***[HOSPITAL NAME]***

**ADMINISTRATIVE POLICY**

CATEGORY: Finance **CODE: B-6**

SUBJECT: Fixed Asset Capitalization Policy **EFFECTIVE:**

**COORDINATOR: Business Manager**

The following definitions will be used for (HOSPITAL):

**CAPITAL EQUIPMENT**: Equipment that is a) durable (economic useful life greater than one year); and b) has a cost which equals or exceeds, excluding VAT, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (set amount).

**EXPENSED EQUIPMENT**: Equipment that is not durable (economic useful life of one year of less) or has a cost, excluding VAT of less than $50,000.

**DONATED EQUIPMENT**: If equipment is donated and valued at greater than \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (set amount) the item should be recorded as a fixed asset.

The yearly budget will include a list of projects and/or capital expenditures to be undertaken the next fiscal year. The approval of the budget by the Board will serve as authorization for all capital expenses.

Additional capital projects in excess of $500,000 not budgeted must be approved in advance by the Board.

1. **FIXED ASSET REGISTER/INVENTORY REGISTER**:
	1. All assets of the hospital must be recorded in the fixed asset register or the inventory register. In order to assess the classification of the items the following will be considered:
		1. The cost of the item
		2. The item’s economic life span
		3. The department in which the asset will be utilized
	2. All items with a cost price (exclusive of VAT) of more than \_\_\_\_\_\_\_\_\_\_\_\_\_ and/or an economic life span of more than 3 years will be included in the hospital’s fixed asset register. Items purchased in a group for an individual cost lower than \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ but the total cost is more than \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ it will be classified as a fixed asset.
	3. A clear distinction will be made between capital expenditure and maintenance cost of the asset. Only the capital expenditure will be capitalized as part of the original cost of the asset. Maintenance costs will be expensed.
	4. The Business Manager or appointed staff will make annual reviews of the registers for additions and retirements.
2. **ASSET SAFEGUARDS:** The Hospital administration is responsible for safeguarding the fixed assets of the institution.
	1. Each fixed asset will be labeled with a label containing:
3. Property of *[Hospital Name]*
4. Department assigned to the asset
5. A number tied to the entry in the fixed asset system
	1. Fixed assets belonging to the Hospital are to be kept in secure locations.
	2. Assets belonging to the Hospital will not be taken off the Hospital’s premises without the written authorization of the Business Manager
	3. All fixed assets must be used within the authorized guidelines.
	4. The Business Manager or appointed staff will ensure assets are in their correct location and all fixed assets are accounted for and maintain the fixed asset register.
6. **REVALUATIONS:**

Land and buildings may be revalued for accurate insurance coverage. The revaluation must be based upon the market value of the property.

Whenever buildings are valued at a price higher than cost price an annual depreciation charge will be made against such building.

1. **MOVEMENT OF ASSESTS BETWEEN DEPARTMENTS**:

It may be necessary from time to time to transfer a fixed asset item from one department to another. On other occasions an item may become damaged and has to be replaced. Where these situations occur, the Business Manager or appointed staff must be informed so the necessary record keeping can be made.

1. **FIXED ASSET DISPOSALS:**

Assets with no useful purpose for the Hospital must be disposed of and eliminated from the fixed asset register.

All disposals must be approved by the Administrative Committee.

Disposals will be made using one of the following methods:

* 1. Scrapping (at net book value)
	2. Sale – Funds from the sale will be used for purposes approved by Administrative Committee.
	3. A journal entry should be made to remove the asset from the hospitals’ Fixed Asset account.
1. **DEPRECIATION:**

All assets, other than land and heritage assets, must be depreciated.

Assets will be depreciated in a straight line method over the expected useful life, as determined by the Business Manager or local accounting standards.

Fixed assets will be disclosed in the financial statements at the net book value, which represents the historical cost (plus any revaluations or capital expenditure) less accumulated depreciation.

APPROVED: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***[HOSPITAL NAME]***

**ADMINISTRATIVE PROCEDURE**

CATEGORY: Finance **CODE: B-6.1**

SUBJECT: Fixed Asset Acquisition Procedure

**COORDINATOR: Business Manager**

The following procedure will be followed to acquire fixed assets:

|  |  |
| --- | --- |
| **Initiator of Action** | **Action** |
| Department Head | The head of the department requesting the fixed asset must submit in writing the need and its value and viable use to the department to the Internal Procurement Committee (see Policy B-6). |
| Administrative Committee | Request from the Department Head should be reviewed and voted by the Administrative Committee |
| Business Manager | The policy related to Expenditure of Funds (see B-3) will be followed. |
| Senior Accountant | Verify the asset has been received placed in the department, the item is as described on the invoice, |
| Business Manager | * The asset will be recorded, at the original cost price (excluding VAT), in the fixed assets register by the Senior Accountant. Items that are inventory in nature will be recorded in the inventory register.
* The fixed asset is properly labeled in accordance with item D.A. of policy B-6.
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