EQUIPMENT PURCHASE & DEPRECIATION POLICY TEMPLATE

Company Name: ______________________ Effective Date: ______________

Prepared By: ______________

1. PURPOSE

This policy defines how ______(company name)______ records, classifies, and depreciates equipment and other fixed assets to ensure accurate financial reporting, tax compliance, and informed business decision-making.

2. SCOPE

This policy applies to all equipment, vehicles, tools, machinery, and other long-term assets purchased or used by the company.

3. CAPITALIZATION THRESHOLD

Policy: Any individual item with a purchase cost of $ __________ or more shall be recorded as a fixed asset. Items below this threshold will be expensed immediately.

Reasoning: ____

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4. ASSET CLASSIFICATION

Non-Current (Fixed) Assets	Current Assets
• Equipment (e.g., HVAC tools, machinery) • Vehicles (trucks, vans, specialty vehicles) • Property, plant, and long-term investments • ______________ • ______________ • ______________	• Cash and cash equivalents • Accounts receivable • Inventory • Prepaid expenses • ______________ • ______________ • ______________

5. DEPRECIATION METHOD

Selected Method:

☐ Straight-Line ☐ Declining Balance ☐ Units-of-Production ☐ Other: ____________

Depreciation will be recorded monthly ☐ / annually ☐ in accordance with the matching principle.

6. ASSET TAGGING AND RECORD-KEEPING

Each fixed asset will receive a unique ID/tag. Records will include:

- ✓ Description
- ✓ Purchase date
- ✓ Cost
- ✓ Location
- ✓ Assigned department/employee
- ✓ Maintenance schedule
- ✓ Depreciation start date and accumulated depreciation

7. MAINTENANCE & REPAIRS

- Preventive maintenance schedules must be documented for all key equipment.
- Repairs that extend the useful life may be capitalized if above the capitalization threshold; routine repairs are expensed.

Responsible person/department: ____________ (print name/department)

8. DISPOSAL OF ASSETS

- Assets may be sold, scrapped, or donated once they are no longer productive or economical to repair.
- Gain or loss on disposal will be recorded as: Gain/Loss = Sale Price – Net Book Value
- Any disposals must be approved by: ____________ (print name)

9. REVIEW & COMPLIANCE

- This policy shall be reviewed annually by the finance/accounting department.
- Any exceptions must be approved by: ____________ (print name)

10. APPROVAL SIGNATURES

Owner/CEO: ______________(signature)______________ Date: ____________________

Controller/Accountant: ______________(signature)______________ Date: ____________________