

Examples of Accounting for Internally-Developed Software

Table 1

Preliminary Project Stage Activities		
<u>Expense</u> 43230000 /ANR00004		
Steps	Expense	Capitalize
Specification of alternatives	X	
Evaluation of alternatives	X	
Determining performance and system requirements	X	
Determination of existence of needed technology	X	
Final selection of alternatives	X	
Cost examples	Expense	Capitalize
Training costs for stage one	X	
Interest costs incurred during stage one	X	
Fees paid to third parties for costs incurred during stage one	X	
Travel expenses incurred by employees during stage one	X	
Payroll and payroll-related costs for stage one	X	
Cost-benefit analysis	X	
General and administrative costs or overhead costs (for example, project management salaries, space rental costs and depreciation of equipment) for stage one	X	

Table 2

Application Development Stage Activities		
<u>Expense</u> 81112201 NR00001	<u>Capitalize</u> OPEN (Cost below \$5M) 43230CAP (cost over \$5M) ANR00008 (cost below \$5M) Contact CAA (Cost over \$5M)	
Cost examples	Expense	Capitalize
Design of chosen option, including software configuration and interface		X
Software coding		X
Installation		X
Testing		X
Data conversion costs: type a) Costs incurred to develop or obtain software that allows for access or conversion of old data by a new system		X
Data conversion costs: type b) Costs related to actual data conversion from old to new systems	X	
Cost examples	Expense	Capitalize
Training costs for stage two*	X	
Fees paid to third parties for services provided to develop the software		X
Travel expenses incurred by employees in their duties directly associated with developing software		X

Travel expenses incurred by employees for conferences and training*	X	
Payroll and payroll-related costs (for example, costs of employee benefits), not including time spent in training or working on data conversion (type b), during stage two		X
Payroll and payroll-related costs for training* or data conversion (type b), during stage two	X	
Interest costs incurred during stage two		X
General and administrative costs or overhead costs (for example, project management salaries, space rental costs and depreciation of equipment)* for stage two	X	
Design of chosen option, including software configuration and interface		X
Software coding		X
Installation		X
Testing		X
Data conversion costs: type a) Costs incurred to develop or obtain software that allows for access or conversion of old data by a new system		X

* Note: Training (including training-related travel expenses) as well as general and administrative costs must always be expensed, regardless of the software development stage in which they are incurred.

Table 3

Post-Implementation / Operational Stage Activities		
Expense 43230000/ ANR00004		
Cost examples	Expense	Capitalize
Application maintenance	X	
On-going support	X	
Upgrades that contribute additional functionality (Note: increased efficiency is not considered additional functionality)		X
Upgrades that do not contribute additional functionality	X	
Cost examples	Expense	Capitalize
Training costs for stage three	X	
Interest costs incurred during stage three	X	
Fees paid to third parties for costs incurred during stage three	X	
Travel expenses incurred by employees during stage three	X	
Payroll and payroll-related costs for stage three	X	
General and administrative costs or overhead cost (for example, project management salaries, space rental costs and depreciation of equipment) for stage three	X	