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## COURSE DEVELOPMENT COSTS

<b>Section</b>	Finance		
<b>Approval Date</b>	20.11.2014	<b>Approved by</b>	NMIT Board
<b>Next Review</b>	13.01.2023	<b>Responsibility</b>	Executive Director: Finance and Campus Services
<b>Last Review</b>	13.01.2021	<b>Key Evaluation Question</b>	6

### PURPOSE

Nelson Marlborough Institute of Technology Ltd (NMIT) undertakes development of course materials for new and existing educational courses. Course development costs comprise a wide variety of different types of expenditure, but in accordance with Te Pūkenga’s accounting policy, development costs will generally be treated as operating expenditure and expensed to the Profit & Loss Account in the year in which they have been incurred.

The purpose of this document is to outline NMIT’s policy with regard to accounting for course development costs.

### SCOPE

This policy applies to all costs incurred in the development of NMIT courses.

### DEFINITIONS

<b>Course</b>	The components of learning that make up a programme of study.
<b>Development</b>	The creation of new or substantially improved course materials prior to their introduction for teaching or other commercial purposes.
<b>Useful Life</b>	The period over which an asset is expected to be available for use by NMIT.

### RESPONSIBILITIES

<b>Curriculum Manager</b>	<ul style="list-style-type: none"> <li>▪ Submit applications for course development during the annual budget cycle as part of the normal capital expenditure budgeting process.</li> <li>▪ Ensure that purchase orders for externally purchased course development costs are coded correctly.</li> <li>▪ Ensure that timesheets are completed by staff working on internally developed courses</li> </ul>
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**Executive Director: Finance  
and Campus Services**

- Ensure all course development costs are accounted for in accordance with Te Pūkenga’s and NMIT’s policy.
- Ensure that systems are in place to capture course development costs.

**POLICY**

1. Course-related software and websites
  - Any course-related software and website development costs that are by their nature software development are classified as software and accounted for in accordance with NMIT’s accounting policy for software.
2. Courses purchased from other organisations
  - Courses and programmes (including trademarks and licences) purchased from organisations outside of the NZIST group of companies are capitalised and amortised over their expected useful life, not exceeding five years. The useful life of the asset must be reviewed regularly and adjusted where appropriate. The carrying value of these courses must be assessed for impairment whenever circumstances or events suggest that the carrying value may not be recovered.
3. Courses purchased from other NZIST group companies
  - Courses and programmes (including trademarks and licences) purchased from NZIST group companies are expensed.
4. Internally developed courses
  - Costs associated with updating and maintaining existing courses are expensed.
  - Costs associated with development of new courses and programmes are expensed unless the following criteria are met:
    - i. the course material is controlled;
    - ii. the course material is identifiable;
    - iii. the course material is expected to generate future economic benefits;
    - iv. the costs incurred are capable of reliable measurement;
    - v. approval to capitalise costs has been obtained from the NZIST Audit & Risk Committee.
  - Guidance on the criteria for capitalisation is contained in the table below:

Criteria	Guidance
i.	<p>Course material is controlled only if it is subject to copyright or other contractual restrictions that place strict limits on the use, reproduction or redistribution of the material.</p> <p>Costs incurred to develop the following must always be expensed:</p> <ul style="list-style-type: none"><li>• Course material that is subject only to Creative Commons Licence.</li></ul>

	<ul style="list-style-type: none"> <li>• Course material developed by staff and/or contractors where there is no copyright and the terms of the contract with the individuals do not clearly prohibit them from using the course material themselves.</li> <li>• Course material subject to arrangements where the intellectual property rights are shared between the developer and NMIT.</li> <li>• Course material that is distributed to students without legal or contractual restrictions that prevent them from copying, reproducing or further distributing the material, or where there are restrictions but it is impossible or impractical to enforce them.</li> <li>• Costs associated with training or upskilling staff.</li> </ul>
ii.	<p>Course material is identifiable if it is either capable of being separately sold, licensed, or transferred, or can be protected by legal or contractual rights controlling its use.</p> <p>Costs incurred to develop the following must always be expensed:</p> <ul style="list-style-type: none"> <li>• Course material that is not subject to copyright or other contractual protection and cannot be separately sold, transferred, licensed, rented, or exchanged.</li> <li>• Material that is not specific to a particular programme or course, e.g. can be used for multiple courses or programmes.</li> </ul>
iii.	<p>Course material can be expected to generate future economic benefits through receipt of course fees from students or selling or licensing the course material to other institutions. Where this economic benefit cannot be demonstrated and attributed to a specific course, course development costs must be expensed.</p> <p>Costs incurred to develop the following must always be expensed:</p> <ul style="list-style-type: none"> <li>• Course material that will be distributed free of charge.</li> <li>• Course material that cannot easily be reused to deliver the same or similar courses without significant rewriting.</li> <li>• Course material where approval has not yet been received from NZQA unless approval is likely.</li> <li>• Course development costs incurred before probable economic benefits can be demonstrated, e.g. market research, feasibility costs.</li> </ul>
iv.	<p>To be capitalised, costs must be reliably measured. For staff time incurred on programme development, detailed timesheets to track the time spent on course development and the nature of the work must be maintained.</p> <p>The following costs must always be expensed:</p> <ul style="list-style-type: none"> <li>• Expenditure incurred where the cost is not adequately tracked to enable reliable measurement.</li> <li>• Administrative and other general overhead costs.</li> <li>• Costs incurred in developing material that is not specific to a particular programme or course.</li> </ul>

v.	Approval must be obtained from NZIST to capitalise any programme development costs. To seek approval, NMIT must submit a paper to the NZIST Board (approved by the NMIT Board) setting out its analysis of the course development costs against the criteria above.
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- Where the above criteria are all met, the costs are capitalised and amortised over the expected useful life of the asset, not exceeding five years. The useful life of the asset must be reviewed regularly and adjusted where appropriate. The carrying value of the asset must be assessed for impairment whenever there is an indication that the asset may be impaired such as course registrations are less than expected or a change in the environment means the economic life of the asset is less than expected.

## REFERENCES

### EXTERNAL

Applicable Financial Reporting Standards