

Capital Asset Training and Updates

April 2015

Goals to Better Capital Reporting

- Overall Objective:
- To be able to effectively manage capital expenditures and provide appropriate reporting to project managers and senior leaders
- To better understand the capital process from beginning to end and how all of the charges impact the financials

Asset vs Expense

● Asset

- Tangible or intangible
- Held to have positive economic value
- Capable of being owned to produce value

● Example

- Tangible: Building
- Intangible: Software

● Expense

- Outflow of money or ongoing cost for running day to day operations
- Decreases economic benefit by reducing assets or increasing liabilities

● Example

- Supplies
- Rent

Capital Authorization Form (CAF)

To set up a capital project:

CAF completed by project manager and emailed to accounting along with documentation supporting the capital requested amount (such as copies of invoices or vendor quotes)



Accounting reviews CAF and documentation and updates the CAF for certain parameters required



CAF is approved by accounting and the new CAF number and budget are entered into PeopleSoft

CAF Guidelines

Effective July 1, 2015

- All capital expenditures are required to have a CAF
- All capital expenditures are to be booked in Fund 12; No Fund 11 or Fund 13 purchases will be capitalized
- A&S equipment purchases (not deemed to be a project) will have one CAF created per fiscal year to capture all of the activity
- CAF is to be utilized for capital expenditures relating to a project or purchase; operating expenses to be booked to Fund 11 and not on the CAF

Capital Budgets

- All projects must have an approved budget prior to commencement of work
- Capital budgets are approved by the Board of Directors, along with the operating budgets, prior to each fiscal year based on capital submissions provided by each department
- If a project is required to be completed but was not originally budgeted for, it must be approved by the capital budget department prior to the CAF being created and the work being performed

General Ledger Accounts

Fund 11 and 13

- Operating expenses
- Cannot book charges to capital expenditure accounts which include:
 - 7451 (Software > 5,000)
 - 7452 (Moveable Equipment > 5,000)
 - 7453 (Furniture > 5,000)
 - 7454 (Fixed Equipment > 5,000)
 - 7455 (Land)
 - 7456 (Land Improvements > 5,000)
 - 7457 (Buildings)
 - 7458 (Building Systems > 5,000)
 - 7459 (Bldg Improvements > 5,000)
 - 7462 (Minor Capital Equip > 5,000)

Fund 12

- Capital expenditures
- Any charges booked to Fund 12 will be capitalized upon review of accounting team
- All Fund 12 expenditures require a CAF

Grant Funded Capital Purchases

- Capital assets purchased on a grant are charged to Fund 15 or Fund 16 and are not capitalized
- A&S purchases a \$200,000 microscope. \$150,000 is paid by a grant and \$50,000 is paid by the University.
 - Q: Is this capitalized?
 - A: Yes, as long as the University portion meets the requirements of a capital asset it can be capitalized. \$50,000 would require a CAF and be capitalized as an asset.

Grant Funded Example

- A&S purchases \$5,500 piece of equipment. A grant is paying for \$4,000 and the University is paying for \$1,500.
 - Q: Is this a capital asset?
 - A: No. The University portion is only paying \$1,500 for the equipment and therefore does not meet the criteria to capitalize.

Pcard Activity

- Fund 12 to be excluded from pcard chart string selection in Wells Fargo system
- If pcard is used then Fund 11 chart string will be selected and a journal entry with supporting documentation will allow charges to move to Fund 12 via journal entry

Examples

- License

- LTS purchases a \$100k software license for People Soft support covering the period 1/1/15 through 12/31/15
 - Q: Is this a capital asset?
 - A: No, this does not qualify as a Fund 12 purchase. This is a prepaid that will be expensed in period covered (\$50k expensed in FY15 and \$50k expensed in FY16). This is booked in Fund 11.

Examples

- Purchases under \$5k
 - Facilities buys one piece of equipment for \$3,500.
 - Q: Is this a capital asset?
 - A: No, this purchase does not meet the required \$5,000 threshold to be capitalized. This will be expensed.
 - Facilities buys several pieces of equipment, each under \$5,000, but all of the pieces together create one asset unit.
 - Q: Is this a capital asset?
 - A: Yes, even if the sum of the parts is under the threshold as long as the finished product meets the criteria it is considered a capital asset and should be booked against a CAF in Fund 12.

Questions?

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