

# CAPITALIZATION POLICY

## 1. Purpose

This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets to be recorded in the accounting records (books) and financial statements of the business.

## 2. Capital Asset Definition and Thresholds

A "Capital Asset" is a unit of property with a useful life exceeding one year and a per unit acquisition cost **exceeding \$2,500**. Capital assets will be capitalized and depreciated over their useful lives. The full acquisition cost of tangible personal property below these thresholds will be expensed in the year purchased.

## 3. Capitalization Method and Procedure

All Capital Assets are recorded at historical cost as of the date acquired.

Tangible assets costing below the aforementioned threshold amount are recorded as an expense in the accounting records and financial statements of the business. In addition, assets with an economic useful life of 12 months or less must be expensed for both book and financial reporting purposes.

## 4. Documentation

Invoices substantiating the acquisition cost of each unit of property are to be retained for a minimum of 7 (seven) years.

***Tax Capitalization Threshold:*** *The permissible ceiling for deducting otherwise capitalizable expenditures is \$5,000 when our business has applicable financial statements. The threshold is limited to \$2,500 in the absence of applicable financial statements.*

**Business Name:** \_\_\_\_\_

**Accepted by:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_