



PSAB AT A GLANCE

Section PS 4230 - Capital Assets Held by Not-for-Profit Organizations

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Effective Date
Fiscal periods beginning on or after January 1, 2012

SCOPE

Applies to:

- Accounting for capital assets held by GNPOs.
- Accounting for capital assets recognized under PSG-2, Leased Tangible Capital Assets, and PSG-5, Sale-leaseback Transactions.

Does not apply to:

- Items held as part of a collection (see Section PS 4240, Collections held by Not-for-Profit Organizations).

DEFINITIONS

CAPITAL ASSETS

- Comprising tangible properties such as land, building and equipment, and intangible properties are identifiable assets that meet all the following criteria:
 - Are held for use in the provision of services, for administrative purposes, for production of goods or for the maintenance, repair, development or construction of other capital assets;
 - Have been acquired, constructed or developed with the intention of being used on a continuing basis;
 - Are not intended for sale in the ordinary course of operations; and
 - Are not held as part of a collection (see Section PS 4240).

INTANGIBLE PROPERTIES

- Capital assets that lack physical substance, such as copyrights, patents and software.

RECOGNITION AND MEASUREMENT

COST

- A capital asset must be recorded on the Statement of Financial Position at cost.
- Cost includes:
 - The amount of consideration given up to acquire, construct, develop, or better a capital asset.
 - All costs directly attributable to the acquisition, construction, development or betterment of the capital asset including installing it at the location and in the condition necessary for its intended use.
 - Any asset retirement cost, (obligations associated with the retirement of tangible capital assets are accounted for in accordance with Section PS 3280, Asset Retirement Obligations).
- A capital asset purchased by a GNPO at a price substantially below its fair value is recognized at its fair value and the difference between the fair value recorded and the consideration paid is recognized as a contribution.
- A GNPO determines the cost of each capital asset acquired together as part of a single purchase by allocating the total price paid to each item on the basis of its relative fair value at the time of the acquisition.
- When at the time of acquisition, a portion of an acquired capital asset is not intended for use, its cost plus any costs of disposal less any estimated proceeds, are added to the portion of the acquired capital asset that is intended for use.
- Cost of a capital asset constructed or developed over time includes:
 - Direct construction or development costs.
 - Overhead costs directly attributable to the construction or development activity.
 - The fair value, determined at the date of contribution, of contributed materials or labour.
 - For intangible property developed over time, the costs attributable to its development are capitalized when the expected future benefits are reasonably assured. When they are too uncertain to justify asset recognition the costs would be expensed.



COST (CONTINUED)

- Contributed capital asset
 - Cost is the fair value at the date of contribution.
 - However, in unusual circumstances where the fair value cannot be reasonably determined, both the capital asset and the related contribution are recorded at nominal value.
- Betterment
 - The cost incurred to enhance the service potential of a capital asset.
 - A betterment is capitalized not expensed like repair costs.

AMORTIZATION

- The cost of a capital asset with a limited life less any residual value is amortized over the asset's useful life.
- Amortization must be recognized in a rational and systematic manner appropriate to the nature of the capital asset and its use by the organization.
- Amortization is recognized as an expense in the Statement of Operations.
- An organization must review the amortization method and the estimate of the useful life of a capital asset on a regular basis.

WRITE-DOWNS

- When a capital asset ceases to have any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized in the Statement of Operations as an expense.
- A write-down cannot be reversed.
- If there are any unamortized deferred contributions related to the capital asset written down, the contributions would be recognized as revenue, as long as all restrictions had been satisfied (see Section PS 4210, Contributions - Revenue Recognition¹).

DISPOSAL

- When a capital asset is disposed of (i.e. by sale, destruction, loss, abandonment or expropriation), the difference between the following is recognized in the Statement of Operations:
 - The net proceeds on disposition; and
 - The net carrying amount.
- If there are any unamortized deferred contributions related to the capital asset that was disposed of, these contributions would be recognized as revenue in the period of the disposal, as long as all restrictions had been satisfied (see Section PS 4210, Contributions - Revenue Recognition¹).

CAPITAL ASSETS HELD BY SMALL ORGANIZATIONS²

- If the average annual revenues recognized in the Statement of Operations for the current and prior period of a GNPO, including the average annual revenues of any entities it controls, are below \$500,000, then the organization may choose to limit the requirements of Section PS 4230 to the requirements outlined in paragraph PS 4230.40 (discussed below). However, all GNPOs are encouraged to follow the requirements of Section PS 4230 even if they meet this limit, unless these requirements would be too difficult or costly.
- Once a GNPO's revenues exceed the \$500,000 limit discussed above, it must follow the requirements of Section PS 4230 and it must continue to follow the requirements of this Section even if its average revenues fall below \$500,000 in subsequent years.
- According to paragraph PS 4230.40 GNPOs that meet the \$500,000 limit discussed above must disclose the following information:
 - The policy the GNPO follows in accounting for capital assets;
 - Information about major categories of capital assets not recorded in the Statement of Financial Position, including a description of the assets; and
 - If the GNPO expends capital assets when they are acquired, the amount expensed in the current period.

¹ See also our publication PSAB AT A GLANCE: Contributions.

² The Accounting Standards Board and the Public Sector Accounting Board created a Joint Not-for-Profit Task Force which is reviewing not-for-profit organization standards with the aim of improving them to better meet user needs. A statement of principles is expected to be issued in the first half of 2013. One of the proposed changes is the removal of the size exemption for reporting capital assets.



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