



## DEFINITIONS

### SECTIONS A AND C Capital Expenditures

Report the value of the projects expected to be put in place during the year. Include the **gross expenditures** (including subsidies) on fixed assets for use in the operations of your organization or for lease or rent to others. Include all capital costs such as feasibility studies, architectural, legal, installation and engineering fees as well as work done by your own labour force.

**New Assets, Renovation, Retrofit**, includes both existing assets being upgraded and additions of new assets.

The following explanations, (a) & (b), are NOT applicable to Government Departments:

- (a) **INCLUDE** – Capitalized interest charges on loans with which capital projects are financed.
- (b) **EXCLUDE** – If you are capitalizing your leased fixed assets as a lessee in accordance with the Canadian Institute of Chartered Accountants' recommendations, please **exclude** the total of the capitalization of such leases during the year from capital expenditures.

#### Leases

In accordance with the recommendations of the Canadian Institute of Chartered Accountants, leases are divided into two types, operating and capital. **For the present, purchases of all capital assets whether for own use or for lease to others, either as a capital lease or as an operating lease should be reported in the appropriate place in Columns 1 or 2 Sections A and C. Assets acquired as a lessee through either a capital lease or operating lease from others should not be reported in these columns.**

New assets acquired by means of a capital lease **from others** should not be included in Section A and C Columns 1 or 2.

The following notes, (a) to (d) are applicable to Government Departments **only** :

- (a) Grants and/or subsidies: to outside entities (i.e. municipalities, agencies, institutions or businesses), are not to be included.
- (b) Departments are requested to exclude from reported figures budgetary items pertaining to any departmental agency and proprietary crown corporation as they are surveyed separately.
- (c) Federal departments are to report expenditures paid for by their department, regardless of which department awarded the contract.
- (d) Provincial departments are to include any capital expenditures on construction (excluding outlays for land) and/or machinery and equipment, for use in Canada, **financed from revolving funds**, loans attached to revolving funds, other loans, the Consolidated Revenue Fund or special accounts.

#### Purchase of Used Fixed Assets

**Definition:** Used Fixed assets may be defined as existing buildings, structures or machinery and equipment which have been previously used by another organization in Canada that you have acquired during the time period being reported on this questionnaire.

**Explanation:** The objective of our survey is to measure gross annual new additions to fixed assets separately from the acquisition of gross annual used fixed assets in the Canadian economy as a whole.

Hence, the acquisition of a **used fixed asset from within Canada** should be reported separately since such acquisitions would not change the aggregates of our domestic inventory of fixed assets, it would simply mean a transfer of assets within Canada from one organization to another.

**Imports of used assets**, on the other hand, should be included with the new assets (Column 1) because they are newly acquired for the Canadian economy.

#### Work in Progress:

Work in progress represents accumulated or accrued costs on capital projects not completed and which are intended to be capitalized upon completion.

#### 1. Land

Capital expenditures for land should include all costs associated with the purchase of the land that are not amortized or depreciated.

For oil and gas companies **exclude** in land, oil and gas rights acquisition and retention costs, and cost of land and lease purchased from other.

#### 2. Residential Construction (excluding land)

Report the value of residential structures including the housing portion of multi-purpose projects and of townsites with the following EXCEPTIONS:

- (1) buildings that have accommodation units without self-contained or exclusive use of bathroom and kitchen facilities (e.g., some student and senior citizen residences),
- (2) the non-residential portion of multi-purpose projects and of townsites,
- (3) associated expenditures on services.

The exceptions should be included in the appropriate construction (i.e., non-residential) asset.

#### 3. Capital Expenditures for Non-Residential Construction (excluding land purchase and residential construction)

Report the total cost incurred during the year of building and engineering construction (contract and by own employees) whether for your own use or rent to others. Include also:

- (1) the cost of demolition of buildings, land servicing and of site preparation,
- (2) leasehold and land improvements,
- (3) townsite facilities, such as streets, sewers, stores, schools,
- (4) oil or gas pipelines, including pipe and installation costs,
- (5) all preconstruction planning and design costs such as engineering and consulting fees and any materials supplied to construction contractors for installation,
- (6) geological and geophysical expenditures, exploration drilling, development drilling, production facilities, enhanced, recovery projects and natural gas processing plants.

**NOTE: Exploration and development expenditures: should be reported gross (whether capitalized or expensed) before deductions of any incentive grants, investment tax credit and insurance receipts.**

#### 4. Capital Expenditures for Machinery and Equipment

Report total cost incurred during the year of all new machinery, whether for your own use or for lease or rent to others. Any capitalized tooling should also be included. Include progress payments paid out before delivery in the year in which such payments are made. Receipts from the sale of your own fixed assets or allowance for scrap or trade-in should not be deducted from your total capital expenditures. Any balance owing or holdbacks should be reported in the year the cost is incurred.

### SECTION B Capacity Utilization

- Capacity use (utilization) is calculated by taking the actual production level for an establishment (production can be measured in dollars or units) and dividing it by the establishment's capacity production level.
- Capacity production is defined as maximum production attainable under normal conditions.
- To calculate capacity production, follow the establishment's operating practices with respect to the use of productive facilities, overtime, workshifts, holidays, etc. For example, if your plant normally operates with one shift of eight hours a day five days a week then capacity will be calculated subject to these conditions and not on the hypothetical case of three shifts a day, seven days a week.

#### Example

Plant "A" normally operates one shift a day, five days a week and given this operating pattern capacity production is 150 units of product "A" for the month. In that month actual production of product "A" was 125 units. The capacity use for plant "A" is  $(125/150) * 100=83\%$ .

Now suppose that Plant "A" had to open for a shift on Saturdays to satisfy an abnormal surge in demand for product "A". Given this plant's normal operating schedule, capacity production remains at 150 units. Actual production has grown to 160 units, though, so capacity use would be  $(160/150) * 100=107\%$ .

### SECTION D

#### Changes in Capital Expenditures Plans

Complete this section only if this report shows significant changes from the capital expenditures reported previously on the "Revised Forecast 1999". The intent of this section is to clarify the reason(s) for major changes in the capital expenditures reported and thereby reduce possible further inquiries.