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[Your Organization's Name]

[Capitalization and Depreciation Policy]

At [Your Organization's Name], we recognize the importance of properly accounting for assets and their depreciation over time. This policy sets out the guidelines for capitalization, recording assets, and the depreciation methods used. By adhering to this policy, we aim to accurately reflect the value of our assets and ensure compliance with accounting standards.

**Capitalization Threshold:**

1.1. Assets will be capitalized if their individual cost exceeds a predetermined threshold. This threshold will be established based on industry practices, accounting standards, and the organization's financial policies.

1.2. The threshold for capitalization will be reviewed periodically to ensure it remains appropriate and aligned with the organization's needs and financial objectives.

**Capitalization Process:**

2.1. Purchases that meet or exceed the capitalization threshold will be recorded as assets on the organization's balance sheet.

2.2. Assets will be recorded at their original cost, including the purchase price, delivery charges, taxes, and any other directly attributable costs incurred to bring the asset into its intended use.

2.3. The date of capitalization will be the date when the asset is available for use or when it is put into service.

**Depreciation Methods:**

3.1. The organization will determine the appropriate depreciation method for each category of assets based on accounting standards, tax regulations, and management's assessment.

3.2. Straight-line depreciation will be the default method used, where the cost of the asset is allocated evenly over its estimated useful life.

3.3. Other depreciation methods, such as declining balance or units-of-production, may be used for specific asset categories when deemed more appropriate or when required by regulatory or tax authorities.

**Useful Lives:**

4.1. The useful life of each category of assets will be estimated based on industry standards, historical data, technological obsolescence, and the organization's experience.

4.2. The useful life estimates will be periodically reviewed and updated to reflect changes in technology, usage patterns, or other relevant factors.

4.3. Assets with indefinite useful lives, such as land or certain intangible assets, will not be depreciated but will be subject to periodic impairment testing.

**Depreciation Expense:**

5.1. Depreciation expense will be recognized in the organization's financial statements as a systematic allocation of the asset's cost over its useful life.

5.2. Depreciation expense will be recorded in the appropriate expense account in the income statement or statement of activities.

5.3. Depreciation expense will be calculated and recorded on a regular basis, typically monthly or annually, depending on the organization's accounting practices.

**Asset Disposal and Impairment:**

6.1. Assets will be reviewed periodically for impairment or obsolescence. If an asset's carrying value exceeds its recoverable amount, an impairment loss will be recognized and recorded.

6.2. Assets that are no longer in use or have reached the end of their useful life will be disposed of according to the organization's asset disposal policy and any applicable regulatory requirements.

6.3. The proceeds from asset disposals will be recorded as gains or losses in the financial statements.

**Documentation and Reporting:**

7.1. Proper documentation, including purchase invoices, contracts, asset registers, and depreciation schedules, will be maintained to support capitalization and depreciation records.

7.2. The organization's financial statements will disclose significant accounting policies related to capitalization and depreciation, providing transparency to stakeholders.

By following this Capitalization and Depreciation Policy, we ensure accurate accounting of assets, proper recognition of depreciation expense, and compliance with accounting standards. Regular reviews and updates to this policy will help align our capitalization and depreciation practices with industry best practices and changing needs of the organization.

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