

Policy Name: Accounting Treatment of Studies for Capital Jobs

Policy Number: F-11

Policy Monitor: Chief Financial Officer

Policy Approver: Senior Management

Approval Date: April 07, 2017

Purpose

This policy provides guidance on the proper accounting treatment for studies related to Capital Jobs and should be implemented in conjunction with *Policy E-2 Capital Planning Policy*.

Policy Statement

The Corporation incurs study costs to obtain sufficient information to make appropriate decisions concerning Capital Jobs. Small scale studies will be budgeted and recorded as operations and maintenance expenses. Different accounting treatments are required under Rate Regulated Accounting (RRA) and Public Sector Accounting Standards (PSAS) for larger studies.

General Guidelines – Applicable to both accounting frameworks

1. Study costs which are relied on to follow to the construction stage of a capital project are attached to the cost of the capital project and amortized as part of that pool of assets.
2. Other studies costing less than \$25,000 will be budgeted as part of the Operations & Maintenance budget process and identified as operational or overhead expenses, depending on the nature of the study.

RRA Accounting

3. Study costs for jobs not proceeding to construction will be written off to operations & maintenance costs, if the total study costs excluding overheads are less than \$25,000. If an actual study or drawing is produced that has long term benefit to the Corporation in conducting its business and the study costs are greater than or equal to \$25,000 the cost will be capitalized as a deferred cost and amortized over 5 years.

PSAS Accounting

4. Under PSAS Accounting, all study costs not leading to the construction stage of a capital project are to be recorded as operations & maintenance costs.

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Roles and Responsibilities

- **Directors and Managers** are responsible for budgeting and recording costs for capital jobs (as operating expenses, overheads or capital costs) consistent with this policy.
- Final accounting treatment for studies will be determined by the **Chief Financial Officer**.

Definitions

- **Study:** Any work done prior to the approval of a Capital Project and includes, but is not limited to, investigation of technological advancements, overview, feasibility or scoping studies, plant assessment, planning, preliminary engineering design, pre-engineering work, geotechnical or other investigative work and all engineering and other work required to obtain, as much as practical, technical and other related information for the purpose of making informed and accurate decisions, by Senior Management and the Board of Directors, for the approval of Capital Jobs.
- **Final Design:** Carried out for an approved capital project and consists of performing detailed engineering calculations and design work and preparing tender and construction drawings, engineer's cost and quantity estimates, technical specifications and tender and contract documents.

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Policy History

Date	Revision #	Description of Change
April 7, 2017	3	Changes made as part of conversion to Public Sector Accounting Standards – as the PSAS treatment of studies was changed through the progression of the 2014/15 year end audit.
March 3, 2015	2	Changes made as part of conversion to Public Sector Accounting Standards.
November 2013	1	Reformatted to new policy template and general revisions for clarity.
March 26, 2005	-	Original policy