

# Capitalization Policy

## Internal Controls

This section outlines the required internal controls established to support proper identification, classification, and capitalization of organizational assets in accordance with applicable accounting standards.

### Control Procedures

- All asset acquisitions are reviewed by both the Finance and Procurement departments prior to posting for proper classification as capital or expense.
- Asset purchases exceeding the capitalization threshold are tracked in the fixed asset register and tagged with a unique identifier.
- Periodic physical inventory counts are performed and reconciled to accounting records at least annually.
- Segregation of duties is enforced: authorization, custody, and recordkeeping for asset transactions are assigned to separate personnel.
- Disposals and retirements of capital assets require formal approval and supporting documentation prior to removal from records.
- All capitalization decisions are reviewed during the periodic internal audit to ensure policy compliance.
- Adjustments, reclassifications, and impairments are documented, reviewed, and approved by the Finance Manager.

### Documentation & Retention

- All supporting documentation (invoices, approval forms, disposal records) is maintained for each asset and retained in accordance with organizational retention schedules.
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### Important Notes:

- This document must be reviewed and updated annually or upon significant changes in accounting standards.
- Capitalization policies help ensure financial statements present a true and fair view of organizational assets.
- Adherence to internal controls mitigates risk of misstatement, misappropriation, and non-compliance.
- Employees involved with asset management must be familiar with this policy.