Costs Included in Capitalization of Capital Assets

Acquisition Costs – for capital assets may include, but are not limited to:

a) amounts paid to vendors;
b) transportation/freight charges to the point of initial use;
c) handling and storage charges;
d) direct production costs (for assets produced or constructed), such as labour (non-government employee costs), materials, supplies, etc.;
e) payroll, related payroll benefit and travel costs of employees who directly spent time on construction activities in the pre-acquisition and acquisition/construction stages;
f) engineering, architectural and other outside services for designs, plan, specifications, and surveys;
g) acquisition and preparation costs of buildings and other facilities;
h) an appropriate share of the costs of the equipment and facilities used in construction work and tenant improvement costs;
i) fixed equipment and related installation costs required for activities in a building or facility;
j) direct costs of inspection, field supervision and administration of construction contracts and construction work;
k) legal and recording fees and damage claims;
l) fair values of land, facilities and equipment donated to NBCC;
m) appraisal costs;
n) advertising costs;
o) application fees;
p) management fees;
q) utility costs;
r) site preparation costs;
s) transportation insurance costs; and
t) customs and duty charges.

Costs of a general nature such as expenditures for feasibility studies, risk and controls reviews, post implementation reviews, training, training materials, etc. are never capitalized.

The cost of a capital asset acquired as part of a single purchase (e.g. the purchase of a building and land for a single amount) is determined by allocating the total price paid for the capital assets to each asset on the basis of its relative fair value at the time of acquisition.

Work-in Progress/Assets under Construction – represents the costs incurred to date on the project, which is not substantially complete. Substantially complete means 97% complete.

Work-in-progress only applies to assets that qualify for capitalization and meet the threshold cost requirements of the related asset class. In situations where the total cost of a completed asset will not meet the stated threshold for the related asset class, work-in-progress cannot be used to record those costs prior to the asset being put into use.

If an incomplete project is terminated or put on hold indefinitely, any costs currently recorded as work-in-progress must be written off.

Work-in-progress or assets under construction (as described above) must be recorded on the Balance Sheet for the accounting period. Property taxes associated with holding assets (land) that are currently in the construction phase must be capitalized. **Assets under construction are not amortized.**

When an asset is substantially completed (97%), costs should be capitalized, and amortization should begin.