

**ACQUISITION OF CAPITAL ASSETS AND PURCHASED INTANGIBLE ASSETS**

Section:	Finance (FN)
Subject:	Capital Assets and Purchased Intangible Assets
Legislation:	
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**APPROVED:** \_\_\_\_\_  
**President and CEO**

## POLICY

The policy of the Board of Governors is to ensure the effective and efficient acquisition, management and disposal of SAIT capital assets and purchased intangible assets.

## PROCEDURE

### DEFINITIONS

<b>Asset retirement obligation</b>	A legal obligation associated with the retirement of a tangible capital asset such as asbestos removal, decommissioning of a site etc.
<b>Betterment</b>	A cost incurred to enhance the service potential of a tangible capital asset or purchased intangible asset. In general, service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, associated operating costs are lowered, the useful life of the asset or purchased intangible asset is extended or the quality of the output is improved.
<b>Building component</b>	A significant portion of a renovation and/or new construction cost that can be measured and amortized separately.

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**Capital asset and purchased intangible asset acquisition**

An acquisition that meets all of the following requirements:

- Has a cost equal or greater than \$5,000 at the time of purchase (including GST, net of rebate), individually or as a composite asset, with the following exception:
  - Purchased intangibles: minimum \$50,000
- Has a useful life that extends beyond one year.
- Is held for use in the provision of services on a continuing basis.
- Is not intended for sale in the regular course of business.

**Capital asset categories**

Capital assets and purchased intangible assets are classified according to the following categories and average useful life periods:

- Building components – Estimated useful life
- Buildings – 50 years
- Computer hardware and software – 3 years
- Furnishings and equipment – 10 years
- Leasehold Improvements – Length of lease (including expected renewals)
- Licenses and course content - Lesser of expected useful life or the date on which the license expires.
- Renovations – 10 or 25 years
- Vehicles – 5 years

**Capital costs**

The cost of a capital asset includes the purchase price (including GST, net of rebate) and all costs directly attributable to the acquisition, construction, development or betterment of the asset, including installing the asset at the location and bringing the asset to the condition necessary for its intended use and any asset retirement obligations. The cost of a purchased intangible asset includes the purchase price (including the GST, net of rebate) and all external costs directly attributable to its acquisition

**Composite asset**

Several pieces which work together in their service or function and collectively are valued at \$5,000 or greater.

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**Purchased intangible asset** An identifiable non-monetary economic resource which is without physical substance and acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Intangible assets acquired through a transfer, contribution, or inter-entity transaction are not purchased intangible assets. Software is not an intangible asset, as it is accounted for as a tangible capital asset in accordance with Public Sector Accounting Standards.

## PROCEDURE

1. The Supply Management section, Finance Department, is responsible for procuring all capital assets or purchased intangible assets. To initiate the procurement process, a school/department must submit a requisition to Supply Management, indicating if the acquisition is new or is a replacement of an existing asset.
2. When capital assets have special infrastructure requirements, the school/department acquiring the asset is responsible for consulting with the Facilities Management and/or Information Technology Services departments. The school/department must obtain confirmation that a plan is in place for the appropriate infrastructure to support the new asset before purchasing or accepting a donation of the asset.
3. The school/department receiving the donated capital asset is responsible for contacting the Alumni and Development department before accepting the donation and completing the Gift in Kind form. Donated capital assets are recorded at the fair market value as of the date of the contribution. If the donor is not paying for all costs required to bring the asset into working condition, the school/department receiving the asset is responsible for funding these costs out of the school/department capital budget.
4. All capital assets are assigned a physical asset tag, issued by Capital Assets. Each tag is labeled as "Property of SAIT" and includes a unique inventory tracking number.
5. Costs to be capitalized for renovations, repairs and new construction costs include those that meet the criteria of a betterment or capital asset as determined by Capital Assets. Costs incurred to plan a capital project are capitalized if the project is approved within the same fiscal year. The Guideline for Renovations, Repairs, and New Construction provides further clarification on this topic and is available through Capital Assets. Asset retirement obligations will be assessed and estimated to determine if the requirements have been met to record the obligation at the time of capitalization.

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6. Courses and course content acquired externally, whether through licensing of a third party's course or a full purchase of the course, are considered a purchased intangible asset. Any costs, including acquisition, initial updates or modifications, are deemed a cost of acquisition and bringing the asset into service. Any subsequent updates and modifications must meet the criteria for betterments to be capitalized.
7. Compliance
  - a) Non-compliance with this procedure constitutes misuse of SAIT property.
  - b) Depending on the nature and magnitude of lack of compliance, Capital Assets will notify:
    - i) The employee's direct supervisor, manager, dean and/or director.
    - ii) The director of Finance, the division vice president, and the CFO and vice president, corporate services, if the non-compliance is serious.
  - c) Lack of compliance may result in disciplinary action up to and including termination of employment, as per procedure [HR.4.4.1 Corrective Action Procedures](#).

## POLICY/PROCEDURE REFERENCE

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| FN.14.1   | <a href="#">Capital Assets and Purchased Intangible Assets policy</a>                  |
| FN 14.1.2 | <a href="#">Management of Capital Assets and Purchased Intangible Assets procedure</a> |
| FN 14.1.3 | <a href="#">Disposal of Capital Assets and Purchased Intangible Assets procedure</a>   |