loss or abandonment) of an asset;
- the end of life of an asset;
- physical damages to assets;
- the acquisition of an asset free of charge (donation);
- costs incurred for improvements;
- any change to the estimated useful life of an asset.

Taking inventory, recording and calculating depreciation will be done by Financial Services.