1300 Tangible Capital Assets

A. Overview

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

The Government's TCAs are different in nature than those held by a business. Most government TCAs 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.

B. Accountability

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

Title or ownership of TCAs held by ministries rests with the Crown. Ministries maintain stewardship for the Crown. A ministry generally has stewardship of a TCA if the ministry provides for its operation and maintenance and controls the ability to change the asset's future service potential.

For TCAs 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 following:
    - the acquisition, construction, development, betterment, disposal or write-down of a TCA is authorized;
    - payments relating to the acquisition, construction, development or betterment of a TCA are properly approved;
    - capital assets records are accurate; and
    - access to TCAs is restricted to authorized personnel, where applicable.

Each ministry is responsible for recording transactions for its own TCAs in the Government's central financial system on a timely and accurate basis and maintaining detailed capital assets records.

Ministries are required to reconcile the cost information in their capital assets records 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.

B. Accountability *(continued)*

Ministries are required to conduct a physical count of their TCAs on a periodic basis and reconcile the count to their capital assets records. Discrepancies between the TCA counts and the capital assets records should be followed up and corrected as required in both the capital assets records and the Government's central financial system. Refer to FAM section 3810 Management of Capital Assets.

Ministries should maintain sufficient information in their capital assets records to meet reporting and internal control requirements. Ministries are expected to maintain the following minimum information on each individual asset (including assets that do not meet the capitalization thresholds outlined in TCA Categories):

- 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 (WIP)
- 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

Ministries are responsible for maintaining source documents, working papers and files supporting TCA transactions for internal and external audit or review.

C. Procedures

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C. Procedures *(continued)*

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The TCA accounting procedures are based on guidance outlined in the Public Sector Accounting Handbook section PS3150 Tangible Capital Assets. Refer to PS3150 Tangible Capital Assets for further guidance.

TCAs should be assigned to the asset categories outlined in Schedule A based on their nature, characteristics and useful life. TCAs are reported within the following broad asset classes:

- land, buildings, and improvements
- roads, bridges and water management
- transportation and operating equipment; and
- office equipment and information technology.

In accordance with the guidance in section 1000 Assets, 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 which otherwise would have been recorded as TCAs may be required to be recorded as financial assets. Refer to the Public Sector Accounting Handbook PS 1201.055 Financial Statement Presentation.

Refer to section 2220 Asset Retirement Obligations for recording TCAs associated with an asset retirement obligation.

Ministries sometimes provide transfers (grants) to third parties, such as school boards, to enable these entities to acquire or upgrade TCAs. If the Ministry has no ownership interest in the assets acquired or upgraded, the transfer amounts should be expensed and not recorded as Ministry assets. Refer to section 3200 Government Transfers for guidance.

C. Procedures *(continued)*

Appropriations are required for TCA acquisitions. Ministries are to use the 199xxx – Current Year Addition accounts to record TCA acquisitions because these accounts are subject to appropriation. After each year end (in the ADJ-xx period 13), the Financial Management Branch (FMB) moves the costs by journal entry from all 199xxx – Current Year Additions accounts to the matching 19xxxx cost accounts.

C1. Throughout the Year

The following TCA transactions may be required throughout the year (references to the applicable subsections are included):

- record TCA **acquisitions** on a timely basis, including trade-ins or exchanges and costs for **WIP** and **system development** projects (C4. Cost, C16. Work-in-Progress, C18. System Development);
- appropriately reverse any **over accrual of TCA Acquisitions** from prior years (C19. Over Accrual of TCA Acquisitions);
- for **WIP** and **system development** projects completed within the year, move any balances recorded in WIP cost and current year addition accounts to non-WIP accounts (C16. Work-in-Progress);
- record TCA **disposals** on a timely basis (C8. Disposals);
- record **internal and external TCA transfers** on a timely basis (C11. Internal TCA Transfers, C13. External TCA Transfers (including Donated Assets));
- assess and record **capital lease** TCAs that meet the capitalization requirements (C15. Capital Leases); and
- record **amortization expense** monthly, quarterly or at year end (C7. Amortization).

C2. Quarter end

The following TCA transactions are required each quarter end:

- record certain **TCA accruals** (see below);
- **capitalize** any internal salaries, travel or inventory costs directly attributable to WIP projects in excess of $1 million to ensure that expenses are not materially overstated at quarter end (refer to subsection C17. Capitalization of Costs for further guidance); and
- record **amortization expense** for amounts in excess of $1 million (see below).

Given that ministries are required to focus on revenues and expenses at quarter end, recording **TCA accruals** is optional, except for the following circumstances:

C. Procedures *(continued)*

C2. Quarter end *(continued)*

- TCA amounts invoiced by SaskBuilds and Procurement that have not yet been recorded should be accrued at quarter end (see example 2.1 below); and
- the estimated percentage of completion costs in excess of $1 million for TCAs arising from Public Private Partnership (P3) arrangements should be recorded at quarter end (refer to section 2400 Public Private Partnership (P3) for further guidance).

When estimates of TCA additions are to be recorded (for other than P3 arrangements), account 199900 – Accrued Capital Assets – Current Year Additions can be used to accrue TCA acquisitions at quarter end. Otherwise, TCA additions can be recorded direct to the TCA current year addition accounts. Any amounts accrued to account 199900 should be reversed in the following month. Refer to Appendix B - GRF Quarter-end Procedures for guidance on recording journal entries that reverse in the following month.

Amortization expense is recorded to the normal amortization natural accounts (588xxx) at quarter end. Amortization expense recorded at quarter end should not be reversed. Refer to subsection C7. Amortization for further guidance.

Example 2.1

Ministry X receives an invoice from SaskBuilds and Procurement for the first quarter ended June 30. The invoice has not been recorded in MIDAS and includes TCA costs totaling $650,000 and goods and services costs totaling $250,000. An accrual is recorded for all SaskBuilds and Procurement invoices, even if the costs are less than $1 million.

Debit	199900 Accrued Capital Assets – Current Year Additions	650,000	
Debit	587520 Accrued Expenses – Goods and Services	250,000	
Credit	255005 Accrued Accounts Payable – General		900,000

∗ journal entry to record the quarter-end accrual which is reversed in July

C3. Year end

The following TCA transactions may be required at each year end (references to the applicable subsections are included):

- record **TCA accruals** for TCAs acquired or developed as at March 31, including any estimated percentage of completion costs for **WIP** projects (including P3 projects) or **system development** (C16. Work-in-Progress, C18. System Development);
- appropriately reverse any **over accrual of TCA Acquisitions** from prior years (C19. Over Accrual of TCA Acquisitions);

C. Procedures *(continued)*

C3. Year end *(continued)*

- for **WIP** and **system development** projects completed within the year, move any balances recorded in WIP cost and current year addition accounts to non-WIP accounts (C16. Work-in-Progress);
- record TCA **disposals** not yet recorded (C8. Disposals);
- record **internal and external TCA transfers** not yet recorded (C11. Internal TCA Transfers, C13. External TCA Transfers (including Donated Assets));
- **capitalize** any internal salaries, travel or inventory costs directly attributable to WIP projects (C17. Capitalization of Costs);
- assess the need for and record any **write downs** of TCAS and obtain any necessary approval from the permanent head or delegate (C9. Write downs); and
- record **amortization expense** not previously recorded at quarter end or otherwise throughout the year (C7. Amortization).

Ministries are annually required to report tangible capital assets to the Provincial Comptroller's Office (PCO) as outlined in Appendix A - General Revenue Fund Year-end Procedures and Schedules.

C4. Cost

TCAs are recorded at cost. The cost of a TCA 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.

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). The capitalization of administrative costs may also include the capitalization of overhead costs of employees directly involved in construction. Refer to subsection C17. Capitalization of Costs for guidance on capitalizing costs.

Professional judgment must be used when determining which costs are capitalized.

When several TCAs 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.

When a new TCA is acquired due to a trade-in or exchange of an existing asset an appropriation required for the full purchase price. Refer to C8. Disposals - Example 8.4.

C. Procedures *(continued)*

C4. Cost *(continued)*

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

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

C5. Threshold

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

Costs for TCAs which do not meet the threshold are referred to as capital-type expenses and are expensed in the year in which they are purchased (natural account range 56xxxx).

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

Example 5.1

Ministry X purchases 100 office chairs at $400 each. The full amount is expensed as the individual asset cost of $10,000 (outlined in Schedule B).

Debit	565200 Office Furniture & Equipment - Expensed	40,000	
Credit	25xxxx Accounts Payable		40,000

∗ invoice or debit memo to record purchase

Thresholds do not apply to TCAs transferred or donated to the GRF. Refer to subsection C13. External TCA Transfers (including Donated Assets) for further guidance.

Schedule B outlines the thresholds for capitalizing individual assets for each TCA category. Ministries must comply with the thresholds outlined in Schedule B unless they have received an exemption from the Provincial Comptroller.

Example 5.2

Ministry X purchases a forklift for $12,000. The TCA cost is above the threshold of $10,000 (outlined in Schedule B).

Debit	199300 Operating Equipment – Current Year Additions	12,000	
Credit	25xxxx Accounts Payable		12,000

∗ invoice or debit memo to record purchase

C. Procedures *(continued)*

C6. Estimated Useful Life

The estimated useful life is the period over which a TCA 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.

All TCA categories have predetermined estimated useful lives as outlined in Schedule B.

The estimated useful lives in Schedule B are intended to apply to TCAs in new condition. Ministries acquiring used TCAs should reduce the estimated useful lives based on the age and condition of the TCA.

C7. Amortization

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

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

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

A full year's amortization should be recorded in the year the TCA is acquired, constructed or developed and put into use, regardless of when this event occurs in the fiscal year, with the following exceptions:

- for SaskBuilds and Procurement – amortization is recorded on a monthly basis to ensure accommodation and other billings appropriately reflect ministries' usage of an asset;
- 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, regardless of completion of the TCA; and
- for Bridges – major construction and Bridges – minor construction, amortization should begin in the year following the year that the construction is completed and the TCA is put into use.

No amortization should be recorded in the year a TCA is disposed of. This does not apply to deemed disposals (refer to subsection C8. Disposals).

C. Procedures *(continued)*

C7. Amortization *(continued)*

No amortization should be recorded on WIP TCAs or TCAs which have been removed from service but not yet disposed of.

Amortization expense does not impact appropriation.

Example 7.1

Ministry X purchases a used server for $15,000. The Ministry expects to use it for four years. Installation costs are $1,000.

Debit	199510 Computer Hardware – Current Year Additions	16,000	
Credit	25xxxx Accounts Payable		16,000

∗ invoices or debit memos to record the purchase and installation costs

Debit	588310 Amortization – Computer Hardware	4,000	
Credit	195110 Accumulated Amortization – Computer Hardware		4,000

∗ journal entry to record full year of amortization in the acquisition year ($16,000/4 years) over the estimated useful life of four years

C8. Disposals

The disposal of a TCA results from its removal from service as a result of sale, destruction, loss or abandonment. When a TCA is disposed of, the cost and the accumulated amortization should be removed from the accounting records and any gain or loss recorded. Any costs of disposal paid by a ministry should be expensed and not netted against the gain or loss on disposal.

A gain on disposal is the amount by which the proceeds received exceeds the net book value of the TCA and should be accounted for as revenue in the period the disposal occurs. A loss on disposal is the amount by which the net book value of the TCA exceeds the proceeds received and should be accounted for as an expense in the period the disposal occurs. Gains or losses on disposals of TCAs do not impact appropriation.

Proceeds from the sale of ministry TCAs should be deposited into the GRF.

When an existing TCA is traded in or exchanged for a new TCA the transaction must be accounted for as a disposal and a purchase. The trade in or exchange value is accounted for as the proceeds of disposal for the existing TCA and an appropriation is required for the full purchase price of the new TCA. Similarly, when insurance proceeds are received on the disposal of a TCA, the insurance proceeds are accounted for as the proceeds of disposition for the existing TCA and an appropriation is required for the full purchase price of the replacement TCA.

C. Procedures *(continued)*

C8. Disposals *(continued)*

A ministry may remove a TCA from service and make plans to sell it. No amortization should be recorded in the year the TCA is removed from service. Assets held for sale may be required to be recorded as financial assets. Refer to the Public Sector Accounting Handbook PS 1201.055 Financial Statement Presentation.

Example 8.1

Ministry X sells a small shed for $6,000. The cost and accumulated amortization of the shed are $27,000 and $22,500, respectively. The Ministry paid dismantling and moving costs of $675.

Debit	100000 General Revenue Fund Bank Account	6,000	
Debit	192110 Accumulated Amortization – Buildings – Short-term	22,500	
Credit	192100 Buildings – Short-term		27,000
Credit	485800 Gain on Disposal of Capital Assets		1,500

∗ journal entry to record the sale and gain

Debit	561200 Buildings and Improvements – Expensed	675	
Credit	25xxxx Accounts Payable		675

∗ invoice or debit memo to record the dismantling and moving expenses

Example 8.2

Ministry X sells a small shed for $6,000 less dismantling and moving costs. The cost and accumulated amortization of the small shed are $27,000 and $22,500 respectively. The buyer paid dismantling and moving costs of $675 and paid $5,325 to the Ministry.

Debit	100000 General Revenue Fund Bank Account	5,325	
Debit	192110 Accumulated Amortization – Buildings – Short-term	22,500	
Credit	192100 Buildings – Short-term		27,000
Credit	485800 Gain on Disposal of Capital Assets		825

∗ journal entry to record the sale and gain

C. Procedures *(continued)*

C8. Disposals *(continued)*

Example 8.3

A small shed that initially cost $23,000 is destroyed by fire and replaced with a new shed for a cost of $25,000. The accumulated amortization of the old shed is $6,900.

Debit	192110 Accumulated Amortization – Buildings – Short-term	6,900	
Debit	588800 Loss on Disposal of Capital Assets	16,100	
Credit	192100 Buildings – Short-term		23,000

∗ journal entry to record the loss from fire; no impact to appropriation

Debit	199210 Buildings – Short-term – Current Year Additions	25,000	
Credit	25xxxx Accounts Payable		25,000

* invoice or debit memo to record the TCA purchase

Debit	588020 Amortization – Buildings – Short-term	1,250	
Credit	192110 Accumulated Amortization – Buildings – Short-term		1,250

∗ journal entry to record a full year of amortization in the acquisition year ($25,000/20 years)

Example 8.4

A vehicle that initially cost $20,000 is traded-in for a new vehicle. The cost of the new vehicle is $26,000 with a trade-in value of $14,000 for the old vehicle. The accumulated amortization of the old vehicle is $6,000.

Debit	194010 Accumulated Amortization – Vehicles	6,000	
Debit	485600 Proceeds Clearing	14,000	
Credit	194000 Vehicles		20,000

∗ journal entry to record the trade-in; no impact to appropriation

Debit	199400 Vehicles – Current Year Additions	26,000	
Credit	485600 Proceeds Clearing		14,000
Credit	25xxxx Accounts Payable		12,000

∗ invoice or debit memo to record the TCA purchase

C. Procedures *(continued)*

C8. Disposals *(continued)*

Example 8.5

A vehicle is destroyed by fire. The cost and accumulated amortization of the shed are $15,000 and $6,000, respectively. Insurance proceeds of $8,000 are received and a new shed costing $16,000 is acquired.

Debit	100000 General Revenue Fund Bank Account	8,000	
Debit	192110 Accumulated Amortization – Buildings – Short-term	6,000	
Debit	588800 Loss on Disposal of Capital Assets	1,000	
Credit	192100 Buildings – Short-term		15,000

∗ journal entry to record insurance proceeds and the loss from fire; no impact to appropriation

Debit	199210 Buildings – Short-term – Current Year Additions	16,000	
Credit	25xxxx Accounts Payable		16,000

∗ invoice or debit memo to record the TCA purchase

Example 8.6

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

Assets held for sale may be required to be recorded as financial assets in accordance with PS1201.055. However, the server's net book value of $12,800 is not material and no reclassification is recorded. Amortization is not taken in the year a TCA is removed from service.

Example 8.7

The server that was taken out of service in example 8.6 is sold in the next fiscal year for $8,000.

Debit	100000 General Revenue Fund Bank Account	8,000	
Debit	195110 Accumulated Amortization – Computer Hardware	3,200	
Debit	588800 Loss on Disposal of Capital Assets	4,800	
Credit	195100 Computer Hardware		16,000

∗ journal entry to record the sale and loss; no impact to appropriation

C. Procedures *(continued)*

C8. Disposals *(continued)*

Example 8.8

Rather than being sold, the server that was taken out of service in example 8.6 is put back into use in the next fiscal year. Its remaining useful life is four years.

Debit	588310 Amortization – Computer Hardware	3,200	
Credit	195110 Accumulated Amortization – Computer Hardware		3,200

* journal entry to record a full year of amortization in the year the asset is put back into use ($12,800/4 years) overs its remaining useful life of four years

Deemed disposals are applicable to the following infrastructure categories: Highways – repaving, Highways – preservation capital, Bridges – upgrades, Culverts, Airports – runways, Airports – navigational aids, Ferries – upgrades and Highways – other. For these infrastructure categories, asset replacement occurs on a regular basis but the administration required to separately track and account for each acquisition and disposal transaction would be onerous. In these situations, ministries should record the total acquisitions, 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 acquisition and the related accumulated amortization should be removed. Ministries should record amortization expense in the year the deemed disposition occurs.

C9. Write downs

A TCA 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. 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 TCA, technological advances which render the TCA obsolete, a decision to halt construction or development of a TCA before it is in a usable or saleable condition or other factors such as physical damage which reduce the asset's service potential.

Write downs are different than a TCA disposal which is recorded when a TCA is removed from service. For write downs, a ministry retains and continues to use a TCA but there is a decline in the asset's service potential.

All write downs should be approved by the permanent head or delegate. Documentation for write downs should be submitted to the PCO for review once approved.

C. Procedures *(continued)*

C9. Write downs *(continued)*

Write downs of TCAs are accounted for as an expense of the current period, however, write downs do not impact appropriation. For write downs, the TCA cost is adjusted, however, accumulated amortization is not adjusted.

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

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

Example 9.1

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. 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	588850 Write Down of Capital Assets	100,000	
Credit	193000 Operating Equipment		100,000

* journal entry to record write down of TCAs; no impact to appropriation

Debit	588100 Amortization – Operating Equipment	10,000	
Credit	193010 Accumulated Amortization – Operating Equipment		10,000

* journal entry to record a full year of amortization based on the revised cost ($30,000/3 years)

C10. Betterments

Betterments are enhancements to the service potential of a TCA, 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.

Betterments which meet the threshold of the applicable TCA category (outlined in Schedule B) are capitalized. Otherwise, they are expensed.

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

C. Procedures *(continued)*

C10. Betterments *(continued)*

Repairs and maintenance includes:

- repairs to restore TCAs 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.

Refer to Schedule C for a decision tree with guidance on determining the difference between betterments and repairs and maintenance.

Where a betterment enhances the service potential of a TCA without increasing its estimated useful life, the amortization period should remain the same. Where a betterment increases the estimated useful life of a TCA, its useful life should be changed. The revised amortization period should not exceed the estimated useful life of the applicable TCA category as outlined in Schedule B.

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

Example 10.1

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	524030 Repairs – Passenger Vehicles	11,000	
Credit	25xxxx Accounts Payable		11,000

∗ invoice or debit memo to record repairs expense

Example 10.2

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.

C. Procedures *(continued)*

C10. Betterments *(continued)*

***Example 10.2** (continued)*

Debit	199400 Vehicles – Current Year Additions	15,000	
Credit	25xxxx Accounts Payable		15,000

∗ invoice or debit memo to record purchase

Debit	588200 Amortization – Vehicles	5,750	
Credit	194010 Accumulated Amortization – Vehicles		5,750

∗ journal entry to record full year of amortization in the acquisition year ($15,000/4 years plus the original amortization of $2,000)

Example 10.3

A small shed that initially cost $23,000 is damaged by fire and Ministry X decides to repair it. It costs $5,000 to restore the shed to its original condition.

Debit	524010 Repairs – Buildings and Structures	5,000	
Credit	25xxxx Accounts Payable		5,000

∗ invoice or debit memo to record repairs expense

C11. Internal TCA Transfers

Internal TCA transfers occur when the stewardship of an asset moves from one ministry/office to another within the GRF. Transfers should occur at net book value. Since TCAs 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.

The transferring ministry should record any required write down prior to the transfer. The transferring ministry should remove the transferred TCA's cost and accumulated amortization from its records and should not record amortization in the year of the transfer.

The receiving ministry should record the TCA's original cost (less any write downs) and accumulated amortization. The receiving ministry should record amortization in the year of the transfer and should continue to amortize the TCA over its original estimated useful life.

Ministries should consult with one another to agree on the entries for the transaction. Each entry should be recorded to the same TCA natural accounts and for the same values. The receiving ministry must record the TCA transfer and a credit to the other ministry's interministerial account before the providing ministry records the TCA transfer and a debit to their interministerial account because of MIDAS controls on the interministerial accounts.

C. Procedures *(continued)*

C11. Internal TCA Transfers *(continued)*

Example 11.1

As a result of a transfer of program responsibilities, several pieces of equipment are moved from Ministry X to Ministry Z. Certain pieces of the equipment to be transferred require a write down of $2,000 but no accounting entries have yet been made. 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.

Ministry X (providing ministry)

Debit	588850 Write down of Capital Assets	2,000	
Credit	193000 Operating Equipment		2,000

∗ journal entry to record write down of TCAs; no impact on appropriation

Ministry Z (receiving ministry)

Debit	193000 Operating Equipment	25,000	
Credit	193010 Accumulated Amortization – Operating Equipment		11,100
Credit	2530xx Interministerial Clearing – Ministry X		13,900

∗ journal entry to record transfer from Ministry X (cost equals $15,000 plus $12,000 less $2,000 and accumulated amortization equals $1,500 plus $9,600). This entry must be recorded first.

Ministry X (providing ministry)

Debit	193010 Accumulated Amortization – Operating Equipment	11,100	
Debit	2530xx Interministerial Clearing – Ministry X	13,900	
Credit	193000 Operating Equipment		25,000

∗ journal entry to record transfer to Ministry Z.

Ministry Z (receiving ministry)

Debit	588100 Amortization – Operating Equipment	1,700	
Credit	193010 Accumulated Amortization – Operating Equipment		1,700

∗ journal entry to record full year of amortization ($15,000/10 years plus the remaining net book value amortized over the remaining useful life of the equipment written down - $10,000 less $9,600/2 years)

C. Procedures *(continued)*

C12. Internal Recoveries

When one ministry undertakes WIP capital projects for another ministry, the providing ministry must recover their costs and provide the receiving ministry with an invoice that includes a detailed breakdown of the capitalized costs.

The providing ministry records the WIP capital costs and uses the 199X99 Internal Recoveries – Capital natural accounts to record the reimbursement of capital costs from the receiving ministry. The internal recovery accounts have spending control and allow accurate Public Accounts recording in accordance with FAM section [2010 Reporting Payee Details in the Public Accounts.]

Any amounts recorded in the internal recoveries accounts are offset against the current year additions in the providing ministry. Only current year additions not recovered will be transferred by FMB after year end to the cost accounts.

Example 12.1

Ministry X incurs $750,000 of construction costs for a WIP capital project undertaken by Ministry Z to construct a new building. Ministry X invoices Ministry Z for the $750,000 of construction costs.

<u>Ministry X (providing Ministry)</u>

Debit	199242 WIP Construction – Current Year Additions	750,000	
Credit	25xxxx Accounts Payable		750,000

* invoices or debit memos to record capital costs incurred throughout the year

Debit	107xxx Accounts Receivable or 2530xx Interministerial Clearing	750,000	
Credit	199299 Internal Recoveries – Land, Buildings & Improvements		750,000

* journal entry to record the receivable and internal recovery from Ministry Z

C. Procedures *(continued)*

C12. Internal Recoveries *(continued)*

Example 12.1 ***(continued)***

Ministry Z (receiving Ministry)

Debit	199242 WIP Construction – Current Year Additions	750,000	
Credit	25xxxx Accounts Payable or 2530xx Interministerial Clearing		750,000

∗ debit memo to record WIP TCA and payable to Ministry X

If the providing ministry does not use the Accounts Receivable Module in MIDAS, interministerial accounts would be used instead of accounts receivable and accounts payable in the entries above. The receiving ministry would record the TCA addition with a credit to the interministerial account first.

Ministry X (providing Ministry)

Debit	*199299 Internal Recoveries – Land, Buildings & Improvements*	*750,000*	
Credit	*199242 WIP Construction – Current Year Additions*		*750,000*

∗ *journal entry prepared by FMB after year end for Ministry X to prevent the same current year additions from being moved to cost accounts in different ministries.*

C13. External TCA Transfers (including Donated Assets)

External TCA transfers occur when a TCA is transferred to or from an entity outside of the GRF with no consideration. A transfer of TCAs to an entity outside of the GRF in return for consideration is reported as a disposal. Refer to subsection C8. Disposals for further guidance.

External TCA transfers **to an entity outside of the GRF** with no consideration are recorded as a transfer expense in account 571500 Transfers – Capital at the net book value of the TCA transferred. External transfers to outside entities are subject to appropriation. Refer to Appendix G - Government Transfers Application Guidance for further guidance on government transfers.

Example 13.1

Ministry X transfers operating equipment that has a cost of $250,000 and accumulated amortization of $100,000 to a government entity outside of the GRF (net book value of $150,000). Clearing accounts are used to record the entries given that the capital transfers expense must be recorded in the Accounts Payable Module and the removal of the TCA must be recorded in the General Ledger Module.

C. Procedures *(continued)*

C13. External TCA Transfers (including Donated Assets) *(continued)*

***Example 13.1** (continued)*

Debit	571500 Transfers - Capital	150,000	
Credit	2530xx Interministerial Clearing		150,000
∗ debit memo to record the capital transfers expense			
Debit	2530xx Interministerial Clearing	150,000	
Debit	193010 Accumulated Amortization – Operating Equipment	100,000	
Credit	193000 Operating Equipment		250,000
∗ journal entry to remove the TCA cost and accumulated amortization			

External TCA transfers **to the GRF from entities outside the government reporting entity** may include, for example, donated assets. External TCA transfers to the GRF from outside the government reporting entity, other than as a part of a restructuring transaction (see below), are recorded as TCAs and revenue at the TCA's fair value at the date of contribution. Fair value of a TCA may be estimated using market or appraised value. If an estimate cannot be made, the TCA should be recognized at a nominal value of one dollar. Refer also to FAM section 3525 Receipt of Donations. The receipt of external TCA transfers are recorded to the TCA cost accounts, not the current year addition accounts, and do not require an appropriation.

External TCA transfers **to the GRF from entities within the government reporting entity** may include, for example, TCAs transferred on the wind up of a Crown corporation or donated assets. These external TCA transfers, provided they are not restructuring transactions (see below), are recorded as TCAs and revenue at the TCA's net book value at the date of contribution. Refer also to FAM section 3525 Receipt of Donations. The receipt of external TCA transfers are recorded to the TCA cost and accumulated amortization accounts, not the current year addition accounts, and do not require an appropriation.

A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and liabilities transferred. External TCA transfers to the GRF from outside entities that meet the definition of a restructuring transaction are recorded at their carrying value in accordance with Public Sector Accounting Handbook PS 3430 Restructuring Transactions. Refer to PS 3430 Restructuring Transactions for further guidance.

Refer to Schedule D for an overview of the accounting for transferors and recipients for external TCA transfers and restructuring transactions.

C. Procedures *(continued)*

C13. External TCA Transfers (including Donated Assets) *(continued)*

The thresholds for recording TCAs outlined in Schedule B do not apply to external TCA transfers. This ensures that all external TCA transfers are recognized in the financial records.

Example 13.2

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.

Debit	199110 Land Improvements – Current Year Additions	30,000	
Credit	25xxxx Accounts Payable		30,000

∗ invoices or debit memos to record costs paid by the ministry

Debit	191100 Land Improvements	30,000	
Credit	485100 Casual Revenue		30,000

∗ journal entry to record the donated portion of the costs (costs paid by Little Valley Resort)

Example 13.3

Ministry X receives a donation of four trucks from the Federal Government. The trucks are unique and as there is no further active market Ministry X is unable to determine a fair value for the trucks. Ministry X records a TCA and revenue of $4 (4 trucks x $1 nominal value).

Debit	194000 Vehicles	4	
Credit	461000 Federal-Provincial Cost Sharing Programs		4

∗ journal entry to record revenue and TCA at nominal value

Example 13.4

Ministry X receives a storage shed from a non-government entity with a fair value of $18,000 in exchange for $1. The $1 payment is deemed to be a legal transfer fee. In essence, Ministry X is in receipt of a donated TCA and records revenue equal to the fair value of the shed.

Debit	192100 Buildings – Short term	18,000	
Credit	485100 Casual Revenue		18,000

∗ journal entry to record revenue and TCA at fair value

C. Procedures *(continued)*

C14. Capital Contributions

When a ministry receives funds from a third party, such as the federal government, to assist with the construction or purchase of a TCA, the full cost of the TCA should be recorded. The funds received should not reduce the cost of the TCA.

Funds received from another government should be recognized as revenue when the transfer is authorized by the transferring government and eligibility criteria are met by the Province, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Refer to section 3200 Government Transfers for further guidance on recording government transfers revenue.

Funds received from a third party should be recognized as revenue according to the criteria outlined in section 3200 Government Transfers.

Example 14.1

Ministry X receives $10 million from the federal government to assist in constructing a highway. The costs incurred to construct the highway are $50 million. There are no stipulations on this funding from the federal government that would create a liability.

Debit	199600 Highways – Infrastructure – Current Year Additions	50,000,000	
Credit	25xxxx Accounts Payable		50,000,000

∗ invoices or debit memos to record construction costs

Debit	100000 General Revenue Fund Bank Account	10,000,000	
Credit	461000 Federal – Provincial Cost Sharing Programs		10,000,000

∗ journal entry to record the transfer revenue from the Federal Government

C15. Capital Leases

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

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); or

C. Procedures *(continued)*

C15. Capital Leases *(continued)*

- 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).

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

If the arrangement is a capital lease, ministries should apply the thresholds of the appropriate TCA category outlined in Schedule B. If the thresholds are met, a TCA and a liability should each be recorded at the inception of the lease for the present value of the minimum lease payments. If the thresholds are not met, an expense and a liability should each be recorded at the inception of the lease for the present value of the minimum lease payments.

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 and the interest rate implicit in the lease, if determinable.

The leased asset should be amortized over the lesser of the lease term or estimated useful life for similar TCAs as outlined in Schedule B.

Example 15.1

Ministry X has entered into a lease agreement on February 1 for operating equipment costing \$10,000. An initial payment of \$2,000 is made on February 1st and there are four future annual payments of \$2,256 principal and interest. The equipment has a life of 10 years with no residual value. The province's four year borrowing rate at February 1 is assumed to be 5%. This is a capital lease given that the third criteria is met:

- there is no bargain purchase option and transfer of ownership is not expected at the end of the lease;
- the lease term of 5 years is less than 75 per cent of the economic life of the equipment of 10 years (5/10 years is 50 per cent); and
- the present value of the minimum leave payments is \$9,999.66 which exceeds 90 per cent of the fair value of \$10,000.

C. Procedures *(continued)*

C15. Capital Leases *(continued)*

Example 15.1 ***(continued)***

Year 1

Debit	199300 Operating Equipment – Current Year Additions	10,000	
Credit	255400 Obligation Under Capital Lease		8,000
Credit	253000 Accounts Payable		2,000

∗ invoice to record the full cost of the TCA, make the initial payment and set up the liability at the inception of the lease

Debit	588100 Amortization - Operating Equipment	1,000	
Credit	193010 Accumulated Amortization - Operating Equipment		1,000

∗ journal entry to record full year of amortization in the acquisition year ($10,000/10 years) over the estimated useful life of ten years

Year 2

Debit	255400 Obligation Under Capital Lease	2,000	
Debit	558261 Capital Lease Interest	256	
Credit	253000 Accounts Payable		2,256

∗ invoice or debit memo to record annual lease payment

The capital lease accounting guidance is based on the Public Sector Accounting Handbook section PSG2 Leased Tangible Capital Assets. Refer to PSG2 Lease Tangible Capital Assets and section F10. Operating and Capital Lease Obligations in Appendix A - General Revenue Fund Year-end Procedures and Schedules for further guidance on capital leases.

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. Operating leases are reported as contractual obligations (refer to section 4100 Contractual Obligations).

Example 15.2

Ministry X has agreed to lease a building for 5 years at a fixed rental of $12,000 per year. The building cost is $100,000 and has a life of 25 years with no residual value. This is an operating lease given that none of the following criteria are met:

- there is no bargain purchase option and transfer of ownership is not expected at the end of the lease;
- the lease term of 5 years is less than 75 per cent of the economic life of the building of 25 years (5/25 years is 20 per cent); and

C. Procedures *(continued)*

C16. Work-in-progress (WIP)

Example 15.2 ***(continued)***

- the present value of the minimum leave payments is not 90 per cent or more of the fair value of $100,000 (even without being discounted - $12,000 x 5 years = $60,000 or 60 per cent).

Debit	522000 Rent of Ground, Buildings and Other Space	12,000	
Credit	25xxxx Accounts Payable		12,000

∗ invoices or debit memos to record operating lease (rent expense) each year

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

Examples of WIP are the construction of a new road or building or the development of a major computer system which occurs over several years. WIP would also include down payments and deposits which relate to the cost of a TCA. Refer to subsections C4. Cost and C18. System Development for guidance on construction or development costs to capitalize.

Ministries should identify these costs as WIP for any interim and year-end reporting.

WIP natural accounts (current year additions and cost) are used to track WIP capital costs separately from TCAs subject to amortization.

Ministries should not record amortization on WIP TCAs.

Upon completion of a WIP capital project, when the TCA is put into use and is ready for amortization, a journal entry is recorded to move the completed costs from the WIP TCA **cost accounts** to the non-WIP TCA **cost accounts**. Any costs recorded to WIP TCA **current year addition accounts** in the year of project completion must be moved by debit memo (by supplier) to the non-WIP TCA **current year addition accounts**. This ensures that the supplier details for the current year TCA acquisitions are appropriately reported.

Example 16.1

Ministry X begins construction of a rural hospital. Costs totaling $1.2 million 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. The project is completed in the following fiscal year with additional costs of $4 million.

C. Procedures *(continued)*

C16. Work-in-progress (WIP) *(continued)*

***Example 16.1** (continued)*

<u>Year 1</u>

Debit	199242 WIP Construction – Current Year Additions	1,200,000	
Credit	25xxxx Accounts Payable		1,200,000

∗ invoices or debit memos to record costs

Debit	*192420 WIP Construction*	*1,200,000*	
Credit	*199242 WIP Construction – Current Year Additions*		*1,200,000*

∗ *journal entry prepared by FMB after year end to move current year additions to cost*

Amortization is not recorded until the TCA is complete and in use. The WIP costs are reported to the PCO on the year-end schedules.

<u>Year 2</u>

Ministry X is certain that the construction of the hospital will be completed in year two. The additional costs of $4 million are recorded directly to the 199xxx non-WIP current year additions account rather than the WIP current year additions account in the second year. This avoids having to move the costs to non-WIP current year addition accounts by debit memo later in the year when the project is completed.

Debit	199200 Buildings – High Quality Construction – Current Year Additions	4,000,000	
Credit	25xxxx Accounts Payable		4,000,000

∗ invoices or debit memos to record TCA costs

Upon completion of the project, Ministry X moves the $1.2 million of costs recorded in the previous year from the WIP TCA cost accounts to the non-WIP TCA cost accounts:

Debit	192000 Buildings – High Quality Construction	1,200,000	
Credit	192420 WIP Construction		1,200,000

∗ journal entry to move prior year TCA costs from the WIP TCA cost account

Debit	588010 Amortization – Buildings – High Quality Construction	130,000	
Credit	192010 Accumulated Amortization – Buildings – High Quality Construction		130,000

∗ journal entry to record a full year of amortization ($5,200,000/40 years)

Debit	*192000 Buildings – High Quality Construction*	*4,000,000*	
Credit	*199200 Buildings – High Quality Construction – Current Year Additions*		*4,000,000*

∗ *journal entry prepared by FMB after year end to move current year additions to cost*

1300 Tangible Capital Assets

C. Procedures *(continued)*

C16. Work-in-progress (WIP) *(continued)*

Example 16.2

Ministry X begins construction of a high quality building that is originally expected to be constructed over three years with costs totaling $3 million, $2 million and $1 million in years one, two and three, respectively.

Year 1

Debit	199242 WIP Construction – Current Year Additions	3,000,000	
Credit	25xxxx Accounts Payable		3,000,000

∗ invoices or debit memos to record costs

Debit	*192420 WIP Construction*	*3,000,000*	
Credit	*199242 WIP Construction – Current Year Additions*		*3,000,000*

∗ *journal entry prepared by FMB after year end to move current year additions to cost*

Amortization is not recorded until the TCA is complete and in use. The WIP costs are reported to the PCO on the year-end schedules.

Year 2

Ministry X records $2 million in costs in the second year to the WIP current year additions account.

Debit	199242 WIP Construction – Current Year Additions	2,000,000	
Credit	25xxxx Accounts Payable		2,000,000

∗ invoices or debit memos to record costs

In December of the second year, Ministry X realizes that construction of the building is ahead of schedule and that the TCA will be put into use in the second year. Ministry X records the remaining $1 million of costs direct to the 199xxx non-WIP current year additions account rather than the WIP current year additions account.

Debit	199200 Buildings – High Quality Construction – Current Year Additions	1,000,000	
Credit	25xxxx Accounts Payable		1,000,000

∗ invoices or debit memos to record costs

C. Procedures *(continued)*

C16. Work-in-progress (WIP) *(continued)*

Example 16.2 (continued)

Ministry X moves the $2 million of TCA costs recorded in the WIP current year additions account (from April 1 to December in the second year) to the non-WIP current year additions account by recording debit memos for the total amounts of each supplier:

Debit	199200 Buildings – High Quality Construction – Current Year Additions	2,000,000	
Credit	199242 WIP Construction – Current Year Additions		2,000,000

* debit memos for the total amount of each supplier to move costs and supplier details from the WIP current year additions accounts to the non-WIP current year additions accounts

Upon completion of the project, ministry X moves the $3 million of costs recorded in the previous year from the WIP TCA cost accounts to the non-WIP TCA cost accounts:

Debit	192000 Buildings – High Quality Construction	3,000,000	
Credit	192420 WIP Construction		3,000,000

* journal entry to move year 1 costs from WIP to the TCA cost account

Debit	588010 Amortization – Buildings – High Quality Construction	150,000	
Credit	192010 Accumulated Amortization – Buildings – High Quality Construction		150,000

* journal entry to record a full year of amortization ($6,000,000/40 years)

Debit	*192000 Buildings – High Quality Construction*	*3,000,000*	
Credit	*199200 Buildings – High Quality Construction – Current Year Additions*		*3,000,000*

* *journal entry prepared by FMB after year end to move current year additions to cost*

C17. Capitalization of Costs

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.

During the construction or development of a TCA, costs incurred which are not expected to contribute to the asset's service potential should be expensed. This may arise where there are significant cost overruns.

C. Procedures *(continued)*

C17. Capitalization of Costs *(continued)*

If the construction or development of a TCA is not completed to a usable state, the costs that would otherwise be capitalized should be expensed. A write down should be recorded for any costs previously capitalized. Refer to subsection C9. Write downs for further guidance.

Ministries may capitalize internal salary, travel and inventory costs which are directly related to capital projects. Ministries initially record the salary, travel and inventory costs through the normal processes. For example, salaries are recorded through the HR/Payroll Module and inventory is recorded as an expense and then later adjusted to inventory by journal entry (refer to section 1310 Inventories Held for Consumption). To capitalize the costs, ministries record a debit memo using reimbursement expense natural accounts and generic suppliers called 'Capitalized Salaries', 'Capitalized Travel' and 'Capitalized Inventory'.

This process allows for the salary, travel and inventory costs detail to remain in the original expense categories for reporting in Public Accounts. For example, regardless of whether salaries are capitalized or expensed, the costs are appropriately reported in the Public Accounts as salaries expense by employee in accordance with FAM section 2010 Reporting Payee Details in the Public Accounts. Amounts for 'Capitalized Salaries', 'Capitalized Travel' and 'Capitalized Inventory' will be disclosed in Volume 2 of the Public Accounts if they are in excess of the disclosure threshold identified in the Overview.

Example 17.1

Ministry X constructs a short-term building and capitalizes internal salary, travel and inventory costs as part of the capital project that is completed within one year. The salary, travel and inventory costs of $180,000, $20,000 and $150,000 respectively have been recorded by the ministry through normal processes throughout the year. Ministry X records the following debit memo entries as at March 31 to capitalize the costs of the project:

Capitalized Salaries

Debit	199210 Buildings – Short-term – Current Year Additions	180,000	
Credit	519882 Reimbursement – Personal Services		180,000

∗ debit memo using 'Capitalized Salaries' supplier 106292

Capitalized Travel

Debit	199210 Buildings – Short-term – Current Year Additions	20,000	
Credit	541881 Reimbursement – Travel		20,000

∗ debit memo using 'Capitalized Travel' supplier 178188

C. Procedures *(continued)*

C17. Capitalization of Costs *(continued)*

Capitalized Inventory			
Debit	199210 Buildings – Short-term – Current Year Additions	150,000	
Credit	542886 Reimbursement – Supplies and Services		150,000
* debit memo using 'Capitalized Inventory' supplier 106293			

C18. System Development

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

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.

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.

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

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

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

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.

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. Refer to subsection C16. Work-in-progress (WIP) for further guidance.

C. Procedures *(continued)*

C18. System Development *(continued)*

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. Refer to subsection <u>C7. Amortization</u> for further guidance.

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

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.

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.

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

Professional judgment must be used when determining which costs are capitalized.

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

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. Refer to section <u>1320 Prepaid Expenses</u> for further guidance.

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.

> ***Example 18.1***
> Ministry X has developed a health registry computer system. The evaluation of alternatives and requirements and the selection of vendors and consultants were completed with total costs of $115,000 incurred during this stage. 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.

C. Procedures *(continued)*

C18. System Development *(continued)*

***Example 18.1** (continued)*

The health registry system was put into production the next fiscal year. 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.

Year 1

Debit	564200 System Development - Expensed	115,000	
Credit	25xxxx Accounts Payable		115,000

∗ invoice or debit memo to expense costs incurred in preliminary project stage

Debit	199540 WIP System Development – Current Year Additions	600,000	
Credit	25xxxx Accounts Payable		600,000

∗ invoice or debit memo to record system development costs as TCA ($250,000 software, $50,000 installation and $300,000 consultant)

Debit	199510 Computer Hardware – Current Year Additions	1,000,000	
Credit	25xxxx Accounts Payable		1,000,000

∗ invoice or debit memo to record hardware costs as TCA

Debit	564200 System Development - Expensed	100,000	
Credit	25xxxx Accounts Payable		100,000

∗ invoice or debit memo to expense training costs in the first year

Debit	588310 Amortization – Computer Hardware	200,000	
Credit	195110 Accumulated Amortization – Computer Hardware		200,000

∗ journal entry to record full year of amortization for hardware ($1,000,000/5 years)

Amortization is not recorded for the system until it is put into use. The WIP costs are reported to the PCO on the year-end schedules.

Debit	*195400 WIP System Development*	*600,000*	
Debit	*195100 Computer Hardware*	*1,000,000*	
Credit	*199540 WIP System Development – Current Year Additions*		*600,000*
Credit	*199510 Computer Hardware – Current Year Additions*		*1,000,000*

∗ *journal entry prepared by FMB after year end to move current year additions to cost*

Year 2

Debit	564200 System Development - Expensed	850,000	
Credit	25xxxx Accounts Payable		850,000

∗ invoice or debit memo to expense additional costs ($500,000 training and $350,000 upgrades)

C. Procedures *(continued)*

C18. System Development *(continued)*

Example 18.1*(continued)*

Debit	195000 System Development	600,000	
Credit	195400 WIP System Development		600,000

∗ journal entry to move prior year TCA costs from WIP to the cost account

Debit	588310 Amortization – Computer Hardware	200,000	
Credit	195110 Accumulated Amortization – Computer Hardware		200,000

∗ journal entry to record second year of amortization for hardware ($1,000,000/5 years)

Debit	588300 Amortization – System Development	60,000	
Credit	195010 Accumulated Amortization – System Development		60,000

∗ journal entry to record full year of amortization when system put into use ($600,000/10 years)

C19. Over Accrual of TCA Acquisitions

When an invoice received after year end is lower than the amount accrued as a TCA acquisition in the prior year, the difference should be recorded as a credit to the TCA cost account, not the current year addition account, to avoid inappropriately increasing appropriation in the new year. Account 253021 Refund to Vote - Clearing Account is used to record the reversal of the over accrual in the Accounts Payable Module and the decrease to the TCA cost account in the General Ledger Module.

Reversals of over accruals of TCA acquisitions are reported as write downs in the Summary Financial Statements. Consistent with the guidance in subsection C9 Write downs, reversals of over accruals of TCAs should be approved by the permanent head or delegate and documentation should be submitted to PCO for review once approved.

Example 19.1

Ministry X records a $200,000 accrual as at March 31 for the estimated cost of heavy equipment that was received on March 28. An invoice was not received for the equipment and a payment was not made by March 31. An invoice for the equipment totaling $185,000 is received the next fiscal year. Ministry X pays the invoice and records the $15,000 difference as a reduction to the TCA cost account using account 253021 Refund to Vote - Clearing Account.

Year 1

Debit	199310 Heavy Equipment – Current Year Additions	200,000	
Credit	255000 Accounts Payable - General		200,000

∗ debit memo to accrue TCA costs

C. Procedures *(continued)*

C19. Over Accrual of TCA Acquisitions *(continued)*

Example 19.1(continued)

Debit	*193100 Heavy Equipment*	*200,000*	
Credit	*199310 Heavy Equipment – Current Year Additions*		*200,000*

∗ *journal entry prepared by FMB after year end to move current year additions to cost*

Debit	*255000 Accounts Payable - General*	*200,000*	
Credit	*255099 Accounts Payable – Previous Years*		*200,000*

∗ *journal entry prepared by the Financial Systems Branch after year end to move the payables to account 255099*

Year 2

Debit	255099 Accounts Payable – Previous Years	185,000	
Credit	100000 General Revenue Fund Bank Account		185,000

∗ invoice is paid which partially reduces the accrual

Debit	255099 Accounts Payable – Previous Years	15,000	
Credit	253021 Refund to Vote - Clearing Account		15,000

∗ debit memo to remove the remaining accrual

Debit	253021 Refund to Vote - Clearing Account	15,000	
Credit	193100 Heavy Equipment		15,000

∗ journal entry to reduce the TCA cost account

D. 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 TCA 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 Leases are non-financial assets leased by the Government for use in the delivery of goods and services where substantially all of the benefits and risks of ownership are transferred to the Government without requiring the transfer of legal ownership.

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

D. Definitions *(continued)*

Cost is the amount of consideration given up to acquire, construct, develop or better a TCA 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 TCA is considered to be equal to its fair value at the date of contribution.

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

Estimated Useful Life is the estimate of the period over which a TCA 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.

External TCA Transfers occur when a TCA is transferred to or from an entity outside of the GRF with no consideration provided.

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.

Internal TCA Transfers occur when the stewardship of an asset moves from one ministry/office within the GRF to another.

Leasehold and Occupancy Improvements are renovations of or modifications to leased accommodations and property. Leasehold and occupancy improvements should be paid for by the ministry, provide benefits for more than one year, and revert to the lessor (e.g. SaskBuilds and Procurement) at the end of the lease or other arrangement. Routine maintenance and repairs, such as painting and carpeting, would not classify as leasehold and occupancy improvements.

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

D. Definitions *(continued)*

Net Book Value is the TCA 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 existing 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 TCAs, prepaid expenses and inventories held for consumption or use.

Public Private Partnership (P3) is a method of procuring TCAs under a contractual arrangement in which a private contractor:

- provides some or all of the financing for the project;
- designs and builds the TCA, often providing operations and maintenance for the project; and
- receives payments over an extended period of time.

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

Residual Value is the estimated net realizable value of a TCA at the end of its estimated useful life.

A **Restructuring Transaction** is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and liabilities transferred.

Service Potential is the output or service capacity of a TCA.

Straight-line Method is an amortization method which allocates the cost of a TCA equally over each year of its estimated useful life.

Tangible Capital Assets (TCAs) 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 TCAs;
- 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.

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

D. Definitions *(continued)*

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

Write down is a reduction in the cost of a TCA 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.

E. References

1000 Assets
1310 Inventories Held for Consumption
1320 Prepaid Expenses
2220 Asset Retirement Obligations
2400 Public Private Partnerships (P3s)
4100 Contractual Obligations
Appendix A - General Revenue Fund Year-end Procedures and Schedules
Appendix B - General Revenue Fund Quarter-end Procedures
Appendix G - Government Transfers Application Guidance

Financial Administration Manual
2010 Reporting Payee Details in the Public Accounts
3525 Receipt of Donations
3810 Management of Capital Assets

Public Sector Accounting Handbook
PS 1201 Financial Statement Presentation
PS 3100 Restricted Assets and Revenues
PS 3150 Tangible Capital Assets
PS 3410 Government Transfers
PS 3420 Inter-entity Transactions
PS 3430 Restructuring Transactions
PSG2 Leased Tangible Capital Assets

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1300 Tangible Capital Assets

Schedule A

TCA Categories

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

<table>
<tr><th>TCA Category</th><th>Examples of TCAs</th><th>Examples of TCA Costs</th></tr>
<tr><td>Land</td><td>▪ land acquired for parks and recreation, conservation purposes, building sites and other programs
▪ land purchased for construction of road surface, drainage areas and allowances or future expansions</td><td>▪ purchase price
▪ professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys
▪ improvement and development costs such as land excavation, filling, grading, drainage, demolition of existing buildings (less salvage)</td></tr>
<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></tr>
<tr><td>Buildings – high quality construction</td><td>▪ buildings with fireproofed structural steel frames with reinforced concrete or masonry floors and roofs</td><td rowspan="4">▪ 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
▪ asbestos remediation associated with asset retirement obligations</td></tr>
<tr><td>Buildings – medium quality construction</td><td>▪ buildings with reinforced concrete frames and concrete or masonry floors and roofs</td></tr>
<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></tr>
<tr><td>Buildings – short-term</td><td>▪ operational storage facilities, sheds, small buildings, salt sheds, asphalt tanks, inventory storage buildings and pump houses</td></tr>
</table>

TCA Categories *(continued)* Schedule A

TCA Category	Examples of TCAs	Examples of TCA Costs
Buildings – asset retirement obligations	▪ increase to building carrying amount associated with asset retirement obligations	
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
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, defibulators	▪ 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

TCA Categories *(continued)* Schedule A

TCA Category	Examples of TCAs	Examples of TCA Costs
Heavy equipment	▪ power and construction equipment such as graders, tractors, cranes, drill rigs, caterpillars, and trucks one ton 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 ton, vans, boats, all terrain vehicles, snowmobiles, motorcycles and ambulances	▪ original contract or invoice price ▪ freight charges ▪ sales taxes on acquisition ▪ costs of reconditioning used items when purchased
CVA vehicles	▪ vehicles owned by SaskBuilds and Procurement	▪ original contract or invoice price ▪ freight charges ▪ sales taxes on acquisition ▪ costs of reconditioning used items when purchased
Ferries – vessel and towers	▪ construction and replacement of vessels and ferry towers	▪ 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
Ferries - upgrades	▪ upgrades of vessels and ferries	▪ 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

TCA Categories *(continued)* Schedule A

TCA Category	Examples of TCAs	Examples of TCA Costs
Aircraft	▪ airplanes, air ambulances and water bombers	▪ original contract price or invoice price ▪ freight and transit charges ▪ sales taxes on acquisition ▪ costs of reconditioning used items when purchased
Computer software	▪ off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges applicable to the post-implementation or operating stage	▪ purchase price of off the shelf software and related upgrades ▪ sales taxes on acquisition ▪ installation charges
Computer hardware	▪ servers, voice logging equipment, scanners, printers, hard drives, modems, tape drives, and plotters	▪ purchase price ▪ installation charges ▪ freight and transit charges ▪ sales taxes on acquisition
System development (including major)	▪ consultant fees, web site development and custom developed software	▪ 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
Office furniture and equipment	▪ desks, tables, chairs, filing cabinets, fax machines, photocopiers, videoconferencing stations, projectors, and digital cameras	▪ original contract price or invoice price ▪ freight and installation charges ▪ sales taxes on acquisition ▪ costs of reconditioning used items when purchased ▪ parts and labour associated with the construction of furniture

TCA Categories *(continued)* Schedule A

TCA Category	Examples of TCAs	Examples of TCA Costs
Highways – construction	▪ provincial roads	▪ direct costs of construction including tender construction costs, labour, materials, survey costs, and project-specific design costs ▪ construction and material costs related to overhead structures and signage ▪ salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control
Highways – Repaving	▪ major resurfacing and preservation overlays on provincial roads	▪ 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
Highways – preservation capital	▪ long lasting preservation treatments including medium treatment seals	▪ 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
Highways – Strengthened Secondary Roads	▪ long lasting preservation treatments on TMS highways that meet the Engineering Standards and Guidelines for SSR	▪ 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
Bridges – major construction	▪ multi-span bridges and interchanges built to 75 year design standards	▪ 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
Bridges – minor construction	▪ all other bridges	

TCA Categories *(continued)* Schedule A

TCA Category	Examples of TCAs	Examples of TCA Costs
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

TCA Categories *(continued)* Schedule A

TCA Category	Examples of TCAs	Examples of TCA Costs
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 ▪ salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control
Other Infrastructure	▪ landfills, tanker bases, helipads, dump stations	▪ costs that support infrastructure but are not included in any other category

Schedule B

TCA Thresholds and Estimated Useful Lives

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

TCA Class and Category	Threshold	Estimated Useful Life(1)
Land, buildings and improvements		
Land	ALL	Indefinite
Land improvements	$10,000	15 years
Buildings – high quality construction	$50,000	45-60 years
Buildings – medium quality construction	$50,000	35-45 years
Buildings – average quality construction	$50,000	25-35 years
Buildings – short-term	$25,000	20 years
Buildings – asset retirement obligations	Refer to building category	Refer to building category
Building improvements	$50,000	Refer to building category
Leasehold and occupancy improvements	$50,000	Lessor of useful life or lease term/occupancy arrangement
Transportation and operating equipment		
Heavy equipment	$30,000	20 years/hours of production
Operating equipment	$10,000	10 years
Vehicles	$10,000	10 years
CVA vehicles	ALL	8-10 years
Ferries – vessels and towers	ALL	40 years
Ferries –upgrades	ALL	20 years
Aircraft	$50,000	20 years/hours of production
Office equipment and Information Technology		
System development	$250,000	10 years
Major system development *	$30,000,000	15 years
Computer hardware	$10,000	5 years
Computer software	$10,000	5 years
Office furniture and equipment	$10,000	10 years

* Refer to subsection C18. System Development for requirements to use this amortization period

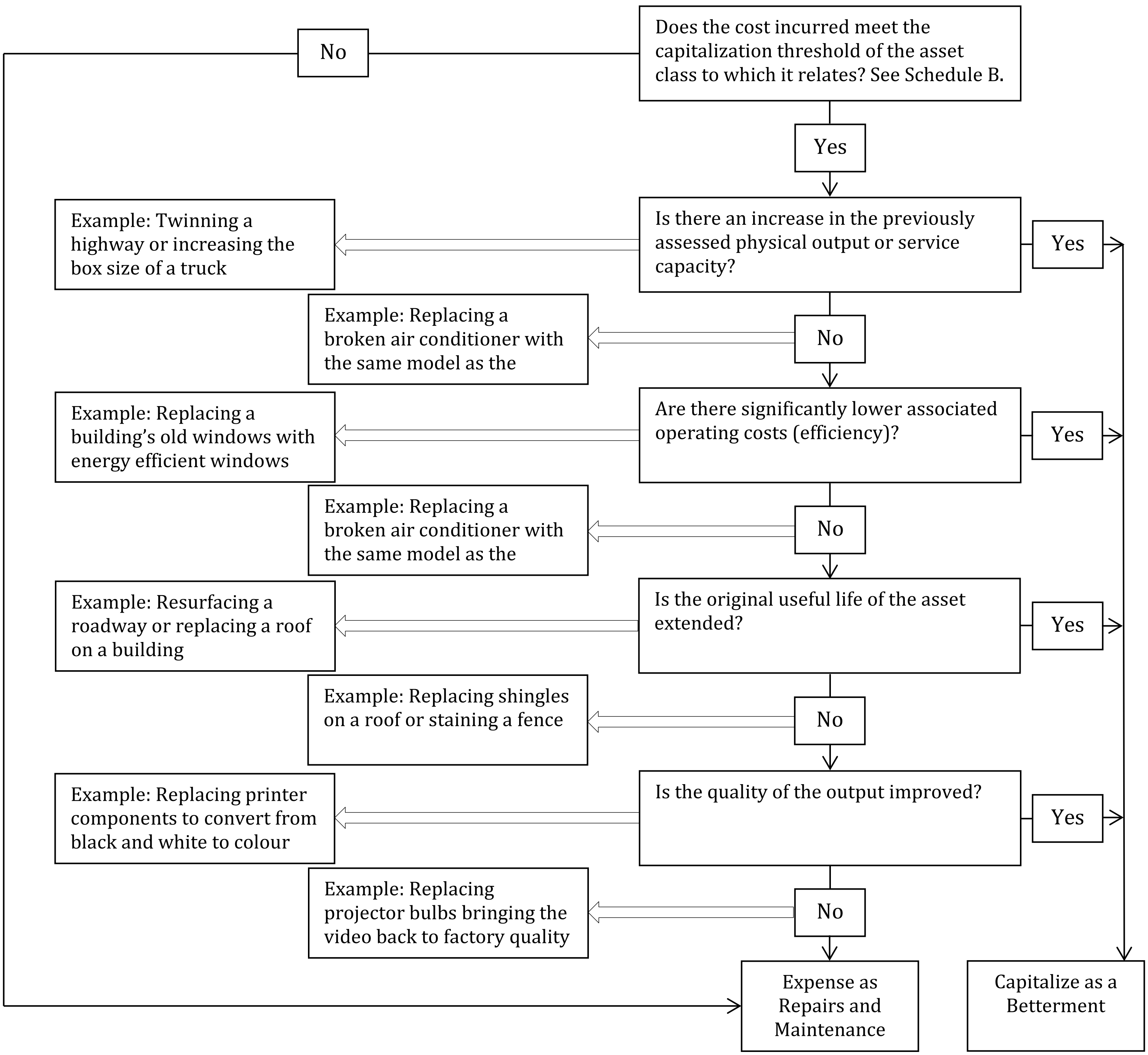
TCA Thresholds and Estimated Useful Lives *(continued)* Schedule B

TCA Class and Category	Threshold	Estimated Useful Life[1]
Roads, bridges and water management		
Highways – construction	ALL	40 years
Highways – repaving	ALL	15 years
Highways – preservation capital	ALL	10 years
Highways – Strengthened Secondary Roads	ALL	5 years
Bridges – major construction	ALL	75 years
Bridges – minor construction	ALL	60 years
Bridges – upgrades	ALL	15 years
Culverts	ALL	35 years
Airports – runways	ALL	15 years
Airports – navigational aids	ALL	15 years
Highways – other	ALL	15 years
Water infrastructure	ALL	40 years
Infrastructure - other	$50,000	15 years

(1)For assets capitalized under a P3 arrangement, the useful life may be extended. Refer to 2400 Public Private Partnerships for further guidance.

Schedule C

Betterments Decision Tree



Schedule D

Transfers of TCAs

	Definition	Transferor Accounting	Recipient Accounting
Transfer of TCA	Transfer of tangible capital assets from a government to an individual, an organization or another government for which the government making the transfer does not: (a) receive any goods or services directly in return, as would occur in a purchase / sale or other exchange transaction; (b) expect to be repaid in the future, as would be expected in a loan; or (c) expect a direct financial return, as would be expected in an investment.	**Net book value** PS 3410.14 The transfer of a tangible capital asset is recognized as an expense by a transferring government at the net book value of the tangible capital asset transferred.	**Transfer from outside GRE** **Fair value** PS 3150.14 The cost of a contributed asset is considered equal to its fair value at the date of contribution. In unusual circumstances, where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value. **Transfer from within GRE** **Carrying value** PS 3420.17 When inter-entity transactions involve the transfer of assets or liabilities for nominal or no consideration, they should be measured at the carrying amount by the provider and at the carrying amount or fair value by the recipient. ***(GOS has determined that carrying amount should be used).***
Restructuring	Transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and liabilities transferred.	**Book value** PS 3430.37 A transferor should derecognize individual assets and liabilities transferred in a restructuring transaction at their carrying amount at the restructuring date.	**Book value** PS 3430.38 A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with the following adjustments, where applicable, at the restructuring date: (a) to comply with PSAB standards; (b) to align with accounting policies, methods and assumptions to be adopted by the recipient; and (c) to reflect the circumstances of the recipient.