Capital Assets Accounting

Objective

The objective is to outline the accounting requirements for capital assets.

Authority

The Financial Administration Act, 1993, clause 5(c) provides authority to Treasury Board to prescribe the form and manner of financial records of the Government of Saskatchewan.

Background

Capital assets are a significant economic resource managed by governments and a key component in the delivery of many government programs. Capital assets include such diverse items as roads, buildings, vehicles, equipment, land, water systems, aircraft, computer hardware and software.

Properly accounting for and reporting on capital assets demonstrates accountability and stewardship, provides accurate costs of delivering programs and presents information for making key decisions related to asset maintenance and replacement.

The Government’s capital assets are different in nature than those held by a business. Most government capital assets represent service capability or unexpired service potential rather than future cash inflows. Since they do not normally provide resources to pay off existing liabilities or finance future operations, they are recorded as non-financial assets along with other assets such as prepaid expenses and inventories held for consumption or use.

Definitions

Amortization is a rational and systematic manner of allocating the cost of an asset over its estimated useful life.

Betterments are enhancements to the service potential of a capital asset such as:

- an increase in the previously assessed physical output or service capacity;
- a reduction in associated operating costs;
- an extension of the estimated useful life; or
- an improvement in the quality of output.
Capital Assets are non-financial assets having physical substance that:

- are held for use by the Government 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 lives extending beyond a year and are intended to be used on a continuing basis; and
- are not intended for sale in the ordinary course of operations.

Capital-type expenses are costs for assets that meet the definition of a capital asset but are less than the thresholds. These assets are expensed in the year in which they are purchased.

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

Disposal refers to the removal of a capital asset from service as a result of sale, destruction, loss or abandonment.

Estimated Useful Life is the estimate of the period over which a capital asset is expected to be used or the number of units of production that can be obtained from the asset. It is the period over which an asset will be amortized and is normally the shortest of the physical, technological, commercial or legal life.

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.

Financial Assets are assets that are available to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Examples of financial assets are cash on hand, accounts receivable and inventories for resale.

Gain on Disposal is the amount by which the proceeds realized upon an asset’s disposal exceed the asset’s net book value.
Hours of Production Method is an amortization method which allocates the cost of an asset based on its estimated hours of use or production.

Leased Capital Assets are non-financial assets leased by the Government for use in the delivery of goods and services. Substantially all of the benefits and risks of ownership are transferred to the Government without requiring the transfer of legal ownership.

Leasehold and Occupancy Improvements are renovations of or modifications to leased accommodations and property occupied through arrangement with the Ministry of Central Services (Central Services). Leasehold and occupancy improvements should be paid for by the ministry, provide benefits for more than one year, and revert to the lessor or Central Services at the end of the lease or other arrangement.

Loss on Disposal is the amount by which the net book value of a capital asset exceeds the proceeds realized upon the asset’s disposal.

Net Book Value is the capital asset cost less accumulated amortization and any write-downs. It represents the asset’s unconsumed cost.

Non-financial Assets are assets that do not normally provide resources to discharge liabilities. They are employed to deliver government services, may be consumed or used up in the delivery of those services, and are not generally for sale. Examples of non-financial assets are capital assets and inventories held for consumption or use.

Repairs and Maintenance are ongoing activities to maintain a capital asset in operating condition. They are required to obtain the expected service potential of a capital asset over the estimated useful life. Costs for repairs and maintenance are expensed.

Residual Value is the estimated net realizable value of a capital asset at the end of its estimated useful life. A related term, salvage value, refers to the realizable value at the end of an asset’s life. If the Government expects to use a capital asset for its full life, residual value and salvage value are the same.

Service Potential is the output or service capacity of a capital asset.
Straight-line Method is an amortization method which allocates the cost of a capital asset equally over each year of its estimated useful life.

Threshold is the minimum cost an individual asset must have before it is recorded as a capital asset in the financial records.

Work-in-progress is the accumulation of capital costs for partially constructed or developed projects.

Works of art and historical treasurers are property that has cultural, aesthetic, or historical value that is worth preserving perpetually. These assets are not capitalized as their service potential and expected future benefits are difficult to quantify.

Write-down is a reduction in the cost of a capital asset as a result of a decrease in the quality or quantity of its service potential. A write-down should be recorded and expensed in the period the decrease can be measured and is expected to be permanent.

**Treasury Board Policy**

01 Treasury Board requires ministries to follow the accounting policy of capitalizing and amortizing government-owned capital recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

02 Each ministry is responsible to maintain accounting records and prepare reports for capital assets as prescribed by the Provincial Comptroller.

03 This policy is effective April 1, 2004.

**Provincial Comptroller Directives**

04 These requirements apply to the General Revenue Fund (GRF) and revolving funds.

05 Accounting policies may change from time to time. These changes are communicated through notifications from the Provincial Comptroller and the Province of Saskatchewan – General Revenue Fund – Year End Reporting Requirements and Procedures. Ministries should monitor these changes and apply them to ministry transactions.
Ministry Responsibilities .06 Title or ownership of capital assets held by ministries rests with the Crown. Ministries maintain stewardship for the Crown. A ministry generally has stewardship of a capital asset if the ministry provides for its operation and maintenance and controls the ability to change the asset’s future service potential.

.07 For capital assets under their stewardship, ministries are required to:

- manage them to provide effective, efficient and economical program delivery;
- establish and maintain accounting systems to collect, record and report information; and
- establish and maintain adequate internal control systems to ensure the accuracy and reliability of information and reports.

Capital Asset Categories .08 Capital assets should be assigned to the categories outlined in Schedule A based on their nature, characteristics and useful life.

.09 Where ministries are uncertain as to which category a capital asset belongs, or where no appropriate category exists, they should contact the ministry Executive Director/Director of Administration who may consult with the Assistant Provincial Comptroller, Provincial Comptroller’s Office (PCO), Ministry of Finance.

Excluded Assets .10 The following assets should not be capitalized and amortized:

- land (or other assets) acquired by right, such as Crown lands, forests, water and mineral resources;
- works of art and historical treasures; and
- intangible assets such as patents, copyrights and trademarks.

Assets Held for Sale .11 Assets held for sale which otherwise would have been recorded as capital assets may be required to be recorded as financial assets. Refer to the CPA Public Sector Accounting Handbook (PSAB Handbook), PS 1201.055, Financial Statement Presentation.
Capital Grants

.12 Ministries sometimes provide grants or transfers to third parties, such as school boards, to enable these entities to acquire or upgrade capital assets. Since the GRF has no ownership interest in the assets acquired or upgraded, these amounts should not be capitalized in the GRF records and amortized. Refer to Appendix M Government Transfers Application Guidance and Template Agreements.

Cost

.13 The cost of a capital asset includes the purchase price of the asset and other acquisition costs, such as installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs and duties.

.14 The cost of a constructed asset includes direct construction or development costs such as materials, including inventories held for consumption or use, and labour and overhead costs directly attributable to the construction or development activity. Capitalization of administrative costs should be limited to salaries, benefits and travel for staff directly involved with project delivery (e.g., project management or construction). Refer to Appendix H Central System Processing for the processes to capitalize salaries and travel.

.15 When several capital assets are purchased together, the cost of each asset is determined by allocating the total price paid in proportion to each asset’s relative fair value at the time of acquisition.

.16 Interest expense related to financing costs incurred during the time a capital asset is under construction or development should not be included in the cost of capital assets.

.17 Schedule A provides further guidance on the types of costs to capitalize.

.18 Capitalization of costs should commence only when the project is likely to proceed. This may include, for example, situations where the Government has authorized and made a commitment to fund the project or the project is part of a strategic plan that has received Treasury Board or Cabinet approval.

.19 During the construction or development of a capital asset, costs incurred which are not expected to contribute to the asset’s
service potential should be expensed immediately. This may arise where there are significant cost overruns or where the construction or development proceeds in a significantly different direction than originally planned.

.20 If the construction or development of a capital asset is not completed to a usable state, the costs that would otherwise be capitalized should be expensed.

.21 Capital assets should be recorded at cost; however, where cost cannot be determined, ministries should contact the ministry Executive Director/Director of Administration, who may consult with the Assistant Provincial Comptroller, PCO.

Thresholds

.22 The threshold for each category represents the minimum cost an individual asset must have before it is to be recorded as a capital asset.

.23 Capital assets not meeting the threshold are expensed in the year in which they are purchased. Costs for these assets are referred to as capital-type expenses.

.24 Thresholds should be applied on an individual asset or per item basis.

.25 Schedule B outlines the thresholds for each capital asset category. Ministries must comply with these thresholds unless they have received an exemption from the Provincial Comptroller.

Estimated Useful Life

.26 The estimated useful life is the period over which a capital asset is expected to provide services. An asset’s useful life can be estimated based on its expected future use, effects of technological obsolescence, expected wear and tear from use or the passage of time, the level of maintenance and experience with similar assets.

.27 All capital asset categories have predetermined estimated useful lives as outlined in Schedule B. The estimated useful lives shown here are intended to apply to assets in new condition.

.28 Ministries acquiring used assets should reduce the estimated useful lives based on the age and condition of the asset.
Amortization

.29 Amortization is calculated using the straight-line method based on the estimated useful life of each asset. Ministries with capital assets in the Heavy Equipment and Aircraft categories have the option of using hours of production where that method is more appropriate.

.30 Land has an unlimited estimated useful life and should not be amortized.

.31 Amortization should be calculated based on the full cost of the capital asset. Where a ministry expects the residual value of a capital asset to be significant in comparison to the asset’s cost (20% or more), the amount would be deducted from the cost when calculating amortization.

.32 With the exception of the categories in the following two paragraphs, a full year’s amortization should be recorded in the year the asset is acquired, constructed or developed and put into use, regardless of when this event occurs in the fiscal year.

.33 For Highways – construction, Highways – repaving, Highways – preservation capital, Bridges – upgrades, Culverts, Airports – runways, Airports – navigational aids, Highways – other, Ferries – vessels and towers and Ferries – upgrades, amortization should begin in the year following the year in which the costs were incurred.

.34 For Major and Minor Bridges – construction, amortization should begin in the year following the year of completion.

.35 No amortization should be recorded in the year an asset is disposed of. This does not apply to deemed disposals.

.36 No amortization should be recorded on work-in-progress or capital assets which have been removed from service but not yet disposed of.

Disposals

.37 The disposal of a capital asset results in its removal from service as a result of sale, destruction, loss or abandonment.

.38 When a capital asset is disposed of, the cost and the accumulated amortization should be removed from the accounting records and any gain or loss recorded.
.39 Any costs of disposal paid by a ministry should be expensed and not netted against the gain or loss on disposal.

.40 A gain on disposal is the amount by which the proceeds received exceeds the net book value of the capital asset and should be accounted for as a revenue in the period the disposal occurs.

.41 A loss on disposal is the amount by which the net book value of the capital asset exceeds the proceeds received and should be accounted for as an expense, in the period the disposal occurs.

.42 Proceeds from the sale of ministry capital assets should be deposited into the General Revenue Fund.

.43 A ministry may remove a capital asset from service and make plans to sell it. No amortization should be recorded in the year the capital asset is removed from service.

Deemed Disposals

.44 For certain capital asset categories, asset replacement occurs on a regular basis but administrative costs to separately track and account for each acquisition and disposal transaction would be prohibitive. In these situations, ministries should record the total additions, amortize them over the applicable estimated useful life, and record an assumed or “deemed” disposal in the last year of the useful life. At deemed disposition, the full cost of the addition and the related accumulated amortization should be removed. Ministries should record amortization expense in the year the deemed disposition occurs.

.45 Deemed disposals are applicable only to the following infrastructure categories: Highways – repaving, Highways – preservation capital, Bridges – upgrades, Culverts, Airports – runways, Airports – navigational aids, Ferries – upgrades and Highways – other.

Write-downs

.46 A capital asset should be written down when a reduction in the value of the asset’s service potential can be measured and the reduction is expected to be permanent.

.47 Conditions that may indicate that a write-down is required include an expectation of providing services at a lower level than originally planned, a change in use for the asset,
technological advances which render the asset obsolete or other factors such as physical damage which reduce the asset’s service potential.

.48 All write-downs should be approved by the permanent head or delegate. Documentation for write-downs should be submitted to the Provincial Comptroller for review.

.49 Write-downs of capital assets should be accounted for as an expense of the current period.

.50 Annual amortization of an asset that has been written down should be calculated using the net book value after the write-down and the remaining estimated useful life.

.51 Regardless of any change in circumstances, a write-down should not be reversed.

**Betterments**

.52 Betterments are enhancements to the service potential of a capital asset, such as:

- an increase in the previously assessed physical output or service capacity;
- a reduction in associated operating costs;
- an extension of the estimated useful life; or
- an improvement in the quality of output.

.53 Betterments which meet the threshold of the applicable capital asset category are capitalized. Otherwise, they are expensed.

.54 Repairs and maintenance which are necessary to obtain the expected service potential of a capital asset for its estimated useful life are not betterments. These costs should be expensed when incurred. They include:

- repairs to restore assets damaged by fire, flood, accidents or similar events, to the condition just prior to the event; and
- routine maintenance and expenditures, such as repainting, cleaning and replacing minor parts.

.55 Where a betterment enhances the service potential of a capital asset without increasing its estimated useful life, the amortization period should remain the same.
.56 Where a betterment increases the estimated useful life of a capital asset, its useful life should be changed.

.57 The revised amortization period should not exceed the estimated useful life of the applicable capital asset category as outlined in Schedule B.

.58 Where a betterment involves the replacement of an identifiable component of a capital asset, the original cost of that component and the related accumulated amortization should be removed from the accounting records.

Transfers of Capital Assets

.59 A transfer of a capital asset occurs when the stewardship of an asset moves from one ministry to another.

.60 Transfers should occur at net book value. Since capital assets being transferred have already been appropriated, transfers should not involve any exchange of funds or charges or credits to the receiving or transferring ministry’s appropriation.

.61 The transferring ministry should record any write-downs prior to the transfer.

.62 The receiving ministry should record the asset’s original cost less any write-downs and the accumulated amortization.

.63 The receiving ministry should record amortization in the year of the transfer and should continue to amortize the asset over its original estimated useful life.

Capital Contributions

.64 When a ministry receives funds from a third party, such as the federal government, to assist with the construction or purchase of a capital asset, the full cost of the asset should be recorded.

.65 The funds received should be recognized as revenue according to the criteria outlined in the PSAB Handbook PS 3100, Restricted Assets, and Revenues and PS 3410, Government Transfers.

Donated Assets

.66 If a capital asset is donated to the Government, the cost is its fair value at the date of contribution. Fair value of a donated capital asset may be estimated using market or appraised value. If an estimate cannot be made, the capital asset should be...
recognized at a nominal value of one dollar. Refer to Section 3525 Receiving Donations.

**Capital Leases**

.67 Capital leases are a means of financing the acquisition of a capital asset where the lessee carries substantially all of the risks and benefits of ownership. Capital leases are recorded as if the lessee had acquired the asset and assumed a liability.

.68 If one or more of the following criteria exists, the lease should be accounted for as a capital lease:

- There is reasonable assurance that the Government will obtain ownership at the end of the lease. (Transfer of ownership occurs at the end of the lease or the lease has a bargain purchase option.)
- The Government will receive substantially all of the economic benefits of the asset. (The lease term is 75% or more of the economic life of the asset).
- The lessor is assured of recovering the investment in the asset and earning a return. (The present value of the minimum lease payments is 90% or more of the fair value of the asset.)

.69 Where at least one of the conditions in the preceding paragraph is not present, other factors may indicate that a capital lease exists.

.70 For example, a capital lease may exist if:

- the Government owns or retains control of the land on which a leased asset is located and the asset cannot be easily moved;
- the Government contributes significant assistance to finance the cost of acquiring or constructing the asset that it will lease; or
- the Government bears other potential risks, such as obsolescence, environmental liability, uninsured damage or condemnation of the asset and any of these are significant.

.71 Operating leases are leases in which the lessor does not transfer substantially all the benefits and risks of ownership. If the arrangement is an operating lease, lease payments should be expensed and no liability recorded.
.72 If the arrangement is a capital lease, ministries should apply the thresholds of the appropriate capital asset category.

.73 If the thresholds are not met, an expense and a liability should each be recorded for the present value of the minimum lease payments.

.74 If the thresholds are met, a capital asset and a liability should each be recorded for the present value of the minimum lease payments. The leased asset should be amortized over the lesser of the lease term or estimated useful life for similar capital assets as outlined in Schedule B.

.75 Ministries should exclude executory and maintenance costs when calculating minimum lease payments. The discount rate should be the lesser of the Government’s incremental borrowing rate or the interest rate implicit in the lease, if determinable.

**Leasehold and Occupancy Improvements**

.76 Leasehold and occupancy improvements involve the renovation of or the modification to leased accommodations and property occupied through arrangements with the Ministry of Central Services. These improvements should be accounted for and recorded as capital assets by ministries and amortized in accordance with Schedule B.

.77 Leasehold and occupancy improvements should be paid for by the ministry, provide benefits for more than one year and revert to the lessor or Central Services at the end of the lease or other arrangement.

.78 Leasehold and occupancy improvements would not include routine maintenance and repairs, such as painting and carpeting.

**System Development**

.79 Ministries may undertake projects involving the development, modification, testing and implementation of software for program delivery or administration support.

.80 A system development project can usually be divided into three stages: a preliminary project stage, an application development stage and a post implementation or operation stage.
.81 The preliminary project stage involves formulation and evaluation of alternatives, establishing performance and system requirements and evaluation and selection of vendors and consultants. All internal and external costs should be expensed during this phase.

.82 The application development stage involves software configuring, interfacing, coding, installing hardware, testing and writing of software to facilitate data conversion.

.83 During the application development stage, external costs, such as acquired software, consulting fees and travel expenses should be capitalized. With respect to internal costs, only payroll and related employee benefits should be capitalized. However, all costs for training, data conversion tasks (purging, reconciling, manual conversions), computer usage, general administration and other overhead should be expensed.

.84 Capitalization of costs should begin when both of the following conditions are met:

- The preliminary project stage is completed.
- Management authorizes and makes a commitment to fund the project (generally Treasury Board approval) and it is probable that the project will proceed.

.85 Costs for a system development project may be incurred over several years. Capital costs should be accumulated during this period with amortization commencing in the year the software is substantially complete and ready for use, after all necessary testing.

.86 If the project involves several distinct modules, the preceding policies should be applied to each module. Amortization of a module would begin in the year when it is ready for use and testing has been completed.

.87 The post implementation or operation stage primarily involves training and maintenance. All internal and external costs should be expensed during this phase.

.88 Costs for upgrades and enhancements should be capitalized if they provide additional functionality to the system. Costs for unspecified upgrades and modifications which primarily
increase efficiency rather than functionality should be expensed.

.89 Business process re-engineering activities may form part of a system development project. External and internal costs for these activities should be expensed when incurred.

.90 Costs for software licences should be capitalized. During the application development stage, software maintenance or similar charges may be capitalized if these costs are considered to be integral to the development of the system.

.91 A contract may include a number of services packaged together. Costs not specifically identifiable as capital should be expensed.

.92 Where costs for routine maintenance or other services extend over several years and are significant, ministries should record the costs as a prepaid asset and expense the amount over the applicable periods.

.93 System development projects may be classified as major system development if they are expected to cost at least $30 million and a detailed maintenance plan has been prepared to support the proposed useful life of 15 years. The detailed maintenance plan must be in place and approved by Treasury Board prior to the commencement of amortization.

**Work-in-progress**

.94 Where the construction or development of a capital asset occurs over several years, capital costs should be accumulated until the asset is ready for use.

.95 Ministries should identify these costs as work-in-progress for any interim and year-end reporting.

.96 Ministries should not record amortization on work-in-progress.

.97 Work-in-progress natural accounts have been established to allow work-in-progress capital costs to be tracked separately from assets subject to amortization. Refer to Appendix H Central System Processing for the procedures to record work-in-progress capital costs in these natural accounts.
Examples of work-in-progress are the construction of a new road or building or the development of a major computer system which occurs over several years. Work-in-progress would also include down payments and deposits which are to be applied to the cost of a capital asset.

Budgeting

Ministries are required to appropriate funds for capital assets acquisitions. Amortization, write-downs, and gains and losses resulting from disposals do not require an appropriation.

Over Accrual of TCA Additions

Accruals are required to record TCA additions that are received without an invoice prior to year-end. In the following year, proper recording of the correction of over accrued TCA additions is required to avoid unauthorized increases in appropriation. Refer to Appendix H Central System Processing for the procedures to correct over accrued TCA additions.

Accounting and Reporting Requirements

Each ministry is responsible for recording transactions for its own capital assets in the Government’s central financial system, maintaining a supporting detailed subsidiary ledger and reporting capital asset information to the Provincial Comptroller, as requested.

Each ministry should maintain a capital asset subsidiary ledger which substantiates and is in agreement with the ministry’s capital asset information recorded in the Government’s central financial system.

Ministries should agree the cost information in the subsidiary ledger to the capital cost recorded in the central financial system at least annually. Any differences should be followed up and any required accounting entries made.

Ministries should maintain sufficient information in their subsidiary ledgers to meet reporting and internal control requirements.

Capital transactions include acquisitions, disposals, transfers, write-downs, amortization and other adjustments. Ministries should refer to Schedule C for examples of transactions and the appropriate accounting for them.
.106 Ministries are responsible for maintaining source documents, working papers and files supporting capital asset transactions for internal and external audit or review.

.107 Ministries are expected to maintain the following minimum information on each individual asset:

- description – a unique identification to describe the asset such as a serial number
- category – as outlined in Schedule A
- asset type – completed or work-in-progress
- cost – total cost for the asset
- date placed in service – date of purchase or completion
- location – or the custodial responsibility
- amortization method – straight-line or hours of production
- estimated useful life – as outlined in Schedule B
- disposal or transfer information

.108 Ministries should also maintain information about the nature of any works of art and historical treasures held.

.109 The Provincial Comptroller is required to include the following information on GRF capital assets in the annual Summary Financial Statements:

- for each major class of capital assets and in total:
  - beginning and ending cost;
  - additions and disposals;
  - any write-downs;
  - annual amortization and beginning and ending accumulated amortization; and
  - beginning and ending net carrying amount (net book value).
- the amortization method used, including the amortization period or rate for each major class of capital asset;
- the net book value of capital assets not being amortized because they are under construction or development or have been removed from service;
- the nature and amount of contributed capital assets received in the period and recognized in the financial statements;
- the nature and use of capital assets recognized at nominal value;
• the nature of the works of art and historical treasures held by the GRF;
• significant financial commitments in existing contracts, agreements or legislation for capital asset acquisitions, construction or development; and
• cashflow information for acquisitions and disposals.

.110 Ministries are annually required to report their capital asset information as outlined in the *Province of Saskatchewan – General Revenue Fund – Year End Reporting Requirements and Procedures*.

.111 Ministries are also required to provide additional information on their capital assets as may be required by the Provincial Comptroller from time to time.

.112 Ministries should refer to *Appendix H Central System Processing* and the *Government of Saskatchewan Natural Account Manual* for specific account numbers and descriptions, including expense accounts for capital-type expenditures, amortization, write-down of capital assets and gain or loss on disposal of capital assets.

**Exemption from Requirements**

.113 Where a ministry believes that any of the requirements set out in this directive are inappropriate for the ministry or a revolving fund under its administration, the ministry may submit a written request to the Provincial Comptroller for an exemption. The request should outline the reasons why the requirements are not suitable and include a plan that would be more appropriate.

.114 The Provincial Comptroller will advise the ministry of the decision in writing.

**Further Information**

.115 Questions regarding capital asset requirements may be directed to the ministry Executive Director/Director of Administration, who may consult with the Assistant Provincial Comptroller, PCO.

**References**

3525 Receipt of Donations  
3800 Control of Property  
3810 Management of Capital Assets  

*Appendix H Central System Processing*
Appendix I Province of Saskatchewan – General Revenue Fund – Year End Reporting Requirements and Procedures

Appendix M Government Transfers Application Guidance and Template Agreements

CPA Public Sector Accounting Handbook, PS 1201 – Financial Statement Presentation

CPA Public Sector Accounting Handbook, PS 3100 – Restricted Assets and Revenue

CPA Public Sector Accounting Handbook, PS 3150 – Tangible Capital Assets

CPA Public Sector Accounting Handbook, PS 3410 – Government Transfers

CPA Public Sector Guidelines, PSG-2 – Leased Tangible Capital Assets

CPA Handbook, 3061 – Property, Plant and Equipment

Electronic Storage Media Disposal Policy (Central Services)
**Capital Asset Categories**

The following table lists the capital asset categories and examples of assets and costs included in each category.

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<thead>
<tr>
<th>Capital Asset Category</th>
<th>Examples of Capital Assets</th>
<th>Examples of Capital Asset Costs</th>
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</thead>
<tbody>
<tr>
<td>Land</td>
<td>• land acquired for parks and recreation purposes, building sites and other programs</td>
<td>• purchase price                                                                                                                                  • professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys</td>
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<td></td>
<td>• land purchased for construction of road surface, drainage areas and allowances or future expansions</td>
<td>• improvement and development costs such as land excavation, filling, grading, drainage, demolition of existing buildings (less salvage)</td>
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<tr>
<td>Land improvements</td>
<td>• fencing and gates, parking lots, paths and trails, landscaping, swimming pools and playgrounds</td>
<td>• original purchase price or completed project costs including costs of material and labour or costs of a contractor</td>
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<tr>
<td>Buildings – high quality construction</td>
<td>• buildings with fireproofed structural steel frames with reinforced concrete or masonry floors and roofs</td>
<td>• original purchase price or completed project costs including basic costs of material and labour or costs of a contractor</td>
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<tr>
<td>Buildings – medium quality construction</td>
<td>• buildings with reinforced concrete frames and concrete or masonry floors and roofs</td>
<td>• costs to remodel, recondition or alter a purchased building to make it ready to use for the acquired purpose</td>
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<tr>
<td>Buildings – average quality construction</td>
<td>• buildings with masonry or concrete exterior walls, and wood or steel roof and floor structures, except for concrete slab on grade</td>
<td>• preparation of plans, blueprints, and specifications</td>
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<td></td>
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<td>• cost of building permits, studies, tests (pre-acquisition costs)</td>
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<td></td>
<td></td>
<td>• professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys</td>
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<td></td>
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<td>• operating costs such as temporary buildings used during construction</td>
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</table>
### Capital Asset Category | Examples of Capital Assets | Examples of Capital Asset Costs
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Buildings – short-term | • operational storage facilities, sheds, small buildings, salt sheds, asphalt tanks, inventory storage buildings and pump houses | • original purchase price or completed project costs including basic costs of material and labour or costs of a contractor  
• costs to remodel, recondition or alter a purchased building to make it ready to use for the acquired purpose  
• preparation of plans, blueprints, and specifications  
• cost of building permits, studies, tests (pre-acquisition costs)  
• professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys  
• operating costs such as temporary buildings used during construction

Building improvements | • major repairs that increase the value or useful life of the building such as structural changes, installation or upgrade of heating and cooling systems, plumbing, electrical, telephone systems | • completed project costs including basic costs of material and labour or costs of a contractor  
• preparation of plans, blueprints, and specifications  
• cost of building permits, studies, tests  
• professional fees for architect, legal, engineering, appraisals, environmental surveys  
• operating costs such as temporary buildings used during construction

Leasehold and occupancy improvements | • improvements that increase the functionality of leased or similar accommodations (refer to the assets listed under the “building improvements” category) | • costs similar to those listed under the “building improvements” category
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</thead>
</table>
| Operating equipment   | • equipment specific to maintenance, shop and sanitation, laboratories, medical, dental, safety, appliances, scientific research, hospitals, education and communications such as forklifts, welding machines, utility trailers, security systems, snow plows, radios, freezers, refrigerators, washers, meters, defibrillators | • original contract price or invoice price  
• freight charges  
• sales taxes on acquisition  
• installation charges  
• charges for testing and preparation  
• costs of reconditioning used items when purchased  
• parts and labour associated with the construction of equipment |
| Heavy equipment        | • power and construction equipment such as graders, tractors, cranes, drill rigs, caterpillars, and trucks one tonne and over | • original contract price or invoice price  
• freight charges  
• sales taxes on acquisition  
• installation charges  
• charges for testing and preparation  
• costs of reconditioning used items when purchased  
• parts and labour associated with the construction of equipment |
| Vehicles               | • used primarily for transportation purposes such as automobiles, trucks under one tonne, vans, boats, all terrain vehicles, snowmobiles, motorcycles and ambulances | • original contract price or invoice price  
• freight charges  
• sales taxes on acquisition  
• costs of reconditioning used items when purchased |
| CVA Vehicles           | • vehicles owned by Central Services | • original contract price or invoice price  
• freight charges  
• sales taxes on acquisition  
• costs of reconditioning used items when purchased |
<table>
<thead>
<tr>
<th>Capital Asset Category</th>
<th>Examples of Capital Assets</th>
<th>Examples of Capital Asset Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferries – vessels and towers</td>
<td>construction and replacement of vessels and ferry towers</td>
<td>direct costs of construction and replacement of vessels and ferry towers including labour and materials, salary and travel costs for employees assigned to new construction projects for direct management duties such as project management, inspection and quality control.</td>
</tr>
<tr>
<td>Ferries – upgrades</td>
<td>upgrades of vessels and ferries</td>
<td>direct costs including labour and materials to upgrade vessels and ferries, salary and travel costs for employees assigned to new construction projects for direct management duties such as project management, inspection and quality control.</td>
</tr>
<tr>
<td>Aircraft</td>
<td>airplanes, air ambulances and water bombers</td>
<td>original contract price or invoice price, freight and transit charges, sales taxes on acquisition, costs of reconditioning used items when purchased.</td>
</tr>
<tr>
<td>Computer software</td>
<td>off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges applicable to the post-implementation or operating stage.</td>
<td>purchase price of off the shelf software and related upgrades, sales taxes on acquisition, installation charges.</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>servers, voice logging equipment, scanners, printers, hard drives, modems, tape drives, and plotters</td>
<td>purchase price, installation charges, freight and transit charges, sales taxes on acquisition.</td>
</tr>
<tr>
<td>System development/ Major system development</td>
<td>consultant fees, web site development and custom developed software</td>
<td>external direct costs of materials and services such as consultant fees, web site development costs, costs to acquire software and any custom development, salary and related benefits of employees directly associated with the application development stage, costs of upgrades that improve the functionality of the system.</td>
</tr>
<tr>
<td>Capital Asset Category</td>
<td>Examples of Capital Assets</td>
<td>Examples of Capital Asset Costs</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>desks, tables, chairs, filing cabinets, fax machines, photocopiers, videoconferencing stations, projectors, and digital cameras</td>
<td>original contract price or invoice price</td>
</tr>
<tr>
<td></td>
<td></td>
<td>freight and installation charges</td>
</tr>
<tr>
<td></td>
<td></td>
<td>sales taxes on acquisition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>costs of reconditioning used items when purchased</td>
</tr>
<tr>
<td></td>
<td></td>
<td>parts and labour associated with the construction of furniture</td>
</tr>
<tr>
<td>Highways – construction</td>
<td>provincial roads</td>
<td>direct costs of construction including tender construction costs, labour, materials, survey costs, and project-specific design costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>construction and material costs related to overhead structures and signage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</td>
</tr>
<tr>
<td>Highways – repaving</td>
<td>major resurfacing and preservation overlays on provincial roads</td>
<td>direct costs of construction including labour and materials</td>
</tr>
<tr>
<td></td>
<td></td>
<td>salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</td>
</tr>
<tr>
<td>Highways – Preservation Capital</td>
<td>long lasting preservation treatments including medium treatment seals</td>
<td>direct costs of construction including labour and materials</td>
</tr>
<tr>
<td></td>
<td></td>
<td>salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</td>
</tr>
<tr>
<td>Bridges – major construction</td>
<td>multi-span bridges and interchanges built to 75 year design standards</td>
<td>direct costs of construction including tender construction costs, labour, materials, survey costs, and project-specific design costs</td>
</tr>
<tr>
<td>Bridges – minor construction</td>
<td>all other bridges</td>
<td>salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</td>
</tr>
<tr>
<td>Capital Asset Category</td>
<td>Examples of Capital Assets</td>
<td>Examples of Capital Asset Costs</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------------------</td>
<td>---------------------------------</td>
</tr>
</tbody>
</table>
| Bridges – upgrades     | upgrades to bridges        | • direct costs of construction including labour and materials  
|                        |                            | • salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control |
| Culverts               | culverts                   | • direct costs of construction including tender construction costs, labour, materials, survey costs, and project-specific design costs  
|                        |                            | • salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control |
| Airports – runways     | airport runways, strips and aprons  
|                        | repaving of airport runways  
|                        | upgrading gravel runways to asphalt runways  
|                        | upgrading gravel runways to treated gravel runways | • direct costs of construction including labour and materials  
|                        |                            | • salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control |
| Airports – navigational aids | runway lighting and non-directional beacons  
|                        | replacing the entire existing lighting or wiring system | • original purchase price  
|                        |                            | • installation charges  
|                        |                            | • charges for testing and preparation  
|                        |                            | • parts and labour associated with construction and installation |
| Highways – other       | light systems (traffic, outdoor, street), signals for railways, new signage initiative, rumble strips and aggregate pit acquisition costs | • original purchase price  
|                        |                            | • installation charges  
|                        |                            | • charges for testing and preparation  
|                        |                            | • parts and labour associated with construction and installation |
| Water infrastructure   | dams, drainage facilities, docks, sewer systems, sewage lagoons, marinas, reservoirs, pumping facilities, tanks and associated infrastructure | • original purchase price  
|                        |                            | • direct costs of construction including labour and materials  
<p>|                        |                            | • salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control |</p>
<table>
<thead>
<tr>
<th>Capital Asset Category</th>
<th>Examples of Capital Assets</th>
<th>Examples of Capital Asset Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other infrastructure</td>
<td>• landfills, tanker bases, helipads, dump stations</td>
<td>• costs that support infrastructure but are not included in any other category</td>
</tr>
</tbody>
</table>
**Schedule B**

## Capital Asset Thresholds and Estimated Useful Lives

The table below outlines the threshold and estimated useful life applicable to each capital asset category. A threshold of ALL means that all capital asset purchases, regardless of cost, are recorded.

<table>
<thead>
<tr>
<th>Capital Asset Class and Category</th>
<th>Threshold</th>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land and land improvements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>ALL</td>
<td>Indefinite</td>
</tr>
<tr>
<td>Land improvements</td>
<td>$10,000</td>
<td>15 years</td>
</tr>
<tr>
<td><strong>Buildings and building improvements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings – high quality construction</td>
<td>$50,000</td>
<td>45-60 years</td>
</tr>
<tr>
<td>Buildings – medium quality construction</td>
<td>$50,000</td>
<td>35-45 years</td>
</tr>
<tr>
<td>Buildings – average quality construction</td>
<td>$50,000</td>
<td>25-35 years</td>
</tr>
<tr>
<td>Buildings – short-term</td>
<td>$25,000</td>
<td>20 years</td>
</tr>
<tr>
<td>Building improvements</td>
<td>$50,000</td>
<td>refer to buildings category</td>
</tr>
<tr>
<td>Leasehold and occupancy improvements</td>
<td>$50,000</td>
<td>lesser of useful life or lease term/occupancy arrangement</td>
</tr>
<tr>
<td><strong>Machinery and equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy equipment</td>
<td>$30,000</td>
<td>20 years/hours of production</td>
</tr>
<tr>
<td>Operating equipment</td>
<td>$10,000</td>
<td>10 years</td>
</tr>
<tr>
<td><strong>Transportation equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td>$10,000</td>
<td>10 years</td>
</tr>
<tr>
<td>CVA Vehicles</td>
<td>ALL</td>
<td>8-10 years</td>
</tr>
<tr>
<td>Ferries – vessels and towers</td>
<td>ALL</td>
<td>40 years</td>
</tr>
<tr>
<td>Ferries – upgrades</td>
<td>ALL</td>
<td>20 years</td>
</tr>
<tr>
<td>Aircraft</td>
<td>$50,000</td>
<td>20 years/hours of production</td>
</tr>
<tr>
<td><strong>Office and information technology</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System development</td>
<td>$250,000</td>
<td>10 years</td>
</tr>
<tr>
<td>Major system development</td>
<td>$30,000,000</td>
<td>15 years</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>$10,000</td>
<td>5 years</td>
</tr>
<tr>
<td>Computer software</td>
<td>$10,000</td>
<td>5 years</td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>$10,000</td>
<td>10 years</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highways – construction</td>
<td>ALL</td>
<td>40 years</td>
</tr>
<tr>
<td>Highways – repaving</td>
<td>ALL</td>
<td>15 years</td>
</tr>
<tr>
<td>Highways – preservation capital</td>
<td>ALL</td>
<td>10 years</td>
</tr>
<tr>
<td>Bridges – major construction</td>
<td>ALL</td>
<td>75 years</td>
</tr>
<tr>
<td>Bridges – minor construction</td>
<td>ALL</td>
<td>60 years</td>
</tr>
<tr>
<td>Bridges – upgrades</td>
<td>ALL</td>
<td>15 years</td>
</tr>
<tr>
<td>Culverts</td>
<td>ALL</td>
<td>35 years</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Life span</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td>Airports – runways</td>
<td>ALL</td>
<td>15 years</td>
</tr>
<tr>
<td>Airports – navigational aids</td>
<td>ALL</td>
<td>15 years</td>
</tr>
<tr>
<td>Highways – other</td>
<td>ALL</td>
<td>15 years</td>
</tr>
<tr>
<td>Water infrastructure</td>
<td>ALL</td>
<td>40 years</td>
</tr>
<tr>
<td>Infrastructure – other</td>
<td>$50,000</td>
<td>15 years</td>
</tr>
</tbody>
</table>
### Examples of Capital Asset Transactions

#### Capital Grants (paragraph 2150.11)

1. Ministry X provides $5 million to the Regina School Board for the acquisition of new computers.

   **Debit**  
   
   571500 Transfers - Capital  
   25XXXX Accounts Payable  

   **Credit**  
   
   $5,000,000  
   $5,000,000  

- record capital grant

#### Thresholds (paragraphs 2150.22 to 2150.25)

2. Ministry X purchases 100 copies of MS Excel at $400 each. The full amount is expensed as the individual asset cost is below the threshold.

   **Debit**  
   
   564600 Computer Software – Expensed  
   25XXXX Accounts Payable  

   **Credit**  
   
   $40,000  
   $40,000  

- record purchase

3. Ministry X purchases a forklift for $12,000 on February 2, 2005.

   **Debit**  
   
   199300 Operating Equipment – Current Year Additions  
   25XXXX Accounts Payable  

   **Credit**  
   
   $12,000  
   $12,000  

- record purchase

   **Debit**  
   
   588100 Amortization – Operating Equipment  

   **Credit**  
   
   193010 Accumulated Amortization – Operating Equipment  

   - record a full year of amortization in the acquisition year ($12,000/10 years)

#### Acquiring Used Capital Assets (paragraph 2150.28)

4. Ministry X purchases a used server on April 1, 2004 for $15,000. The Ministry expects to use it for four years. Installation costs are $800.
Debit Credit
199510 Computer Hardware – Current Year Additions $15,800
25XXXX Accounts Payable $15,800
- record purchase

588310 Amortization – Computer Hardware $3,950
195110 Accumulated Amortization – Computer Hardware $3,950
- record a full year of amortization in the acquisition year ($15,800/4 years)

Disposals (paragraphs 2150.37 to 2150.43)

5. In November 2004, Ministry X sells a small shed for $6,000. At April 1, 2004, the cost and accumulated amortization of the shed were $27,000 and $22,500, respectively. The Ministry paid dismantling and moving costs of $675.

Debit Credit
100000 Bank (Cash) $6,000
192110 Accumulated Amortization – Buildings – Short-term $22,500
192100 Buildings – Short-term $27,000
485800 Gain on Disposal of Capital Assets $1,500
- record sale and gain

561200 Buildings and Improvements – Expensed $675
25XXXX Accounts Payable $675
- record dismantling and moving costs

6. In November 2004, Ministry X sells a small shed for $6,000 less dismantling and moving costs. At April 1, 2004, the cost and accumulated amortization of the shed were $27,000 and $22,500 respectively. The buyer paid dismantling and moving costs of $675 and gave $5,325 to the Ministry.

Debit Credit
100000 Bank (Cash) $5,325
192110 Accumulated Amortization – Buildings – Short-term $22,500
192100 Buildings – Short-term $27,000
485800 Gain on Disposal of Capital Assets $825
- record sale and gain

7. A small shed that initially cost $23,000 is destroyed by fire in June 2004 and replaced with a new shed in December 2004 for a cost of $25,000. The accumulated amortization at April 1, 2004 was $6,900.
Capital Asset Removed From Service (paragraph 2150.43)

8. A server is taken out of use on February 15, 2005 and will likely be sold in the next year. On April 1, 2004 it had a cost of $16,000, accumulated amortization of $3,200 and a net book value of $12,800.

No entries required. Amortization is not taken in the year an asset is removed from service.

9. The server that was taken out of service during fiscal 2004-05 is sold in June 2006 for $8,000.

10. Rather than being sold, the server that was taken out of service during fiscal 2004-05 is put back into use in June 2006. Its remaining useful life is four years.

---

**Debit** | **Credit**
---|---
192110 Accumulated Amortization – Buildings – Short-term | $6,900
588800 Loss on Disposal of Capital Assets | $16,100
192100 Buildings – Short-term | $23,000
- record loss from fire

199210 Buildings – Short-term – Current Year Additions | $25,000
25XXXX Accounts Payable | $25,000
- record purchase

588020 Amortization – Buildings – Short-term | $1,250
192110 Accumulated Amortization – Buildings – Short-term | $1,250
- record a full year of amortization in the acquisition year ($25,000/20 years)

100000 Bank (Cash) | $8,000
195110 Accumulated Amortization – Computer Hardware | $3,200
588800 Loss on Disposal of Capital Assets | $4,800
195100 Computer Hardware | $16,000
- record sale and loss

588310 Amortization – Computer Hardware | $3,200
195110 Accumulated Amortization – Computer Hardware | $3,200
- record a full year of amortization in the year put back into use ($12,800/4 years)
Write-downs (paragraphs 2150.46 to 2150.51)

11. Ministry X owns a piece of medical equipment that has a net book value of $130,000 and remaining estimated useful life of three years at April 1, 2004. An analysis is completed and it is determined that a net book value of $30,000 is more representative of the equipment’s service potential.

Debit Credit
588850 Write-down of Capital Assets $100,000
193000 Operating Equipment $100,000
- record write-down

588100 Amortization – Operating Equipment $10,000
193010 Accumulated Amortization – Operating Equipment $10,000
- record a full year of amortization ($30,000/3 years)

Betterments (paragraphs 2150.52 to 2150.58)

12. Ministry X spends $11,000 to replace the engine of a half-ton truck after six years. The truck should last another four years. Because the replacement of the engine does not enhance the truck’s service potential, the cost is expensed.

Debit Credit
524030 Repairs – Passenger Vehicles $11,000
25XXXX Accounts Payable $11,000
- record repairs

13. Ministry X spends $15,000 to change a half-ton box to a one-ton box after six years. The truck should last another four years. Because the change in capacity adds service potential to the truck, the cost is capitalized. The original cost of the truck was $20,000 with an annual amortization of $2,000.

Debit Credit
199400 Vehicles – Current Year Additions $15,000
25XXXX Accounts Payable $15,000
- record purchase

588200 Amortization – Vehicles $5,750
194010 Accumulated Amortization – Vehicles $5,750
- record a full year of amortization in acquisition year ($15,000/4 years plus the original amortization of $2,000)
14. A small shed that initially cost $23,000 is damaged by fire in June 2004 and Ministry X decides to repair it. It costs $5,000 to restore the shed to its original condition.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>524010 Repairs – Buildings and Structures</td>
<td>$5,000</td>
</tr>
<tr>
<td>25XXXX Accounts Payable</td>
<td>$5,000</td>
</tr>
<tr>
<td>- record repairs</td>
<td></td>
</tr>
</tbody>
</table>

**Transfers of Capital Assets (paragraphs 2150.59 to 2150.63)**

15. As a result of a transfer of program responsibilities, several pieces of equipment are moved from Ministry A to Ministry B on September 1, 2004. Certain pieces of the equipment to be transferred require a write-down of $2,000 but no accounting entries have been made yet. This equipment has a cost of $12,000 and an accumulated amortization of $9,600. The remaining equipment to be transferred has a cost of $15,000 and an accumulated amortization of $1,500.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>588850 Write-down of Capital Assets</td>
<td>$2,000</td>
</tr>
<tr>
<td>193000 Operating Equipment</td>
<td>$2,000</td>
</tr>
<tr>
<td>- record write-down in Ministry A’s accounts</td>
<td></td>
</tr>
<tr>
<td>193000 Operating Equipment</td>
<td>$25,000</td>
</tr>
<tr>
<td>193010 Accumulated Amortization – Operating Equipment</td>
<td>$11,100</td>
</tr>
<tr>
<td>2530XX Interministerial Clearing – Ministry A</td>
<td>$13,900</td>
</tr>
<tr>
<td>- record transfer in Ministry B’s accounts (cost equals $15,000 plus $12,000 less $2,000 and accumulated amortization equals $1,500 plus $9,600)</td>
<td></td>
</tr>
<tr>
<td>193010 Accumulated Amortization – Operating Equipment</td>
<td>$1,700</td>
</tr>
<tr>
<td>2530XX Interministerial Clearing – Ministry A</td>
<td>$13,900</td>
</tr>
<tr>
<td>193000 Operating Equipment</td>
<td>$25,000</td>
</tr>
<tr>
<td>- record transfer in Ministry A’s accounts</td>
<td></td>
</tr>
<tr>
<td>588100 Amortization – Operating Equipment</td>
<td>$1,700</td>
</tr>
<tr>
<td>193010 Accumulated Amortization – Operating Equipment</td>
<td>$1,700</td>
</tr>
<tr>
<td>- record the full year of amortization in Ministry B’s accounts ([[$15,000/10 years] plus the remaining net book value amortized over the remaining useful life of the equipment written down [[$12,000 less $2,000 less $9,600/2 years]])</td>
<td></td>
</tr>
</tbody>
</table>
16. Ministry A has a system called the Prosecutions Automated Document and Data System, which was developed under the Government On Line initiative. The system cost Ministry B $500,000 to develop.

<table>
<thead>
<tr>
<th>Debit Credit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>199500 System Development – Current Year Additions</td>
<td>$500,000</td>
</tr>
<tr>
<td>25XXXX Accounts Payable</td>
<td>$500,000</td>
</tr>
<tr>
<td>- record costs in Ministry B’s accounts</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debit Credit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>199500 System Development – Current Year Additions</td>
<td>$500,000</td>
</tr>
<tr>
<td>2530XX Interministerial Clearing – Ministry B</td>
<td>$500,000</td>
</tr>
<tr>
<td>- record transfer in Ministry A’s accounts</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debit Credit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2530XX Interministerial Clearing – Ministry B</td>
<td>$500,000</td>
</tr>
<tr>
<td>199500 System Development – Current Year Additions</td>
<td>$500,000</td>
</tr>
<tr>
<td>- record transfer in Ministry B’s accounts</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debit Credit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>588300 Amortization – System Development</td>
<td>$50,000</td>
</tr>
<tr>
<td>195010 Accumulated Amortization – System Development</td>
<td>$50,000</td>
</tr>
<tr>
<td>- record a full year of amortization in Ministry A’s accounts ($500,000/10 years)</td>
<td></td>
</tr>
</tbody>
</table>

**Capital Contributions (paragraphs 2150.64 and 2150.65)**

17. Ministry X receives $10 million from the federal government to assist in constructing a highway during fiscal 2004-05. The costs incurred to construct the highway are $50 million.

<table>
<thead>
<tr>
<th>Debit Credit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>199600 Highways – Infrastructure – Current Year Additions</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>25XXXX Accounts Payable</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>- record construction costs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debit Credit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>100000 Bank (Cash)</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>461000 Federal – Provincial Cost Sharing Programs</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>- record the federal contribution</td>
<td></td>
</tr>
</tbody>
</table>

**Donated Assets (paragraph 2150.66)**

18. Ministry X and Little Valley Resort have made plans to upgrade the roads in the resort area. The total cost is $60,000 and will be split evenly between the two parties. Once completed, the Ministry will be responsible for all maintenance and repairs of the roads.
19. Ministry X has developed a health registry computer program. The evaluation of alternatives and requirements and the selection of vendors and consultants were completed in fiscal 2005-06 with total costs of $115,000 incurred during this stage. From May to December 2006, an external consultant was selected and the process of writing the software program, coding and purchasing and installing hardware began. A total of $250,000 was spent on software, $1 million on hardware (each item meets the required threshold), $50,000 for installation and $300,000 for the consultant. During this time, training costs of $100,000 were incurred. The health registry system was put into production on June 14, 2007. Further internal training costs of $500,000 and miscellaneous upgrades and modifications of $350,000 were incurred after implementation. None of the upgrades and modifications improved functionality.

Debit Credit
564200 System Development – Expensed $115,000 $115,000
  25XXXX Accounts Payable
- record costs incurred during fiscal 2005-06
199500 System Development – Current Year Additions $600,000 $600,000
  25XXXX Accounts Payable
- record costs incurred during fiscal 2006-07
199510 Computer Hardware – Current Year Additions $1,000,000 $1,000,000
  25XXXX Accounts Payable
- record hardware purchase during fiscal 2006-07
588310 Amortization – Computer Hardware $200,000
  195110 Accumulated Amortization – Computer Hardware $200,000
- record full year of amortization in fiscal 2006-07 ($1,000,000/5 years)
564200 System Development – Expensed $100,000 $100,000
  25XXXX Accounts Payable
- record training costs incurred during fiscal 2006-07
588300 Amortization – System Development $60,000
195010 Accumulated Amortization – System Development $60,000
  - record full year of amortization in fiscal 2007-08 ($600,000/10 years)

564200 System Development – Expensed $850,000
25XXXX Accounts Payable $850,000
  - record costs incurred during fiscal 2007-08

Personal Services (paragraph 2150.14)

20. Ministry X incurs labour costs of $100,000 during the repaving of highway #1.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>513000 Out-of-Scope Permanent</td>
<td>$25,000</td>
</tr>
<tr>
<td>513100 In-Scope Permanent</td>
<td>$25,000</td>
</tr>
<tr>
<td>514100 Temporary Salaries</td>
<td>$50,000</td>
</tr>
<tr>
<td>25XXXX Accounts Payable</td>
<td>$100,000</td>
</tr>
</tbody>
</table>
  - record salary costs

 199600 Highways – Infrastructure – Current Year Additions $100,000
  519882 Reimbursement – Personal Services $100,000
  - record capitalization of salary costs

Capitalization of Inventory (paragraph 2150.14)

21. Ministry X uses $100,000 of its aggregate inventory during the repaving of highway #1.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>554000 Construction and Material Costs $100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>25XXXX Accounts Payable</td>
<td>$100,000</td>
</tr>
</tbody>
</table>
  - record inventory purchase

 199600 Highways – Infrastructure – Current Year Additions $100,000
  542886 Reimbursement – Supplies and Services $100,000
  - record capitalization of inventory
Work-in-progress (paragraphs 2150.94 to 2150.98)

22. Ministry X begins construction of a rural hospital. In fiscal 2005-06, $1.2 million of costs are incurred as follows: $200,000 for title searches, permits, and blue prints, $500,000 for improvement and development of the land and $500,000 for material and labour. In 2006-07, the project is completed with additional costs of $4 million.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>199200 Buildings – High Quality Construction – Current Year Additions</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>25XXXXX Accounts Payable</td>
<td>$1,200,000</td>
</tr>
<tr>
<td></td>
<td>- record costs incurred during fiscal 2005-06</td>
</tr>
</tbody>
</table>

Amortization is not recorded until the asset is complete and in use. The work-in-progress costs are reported to the Provincial Comptroller at year-end.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>199200 Buildings – High Quality Construction – Current Year Additions</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>25XXXXX Accounts Payable</td>
<td>$4,000,000</td>
</tr>
<tr>
<td></td>
<td>- record costs incurred during fiscal 2006-07</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>588010 Amortization – Buildings – High Quality Construction</td>
<td>$130,000</td>
</tr>
<tr>
<td>192010 Accumulated Amortization – Buildings – High Quality Construction</td>
<td>$130,000</td>
</tr>
<tr>
<td></td>
<td>- record full year of amortization in fiscal 2006-07 ($5,200,000/40 years)</td>
</tr>
</tbody>
</table>