OTAGO POLYTECHNIC MANAGEMENT POLICY			Number: MP0200.01	
Title:	**Capitalisation and Amortisation of Course Development Costs**			
ITPNZ Standard:	**2 Development of Qualifications and Programmes**			
Chief Executive Approval:	Approval Date:	**18 Sep 09**	Effective Date:	**18 Sep 09**
Previous Policy Number	**na**		Review Date:	**as required**
Contact Authority:	**Chief Operating Officer**		Status:	**Current**

Purpose

To describe the conditions under which course development can be capitalised.

Background

Course development is an asset which has a longer life than a single accounting period and that it will often relate to a future year. This asset should, therefore, be capitalised and written off (amortised) over a period of more than one year. In effect a course can be treated like a fixed asset and depreciated over its useful life.

Statutory Compliance

National Guidelines

Policy and Procedures

1. General Requirements

The requirements of the Institute of Chartered Accountants of New Zealand need to be met in regard to capitalisation.

In the Institute of Chartered Accountants' Statement of Concepts for General Purpose reporting, essential characteristics of assets are defined as follows:

(a) there must be service potential or future economic benefits; and

(b) the entity must have control over the service potential or future economic benefits to the extent that the entity is able to enjoy the benefits.

2. Courses to be Considered for Cost Capitalisation

(a) programmes where the EFTS factor is greater than 0.33

(b) the development costs will exceed $10,000

(c) Where costs are incurred in modifying an existing course it will be considered for capitalisation when the modification is major as defined by NZQA.

3. Amortisation Period

The course will be amortised over the projected life of the course, or the accreditation period, whichever is greater, but in either case, no longer than five years.

4. Application for Courses Development Costs to be Capitalised

An application will be made to the Chief Operating Officer giving a detailed budget and the projected life of the course.

An assessment will be required at this stage to determine whether the budget is realistic and whether the resources are available to carry out the development. The developments ability to meet the needs of a future market will need to be assessed and future costs should also be projected to ensure that they do not exceed expected future income.

5. Costs to be included

Costs will need to be identifiable so that the costs to be capitalised are capable of being audited. The major costs will be outlined in the budget initially presented with the application.

Costs should include:

(a) The salary costs of staff employed by the school developing the course.
(b) A share of the overhead costs of the school in relation to the amount of staff time being used.
(c) Any charges on a user paid basis made by other sections within the Polytechnic.
(d) Material, printing, other direct costs which can be directly attributed to the development.
(e) Costs of consultants.
(f) Accreditation costs.

Confirmation of the amortisation period will also be required and a review of the costs.

It may be necessary to write off some or all of the costs if the development does not meet the criteria of providing future economic benefits.

This final approval process should be carried out by the Deputy Chief Executive and the Chief Operating Officer.

6. Continued Review

Each balance date it will be necessary to review the previous capitalisation. Developments which are no longer being used would have to be written off. This is a similar situation to obsolete stock or equipment.

7. Disclosure

The accounting practice will need to be disclosed in the Statement of Accounting Policies.

Referral Documents Programme approval documents

Delegation of Procedures

Approved by Chief Executive
Date: 18 September 2009