

<b>OREGON ACCOUNTING MANUAL</b>		Number 15.60.40.PO
Oregon Department of Administrative Services State Controller's Division		Effective Date November 1, 2002
Chapter	<b>Accounting and Financial Reporting</b>	.1 OF .2
Part	<b>Capital Assets</b>	
Section	<b>Computer Software</b>	Approval  Signature on file at SCD

Authority [ORS 293.590](#)  
SOP 98-1

### Scope and Applicability

- .101 This policy provides guidance on accounting for the costs of computer software developed or obtained for internal use. This includes software that is purchased off-the-shelf from a commercial vendor, internally developed, or contractor developed solely to meet the agency's internal needs. It does not cover accounting for the costs of computer software to be sold, leased, or otherwise marketed.
- .102 This guidance applies to computer software that consists of more than one component or module. For example, an agency may develop an accounting software system that contains three elements: a general ledger, a cashiering subledger, and an accounts receivable subledger. In this example, each element should be viewed as a component or module of the entire accounting software system. This policy guidance should be applied to each individual component or module.

### Policy Standards

- .103 If costs are determined to be capitalized, they first must qualify as an intangible **capital asset** under [OAM 15 60 10](#), Classification and Capitalization of capital assets. Therefore, only those assets that cost at least \$5,000 will be capitalized.
- .104 Capitalization of computer software costs is only appropriate if management has authorized and committed to funding the project, and it is considered probable that the project will be completed and put to its intended use.
- .105 When software is developed for internal use, management is responsible to ensure the agency tracks costs related to the various stages of computer software development: preliminary project stage, application development stage, and post-implementation or operation stage. When tracking actual costs is not cost-effective, use of estimated costs is allowable, provided there is a defined methodology. Some of these costs will be expensed when incurred; some costs will be capitalized and reported as an intangible asset and amortized over the estimated useful life of the asset. Agencies should apply the guidelines in the accompanying procedure to determine which costs should be expensed and which costs should be capitalized.
- .106 In order for costs of upgrades and enhancements to internal-use computer software to be capitalized, it must be probable that those expenditures will result in additional functionality.

- .107 If applicable, agencies may need to recognize and measure an impairment to software, based upon the criteria in the accompanying procedure.
- .108 The costs of computer software developed or obtained for internal use should be amortized on a straight-line basis using the guidance in [OAM 15 60 20](#), Depreciation and Amortization of capital assets.
- .109 When disposing of software or prior editions of software, consult your software license agreement or vendor for the proper disposition method.