



Capital Asset Policy

Objective

The objective of the University of St. Thomas' capital asset policy is to ensure assets purchased by the University are:

- purchased and approved in accordance with University policy;
- accounted for in accordance with Generally Accepted Accounting Principles (a requirement for the University);
- properly tracked

Definition of a Capital Asset

A "Capital Asset" is defined by the University as the purchase (or construction) of a building, piece of equipment or furnishing with total costs equal to or greater than \$3,000. A capital purchase must be long term in nature (the asset has an estimated useful life of greater than 1 year).

The cost of a capital purchase may include the following:

- Cost of the item
- Labor
- Shipping
- Permits
- Appraisals
- Any other costs that get the asset ready to be placed into service

Capital purchases may be either recorded using a capital equipment budget (Fund 76) or a Plant project budget (Fund 796xxx).

Purchase Requisition Requirements

Generally speaking, the University desires to record and "tag" each capital asset it purchases. Capital asset tracking begins upon the completion of a purchase requisition by a departmental requisitioner. Therefore, the proper completion of purchase requisitions is critical. ***As a general rule, one line item should be created on the purchase requisition for a distinct and separate single asset.*** Line item descriptions should contain as much information as possible related to the asset (detailed description, location, serial number, etc.). The asset should include all components of the purchase (all "sub-components", labor, freight, permits, appraisals, etc.). The commodity code default description should not be used. Within a requisition, item text may be used to provide detail of the components for each capital line item.

Because of limitations within Banner relating to the recording of capital assets versus expendable equipment, a separate purchase requisition should be created for capital asset acquisitions and expendable equipment purchases.

For additional questions and assistance with Purchase Requisitions, please contact:		For assistance with Accounting Treatment of Capital Purchases, please contact:
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Examples

General Examples			
Purchase Description	Purchase Classification	Recording	Purchase Requisition
Purchase of individual equipment items, each with a cost under \$3,000 (furniture, fixtures, etc.).	Expendable Equipment	Record to departmental operating budget (fund 12).	A purchase requisition is generally not required for goods totaling less than \$3,000.
Purchase of individual equipment items, each with a cost over \$3,000.	Equipment	Record to capital equipment budget (fund 76).	Complete the purchase requisition with a separate line item for each capital item. Note that items containing separate components that should be classified and tracked as a single item (AV system, modular furniture, etc.) should be included on one line item with components documented in item text.
Purchase of individual equipment items, all or some with a cost over \$3,000 (furniture, fixtures, etc.).	Items over \$3,000 – Equipment Items under \$3,000 – Expendable Equipment	Items over \$3,000 – Record to capital equipment budget (fund 76). Items under \$3,000 – Record to departmental operating budget (fund 12).	Ensure a separate purchase requisition is completed for those items recorded as “Equipment” (fund 76) versus those items recorded as “Expendable Equipment” (fund 12).
Plant Project	Plant	Items over \$3,000 – Record to plant project fund (fund 796XXX), and a capital account (79XXX). Items under \$3,000 – Record to plant project fund (fund 796XXX), and an expendable equipment account (72XXX). Expenditures (and related budgets) will be transferred to operations on a monthly basis via the 726XXX accounts. This will allow for total plant budgets to be tracked through the plant project fund.	Ensure a separate purchase requisition is completed for those items recorded to a Capital account (account 79XXX versus those items recorded as “Expendable Equipment” (account 72XXX).
New Building Project - Plant projects funded via debt or a re-purpose of space with a cost over \$500,000. Note that costs less than \$3,000 will be capitalized as part of new building projects (due to accounting requirements, insurance needs, etc.)	Plant	Items over \$3,000 - Record all costs to plant project fund (fund 796XXX), and a capital account (79XXX). Items under \$3,000 – Record to plant project fund (fund 796XXX). Items under \$3,000 are not restricted to 79XXX accounts, and should be recorded to the account the item would normally be charged to.	Complete the purchase requisition with a separate line item for each capital item. Note that items containing separate components that should be classified and tracked as a single item should be included on one line item with components documented in item text.

Specific Examples			
Purchase Description	Purchase Classification	Recording	Purchase Requisition
Modular Furniture – Cost of Combined Unit < \$3,000 (Combined = component pieces are attached and dependent on one another)	Expendable Equipment	Record to operating budget (fund 12).	A purchase requisition is generally not required for goods totaling less than \$3,000.
Modular Furniture – Cost of Combined Unit > \$3,000	Equipment	Record to capital equipment budget (fund 76).	If possible, complete the purchase requisition with combined units included on one line item and components documented in item text.
Carpeting - Replacement	Expendable Equipment	Record to operating budget (fund 12).	Complete the purchase requisition as completed in the past.
Carpeting – New Building	Plant	Record to plant project fund (fund 796XXX), and a capital account (79XXX).	Complete the purchase requisition as completed in the past.
Non-Movable Equipment Attached to Building	Plant	Record to plant project fund (fund 796XXX), and a capital account for Building (79571) or Leasehold Improvements (79601).	Complete the purchase requisition with a separate line item for each capital item.
One-Time Start-Up Fees / Initial Consulting Fees Related to a Capital Asset Purchase	Plant or Equipment	Either capital equipment budget (fund 76) or plant project fund (fund 796XXX), and a capital account (79XXX).	Cost should be included on the same line item as the capital asset purchase.
Shipping Charges Related to a Capital Asset Purchase	Plant or Equipment	Either capital equipment budget (fund 76) or plant project fund (fund 796XXX), and a capital account (79XXX).	Cost should be included on the same line item as the capital asset.
Labor Related to a Capital Asset Purchase	Plant or Equipment	Either capital equipment budget (fund 76) or plant project fund (fund 796XXX), and a capital account (79XXX).	Cost should be included on the same line item as the capital asset.
Deposits Related to a Capital Asset Purchase	Plant or Equipment	Either capital equipment budget (fund 76) or plant project fund (fund 796XXX), and a capital account (79XXX).	Cost should be included on the same line item as the capital asset. Deposit detail (i.e. 50% down, 50% due upon completion) should be included in Document Text on the purchase requisition.
Repairs or Replacements (General)	Expendable Equipment	Record to operating budget (fund 12).	Complete the purchase requisition as completed in the past.