



## Software Accounting Policy At-A-Glance

The Software Accounting Policy defines when costs for purchased and internally-developed software or cloud-hosting arrangements must be capitalized at the University. Below is a high-level overview on when to capitalize or expense. This document in no way substitutes a thorough review of the [Software Accounting Policy](#). Contact [Far\\_Fixed\\_Assets@harvard.edu](mailto:Far_Fixed_Assets@harvard.edu) with questions regarding this policy.

Software Type	Expense	Capitalize
<b>Cloud-Computing Arrangement/Software as a Service:</b> A CCA or SaaS agreement governs the software service that a software vendor provides to the University as the user. Thus, the software is never downloaded to the user's computer because the software remains on the vendor's computers (e.g., servers) and is accessed by the user through the Internet	Service Contract Requirements gathering and selection Installation, build and test Training Maintenance costs	May capitalize the portion related to a <ul style="list-style-type: none"> <li>software license agreement if the software license is <math>\geq \\$500,000</math>, AND/OR</li> <li>associated implementation costs if total cumulative implementation costs are <math>\geq \\$500,000</math></li> </ul>
<b>Purchased Software Applications (Packaged):</b> Software applications are software packages in which the coding and appearance may be modified and customized by Harvard. Harvard owns the "code," maintains the software, and is responsible for testing and applying updates to the software application	If purchase price per license or user/unit is $< \$5,000$ OR Useful life is $< 1$ year	If purchase price per license or user/unit is $\geq \$5,000$ AND Useful life is $\geq 1$ year  If above criteria are met, can capitalize Installation, Build and Test Must expense: Requirements gathering and selection, training, maintenance
<b>Purchased Software Licenses Agreements:</b> A software license agreement typically involves a use license for a period of time. The software vendor typically owns the copyright to the software and the University receives a copyright license (i.e., a software license) in order to legally install and use a software application over a specified period of time	If purchase price per license or user/unit is $< \$5,000$ OR License agreement is $< 1$ year	If purchase price per license or user/unit is $\geq \$5,000$ AND License agreement is $\geq 1$ year  If above criteria are met, installation, build and testing may be capitalized Must expense: requirements gathering and selection, training, maintenance
<b>Subscriptions and Data Sets:</b> On-line services and systems which offer the use of information and data collected from another party (i.e., datasets).	Must be expensed	Cannot capitalize
<b>Internally-Developed Software</b> (also known as Work in Progress or "WIP" Projects )	See <a href="#">Appendix A of Software Accounting Policy</a> for detailed break-down regarding processes and procedure for internally-developed software.	