Procedure

Capital Assets Procedure

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Executive Sponsor:	CFO & VP Administration
Entity Responsible:	Financial Services
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Objective

This procedure forms part of BCIT Policy 2004 Capital Assets and supports the management and accountability over the lifecycle of a Capital Asset, while ensuring compliance with financial and regulatory requirements.

Application

This procedure applies to all BCIT employees involved in acquiring, managing, tracking, disposing of, and overseeing the use of Capital Assets within the Institute.

Related Documents and Legislation

Provincial Legislation

College and Institute Act [RSBC 1996] c 52 (“the Act”)

Industry Standards

CPA Canada Public Sector Accounting Handbook

BCIT Policies

1010 Economic, Social and Environmental Sustainability
2003 Purchasing
2502 Signing Authority
7000 Gift Acceptance
7170 Protection of Equipment and Property

Definitions

The definitions in the policy apply to this procedure; any additional defined terms are included below:

Amortization means the allocation of an expense for the effective utilization and reduction in value of a Capital Asset over the course of its expected life span. BCIT follows the Straight-Line Amortization Method.

Arm’s Length means a transaction between independent parties acting solely in their own interest, without one influencing or controlling the other. These transactions reflect Fair Market Value.

Capital Asset means an asset having physical substance, whether purchased, donated, or leased, that:

- has a useful life exceeding one year and is intended to be used on a continuing basis, and
- is not intended for sale in the ordinary course of operations.

Capital Asset Register means an accounting record tracking the Institute's Capital Assets, including each Capital Asset's acquisition cost, current value, location and depreciation. It serves as the central database for monitoring assets from acquisition to disposal, providing accurate information for financial reporting, auditing and regulatory compliance.

Capital Lease means a lease transferring substantially all the benefits and risks inherent in ownership of property to BCIT, in which one or both of the following conditions must be met:

- there is reasonable assurance that BCIT will obtain ownership of the leased property at the end of the lease term;
- the lease term is of such duration that BCIT will receive substantially all of the expected economic benefits derived from the use of the leased property over its lifespan.

Capitalization means, in accounting, recording an expenditure as an asset, allowing for the cost to be spread over its useful life through Amortization. Capital Assets are recorded in the Capital Asset Register according to the asset categories in Schedule A.

Fair Market Value means the amount of consideration that would be agreed upon in an Arm's Length transaction between knowledgeable and willing parties under no compulsion to act. BCIT may obtain independent appraisal to help determine Capital Assets' Fair Market Value.

Infrastructure-related means the foundational systems and facilities essential for the campus to function and prosper, including physical assets like buildings, utilities (water, sewer, electricity) and telecommunications.

Straight Line Amortization Method means spreading the Amortization costs equally over the useful life of the Capital Asset, calculated by dividing the Capital Asset's cost (minus salvage value, if applicable) by its useful life.

Threshold means the minimum cost an asset must have to be recorded as a Capital Asset on the statement of financial position. Capital Assets not meeting this threshold are generally expensed in the year they are purchased. Refer to Schedule A for the BCIT established Thresholds.

Useful Life means the estimated time a Capital Asset is expected to produce or generate economic benefits directly or indirectly for the Institute. A Capital Asset's useful life is generally the shortest of its physical, technological, commercial, or legal lifespans, subject to management discretion.

Valuation means the recording at cost, if cost is available, plus all additional charges necessary to place the asset in its intended location and condition for use. Such additional costs may include but are not limited to freight and installation costs, import duties and non-refundable indirect taxes. The cost of donated Capital Assets will equal the Fair Market Value of the assets at the date of acceptance.

Procedures

1. Capital Planning – Infrastructure-related Assets

a) The Campus Planning & Development Committee is responsible for reviewing and recommending new Infrastructure-Related projects to proceed with a feasibility study and Class D estimate.
b) In most cases, the feasibility study and Class D estimate is submitted for notional approval by Campus Planning & Development Committee.
c) Once notional approval is received, the Institute will develop a business case and Class C estimate. The business case should define the problem or opportunity, demonstrate strategic alignment, outline project scope and alternatives considered, identify key risks and provide a comprehensive financial analysis including but not limited to total project cost, operating impact, and funding source.
d) Business cases with capital project value above $1 million should be submitted to the Audit and Finance Committee and Board of Governor approval before submission to the Ministry of Infrastructure.
e) In all cases, the Institute will abide by the framework and requirements of the Ministry of Infrastructure.

2. Acquisition

a) Capital purchases must fall within a Board approved capital budget. Unbudgeted Capital Asset purchases require prior approval by the CFO (or delegate) to assess the Institute’s critical or emergency need, or both.
b) The recorded cost of a Capital Asset is the gross amount of consideration paid to acquire the asset. This includes all non-refundable taxes and duties, freight and delivery charges, design, assembly, installation, construction and site preparation costs, etc., net of any trade discounts or rebates.
c) Capital assets not meeting the minimum capitalization threshold are expensed in the year purchased. See Schedule A for BCIT established capitalization thresholds.
d) Constructed asset cost includes all costs directly attributable to the asset (e.g. construction, architectural and other professional fees). Interim financing costs incurred while constructing the asset are to be capitalized as part of the cost of the asset.
e) The cost of donated or contributed assets that meet the criteria for capitalization shall be recorded at their fair market value at the date received. See BCIT policy 7000 Gift Acceptance for donated assets.
f) Some asset leases may be considered Capital Leases. Capital Leases are considered a form of debt, therefore require pre-approval from the Financial Controller prior to commitment. See *Lease Classification Decision Tree* for guidance on how to determine if a lease is Capital or Operating for accounting purposes.

3. Amortization and Valuation

a) The cost, less any residual value, of a tangible capital asset will be amortized over its useful life in a rational and systematic manner appropriate to its nature and use. BCIT uses the Straight-Lined Amortization Method.

b) Land is capitalized and not amortized due to its unlimited useful life.
c) Useful life is generally the shortest of the asset's physical, technological, commercial or legal life.
d) Amortization begins when the asset is placed into service. No amortization is recorded on a capital asset that is under construction or one that has been removed from service but not yet disposed of.
e) Financial Services will coordinate regular inventory counts to ensure accuracy of the Capital Asset Register. This may also include asset condition reports and review of remaining useful life estimates. Useful life estimates may be revised when deemed appropriate.

4. Disposal

a) The CFO (or delegate) is responsible for obtaining the consent of the Minister and the BCIT Board prior to dispose or transfer of land or buildings.
b) For all other requests to dispose of capital asset, the department or school must submit a Disposal Form to Corporate Services, who will determine the most appropriate means of disposal with an aim to incorporate sustainable solutions, where possible.
c) When an asset is disposed of, the cost and accumulated amortization shall be removed from the accounting records and any gain or loss is recorded. The school or department will bear the cost of disposal, if any.
d) Once the Capital Asset is physically removed, the department or school must confirm the disposal with Financial Services by providing the asset description and effective disposal date so the Capital Asset Register can be adjusted.

Associated Forms

Disposition Form

Appendix

Schedule A (below)

Approval History

	Approval Date	Status
Created: 2004-PR1 v1	2026 Jun 30	In Force

Scheduled Review Date

2029 June 30; however, the policy's executive sponsor may initiate review at any time.

Schedule A

Asset Category	Minimum Capitalization Threshold
Land	N/A
Building	$100,000
Leasehold Improvement & Renovation	$30,000
Furniture & Equipment	$15,000
Computer Software	$30,000
Computer Hardware	$15,000