How do I spend my CAPEX budget?

Ok, so your budget is approved, and you have money allocated to capital expenditures (CAPEX) but now you need to spend it. But, how?

Q. What do we mean by capital expenditure (CAPEX)?
A. Capital Asset is defined as:

- An item of Property, Plant and Equipment or Motor Vehicle that is held for use by the business with an expected useful life in excess of 12 months
  OR
- An Intangible Asset (being an asset without physical substance, such as purchased software, internally generated software, patents, copyrights, goodwill, customer list etc).

Q. What's not included under capital expenditure (CAPEX)?
A. As a guide an item is purchased for more than $1000 and is expected to be held by the business for more than 12 months it is considered capital in nature.

Computers, iPads and Tablets are an exception to this rule as we usually use them for longer than 12 months and will capitalise them regardless of the purchase price.

For more information about exceptions read **QP 6002 Capital Asset Procedure** in QMS.

Q. I know what I want to buy, so what do I have to do?
A. Before you purchase anything against your CAPEX budget, you must **complete QF 6002:03 Capital Request Short Form** on the intranet and submit it to your Manager, under the relevant Delegation of Authority guidelines. Then send it to the Central Finance team for allocation.

Once, CAPEX is marked as 'committed' you will be notified and can proceed with the purchase.

CAPITAL EXPENDITURE & PROJECT ALLOCATIONS
All internally generated projects have a budget and these budget costs will either be an expense or capital expenditure.

Q. What project costs are not a capital expense?
For example:
• Staff time not directly related to the project for example attending training
• Stakeholder meetings
• Training and developing user manuals
• Post implementation reviews
• Data migration outside of system testing
• Project governance committees
• Administration costs not directly related to development.

Q. If internal project costs are not a capital expense, how are they captured?
A. Non-capital expenses are usually considered an operating expense and therefore an expense in your profit and loss.

Q. What project costs are a capital expense?
A. For example:
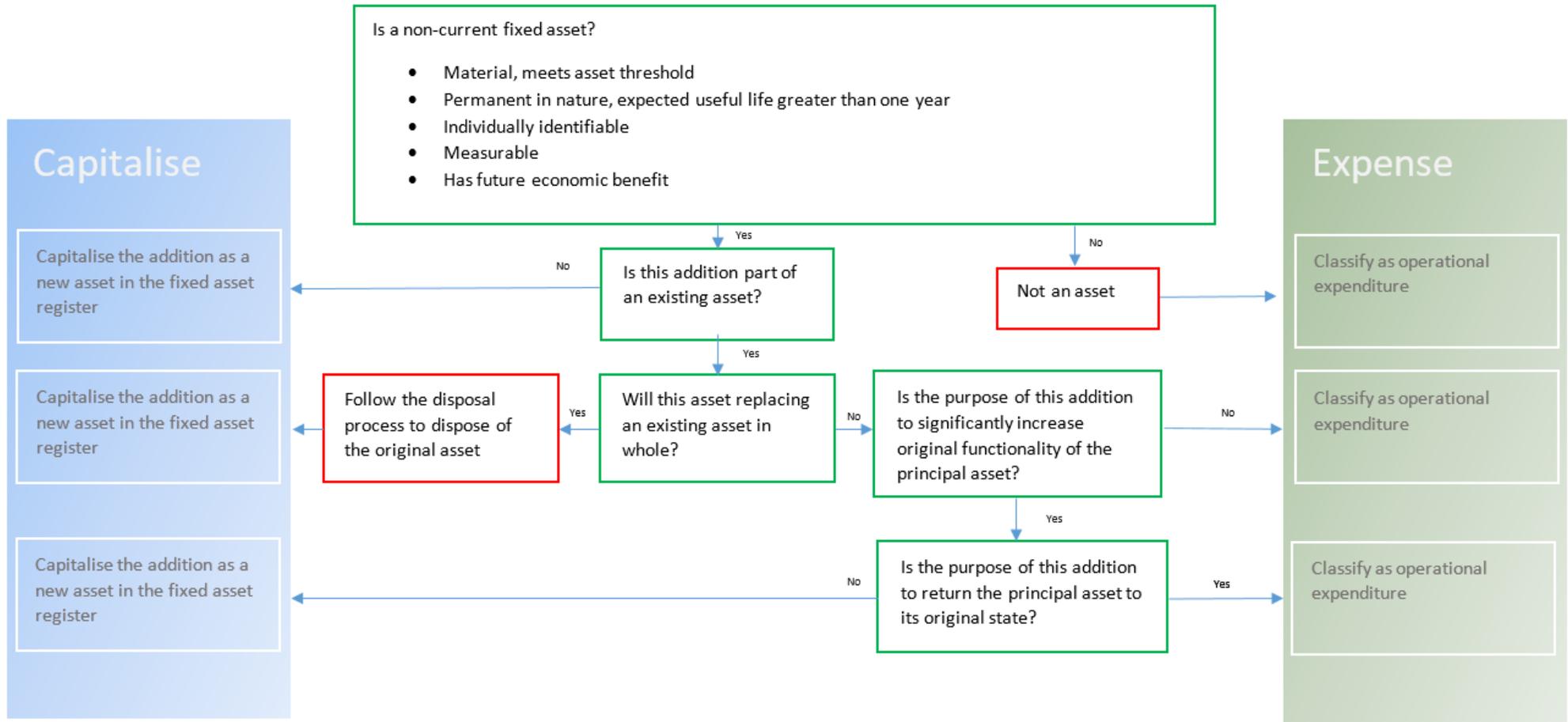• Staff time (including project managers and project management)
• Contractor and supplier expenses
• Software licences
• Purchasing equipment or property.

For more information:
Please contact your finance business partner, their details are on the intranet.

Note: If the capital expenditure is not budgeted then a business case should be submitted as per the Business Planning guidelines on the intranet.

Capital versus Operating Expense for Tangible Assets (excluding Internally Generated Software Assets)

Is a non-current fixed asset?

- Material, meets asset threshold
- Permanent in nature, expected useful life greater than one year
- Individually identifiable
- Measurable
- Has future economic benefit

Capitalise

- Capitalise the addition as a new asset in the fixed asset register
- Capitalise the addition as a new asset in the fixed asset register
- Capitalise the addition as a new asset in the fixed asset register

Expense

- Classify as operational expenditure
- Classify as operational expenditure
- Classify as operational expenditure

Is this addition part of an existing asset? → No → Capitalise the addition as a new asset in the fixed asset register

→ Yes → **Will this asset replacing an existing asset in whole?** → Yes → Follow the disposal process to dispose of the original asset → Capitalise the addition as a new asset

Not an asset → Classify as operational expenditure

Is the purpose of this addition to significantly increase original functionality of the principal asset? → No → Classify as operational expenditure

→ Yes → **Is the purpose of this addition to return the principal asset to its original state?** → No → Capitalise the addition as a new asset in the fixed asset register → Yes → Classify as operational expenditure

Capital versus Operating Expense – Internally Generated Software Assets

	Expense	Capitalise Software – Capital (AASB 138)	Capitalise Plant & Equipment – Capital (AASB 116)
Research Stage			
User testing of existing software to inform a business case	✔		
Obtaining knowledge, evaluating alternatives. Selection decisions	✔		
Consultant fees to develop an ICT strategy	✔		
Business process review, redesign, development as a precursor to a system implementation	✔		
Staff costs including project management costs	✔		
Request for Tender	✔		
Request for Quote	✔		
Expression of Interest	✔		
Request for Information	✔		
Investigation and analysis of system capability	✔		
Development Stage (getting the software ready for use)			
Off-the-shelf software system & licences including version upgrades		✔	
Software hosting costs whilst in the Development Stage		✔	
Consultant fees – design & construction		✔	
Depreciation of software licences & computers – specifically required to develop or test the asset		✔	
Equipment - other (printers, PC's, etc.)			✔
Data migration costs – **test data** used for system testing		✔	
Data migration costs – outside of system testing	✔		
Project manager costs – specifically to plan data migration and/or training	✔		
Staff and/or Contractor & supplier costs (including project managers) – development &/or testing and communications		✔	
Customisation and testing of components to function effectively for the organisation – customising reports, developing interfaces with other software applications		✔	

	Expense	Capitalise Software – Capital (AASB 138)	Capitalise Plant & Equipment – Capital (AASB 116)
Development Stage continued			
Implementation costs, including internal staff labour costs and Project Managers cost – checking conversion data, parallel runs, reporting	✔		
Staff costs (including project managers) – training users, developing user manuals, changing operating procedures	✔		
Staff costs (including project managers) – not directly related to the project (e.g. attending training)	✔		
Administration costs – not directly related to development	✔		
Project governance committees	✔		
Business process review, redesign, development	✔		
Development of an Information Management Strategic Plan	✔		
Stakeholder meetings	✔		
Initial pilot system: Costs associated with developing and testing pilot system to assess feasibility (will be expensed if pilot does not proceed to implementation)		✔	
Implementation Stage			
Attendance at Project Implementation progress meetings	✔		
Replacement of computer terminals – even if the old terminals could not accept the new software			✔
New electronic devices to run or use the software on			✔
Training – staff costs	✔		
Other Staff costs (including project managers)	✔		
Advertising and promotional costs	✔		
Manuals (including their development at any stage)	✔		
Migration of production data	✔		
Minor changes and general maintenance of software application	✔		
Bug fixes	✔		
Post-implementation reviews	✔		