

Purpose Statement for Capitalization Policy

The purpose of this Capitalization Policy is to establish the criteria and guidelines for capitalizing property, plant, equipment, and other fixed assets in accordance with applicable accounting standards. This policy aims to ensure consistency, accuracy, and transparency in the recording and reporting of capital assets, supporting reliable financial statements and sound asset management practices.

By defining capitalization thresholds and procedures, this policy assists in distinguishing between expenditures that should be recorded as assets and those that should be expensed. Adhering to these guidelines will support compliance with regulatory requirements, facilitate effective stewardship of organizational resources, and contribute to long-term organizational planning and control.

Important Notes

- This document should be reviewed and updated at least annually to reflect changes in accounting standards or organizational needs.
- The capitalization threshold must align with relevant laws, regulations, and industry best practices.
- All personnel involved in asset management and accounting should be familiar with this policy and its procedures.
- Consistent application of the policy helps ensure the accuracy of financial reporting and effective resource management.