

FIXED ASSETS POLICY

Purpose

The purpose of this policy is to provide guidance to employees regarding the accounting treatment of fixed assets owned by the company. This policy outlines the procedures for acquiring, depreciating, disposing of, and maintaining fixed assets.

Policy

Fixed Asset is an asset that has an economic useful life in excess of 12 months and value in excess of \$5,000 (USD) or more. The costs associated with the acquisition of capital assets are capitalized and recognized as expense monthly in the same amount over the economic useful life. Any item with a cost below \$5,000 is expensed as incurred.

Acquisition

All fixed assets purchased at the Company's expense are the property of the Company. Invoices and purchase receipts for capital assets are retained for a minimum of five years. All capitalized fixed assets are recorded in general ledger and tracked in the Fixed Assets Register that also serves as the monthly account reconciliation.

Accounting captures the following attributes of each purchased asset:

- G/L Account
- Asset Serial number
- Responsible Employee ID and Name
- Asset Description
- Purchase Date
- Direct Cost
- Allocated Costs
- Total Amortized Costs
- Useful life
- Cost Center

Depreciation

Assets are depreciated on a straight-line basis using the following useful lives by class:

- Land - indefinite
- Land Improvements - 15 years
- Buildings - 20 years
- Machinery & Equipment - 7 years
- Office Equipment - 3 years
- Furniture - 7 years
- Vehicles - 5 year

The company records the depreciation of its fixed assets on a monthly basis. Depreciation is calculated on a pro-rata basis from the date of acquisition to the end of the current accounting period. Accounting monthly populates depreciation schedules and books depreciation entries.

Maintenance

The company will maintain all fixed assets to ensure their continued usefulness and prevent premature disposal. Routine maintenance and repair costs will be expensed as incurred.

Annual Physical Inventory

The company will perform a physical inventory of fixed assets at least once a year to ensure that the fixed asset records are accurate and up-to-date.

Impairment

Please see the separate accounting policy on the annual impairment assessment.

Disposal

If an asset is no longer usable before the useful life has been reached the employee needs to submit an issue to Operations and to inform Accounting. Operations will evaluate the issue and if the item is no longer useful, notify the Accounting to post a journal entry to write off the net asset value by crediting the historical acquisition costs, debiting accumulated depreciation, amortization, and impairment, and debit other expenses for the net asset value.