Fixed Asset Capitalization Policy

(Company Name)

(Date)

Purpose
The purpose of this policy is to establish standard procedures for capitalizing fixed assets.

Definitions
REPAIR is an expenditure that keeps the property in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate repair and maintenance accounts.

ROUTINE MAINTENANCE is recurring activities expected to be performed as a result of use to keep building structures, each building system and other units of property in its ordinarily efficient operating condition.

IMPROVEMENTS are expenditures for betterments, restorations, or adapting to a new or different use. They prolong the life of the asset, materially increase its value or productivity, or adapt it to a different use and are therefore capitalized as set out in this document.

SUPPLIES AND MATERIALS are components acquired to maintain, repair, or improve a unit of tangible property owned, leased or serviced and is not acquired as part of any single unit of tangible property; fuel, lubricants, water and similar items, reasonably expected to be consumed in 12 months or less; unit of property with economic useful file of 12 months or less or that has an acquisition cost or production cost of $200 or less.

COSTS also include ancillary charges such as freight and transportation charges, site preparation costs and professional fees as well as costs to mediate know defects at the time of purchase.

Policies
Repair and routine maintenance costs shall be expensed and recorded in the appropriate repair or maintenance general ledger account. All amounts that would be considered improvements will be capitalized in the appropriate general ledger fixed asset account.

If the initial cost of the supply or material is more than $200 or the anticipated life or useful value of said property is more than one year, the same shall be capitalized and recorded in the appropriate fixed asset general ledger account to be depreciated using the prescribed depreciation method(s) beginning when placed in service.
Policies - Continued
If the initial cost of the supply or material is $200 or less or the anticipated life or useful value of said property is 1 year or less, the same shall be expensed and recorded in the appropriate supply or material general ledger account and taken as a deduction in the profit and loss statement. If the supply or material is non-incidental, the deduction will be taken in the year the supply or material is used. If the supply or material is incidental and carried on hand and for which no record of consumption is kept or of which a physical inventory is not taken, the deduction will be taken in the year the amount is paid.

If the initial cost of an amount paid to acquire, produce or improve tangible property is $2,500 or less per invoice item (or, if limit changed in a future tax year, the amount provided in Reg §1.263(a)-1(f)(1)(ii)(D)), the same shall be expensed and recorded in the appropriate expense general ledger account.

If the initial cost of an amount paid to acquire, produce or improve tangible property is more than $2,500 per invoice item (or, if limit changed in a future tax year, the amount provided in Reg §1.263(a)-1(f)(1)(ii)(D)), the same shall be capitalized and recorded in the appropriate fixed asset general ledger account to be depreciated using the prescribed depreciation method(s) beginning when placed in service.

If the tangible property acquired or produced has an economic useful life of 12 months or less when placed in service, the initial cost of said property will be expensed and recorded in the appropriate expense general ledger account no matter the initial cost.

Signed: ________________________________

Title: ________________________________

Date: ________________________________