

[Name of my company or client]

Capitalization Policy

1. Purpose

This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets that are to be recorded in **[name of your business]**'s annual financial statements (or books).

2. Capital Asset definition

A "Capital Asset" is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; **and** (2) was acquired or produced for a cost of more than \$_____. Capital Assets must be capitalized and depreciated for financial statement (or bookkeeping) purposes.

3. Capitalization thresholds

[Name of your business] establishes \$_____ as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in **[name of your business]**'s financial statements (or books).

4. 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 for **[name of your business]**'s annual financial statements. Alternatively, assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.

5. Recordkeeping

Invoice substantiating an acquisition cost of each unit of property shall be retained for a minimum of four years after the tax year in which the unit of property is sold, retired, abandoned or otherwise disposed.