CAPITALIZATION OF MOVEABLE CAPITAL EQUIPMENT

Policy Statement

This policy is intended to provide assistance in determining the proper accounting for capitalization of moveable capital equipment (also referred to as capital equipment) owned by Columbia University (the University or CU), titled to the University, under the custody of the University, or for which the University is accountable to the federal government and other sponsors. Relevant procedures are contained in the Property Manual. (insert link)

Reason for the policy

This policy provides the guidelines for the capitalization of moveable capital equipment.

Primary guidance to which this policy responds

This policy responds to good business practices and Financial Accounting Standard Board (FASB) and Generally Accepted Accounting Principles (GAAP) requirements for recording and reporting capital assets and depreciation expenses. The federal regulations to which this policy responds include:

- **FAR 52.245-1**, Government Property, Parts 35, 45, and 52
- **OMB Circular A-21:** Cost Principles for Educational Institutions
- **OMB Circular A-110:** Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (Relocated 2 CFR 215)
- **OMB Circular A-133:** Audits of States, Local Governments, and Non-Profit Organizations

Roles and responsibilities

1. Controller's Office

The Columbia University Controller's Office is responsible for the maintenance of this policy and for responding to questions regarding the policy. Responsibility for the capitalization of moveable capital equipment is shared by two groups within the Controller's Office: Capital Asset Accounting (CAA) and Research Policy & Indirect Cost (RPIC). This structure is designed to ensure both financial and government policies and procedures regarding equipment are addressed.

- **Capital Asset Accounting (CAA)**

CAA is the primary group responsible for capital equipment management at the University. The CAA Property Manager serves as the primary liaison to schools and departments for all capital equipment related processes and is responsible for ensuring compliance with Generally Accepted Accounting Principles and government regulations for capital equipment management at the University.

- **Research Policy & Indirect Cost (RPIC)**

  The overall responsibility of RPIC is to provide annual and final property reports for Government Owned/Furnished Equipment and other agencies or groups.

2. Custodial Departments

A departmental equipment coordinator or equivalent is responsible for the initial determination of the equipment as capital equipment.

3. Procurement Services

Three areas in Procurement Services are involved in the capital equipment cycle: the Purchasing Department, Accounts Payable Department and the P-Card program.

- **Purchasing Department**

  Responsible for tracking and monitoring operating and capital lease data charged to Subcode 6117- Major Moveable Equipment Lease/Purchase.

- **Accounts Payable**

  Responsible for providing Capital Asset Accounting (CAA) with quarterly reports of payment activity charges to Subcode series 61XX and 63XX.

- **P-Card Program**

  Responsible for monitoring capital equipment purchases on the P-Card and providing quarterly reports to CAA.

Revision history

This policy was originally distributed in January 1983. It was revised in January 1990 raising the capitalization threshold from $500 to $2000 and in July 2008 to $5,000.

Who is governed by this policy

This policy applies to all individuals who have custody, use or control capital equipment owned by the University, titled to the University, under the custody of the University, or for which the University is accountable to the federal government and other sponsors. Covered individuals include, but are not limited to, faculty, staff, students, contractors, consultants, those working on behalf of the University and/or individuals authorized by affiliated institutions and organizations.

Who should know this policy

Anyone who has custody, uses or controls capital equipment owned by the University, titled to the University, under the custody of the University, or for which the University is accountable to the federal government and other sponsors.

Exclusion or special situations

Real property (land & buildings), land and building improvements, building components, fixed assets (equipment affixed to real property), software, or minor equipment with a total acquisition cost of less than $5,000 are not covered under this policy.

Policy text

Any capital equipment having a total cost (or donated estimated value) equal to or greater than $5,000 and meets the following criteria must be capitalized:

- The estimated useful life of the item is equal to or greater than two years,
- The asset is moveable and is not permanently affixed to a building or structure,
- The asset is a non-expendable, tangible, personal property,
- The asset does not lose its identity in use,
- The property is of a non-consumable nature, and
- The property is not intended for sale in the ordinary course of operations, e.g. contract deliverables.

Specific capitalization guidelines for computer software are included in the policy, “Accounting for Costs of Computer Software Developed or Obtained for Internal Use”. (insert link)

1. Costs That May be Capitalized

The following costs MAY be capitalized (charged to Series 61XX of 63XX) when acquiring capital equipment:

➢ The net invoice price (after discounts or credits) of the equipment, including modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for its intended purpose.

- Ancillary charges, such as taxes, duty, freight, installation and protective in transit insurance.
- Capital equipment that is part of a fabrication project is also considered capital equipment, regardless of the dollar amount of the component items, provided that the total aggregate cost is $5,000 or more and the final fabricated asset will have a useful life of at least two years. If a new component extends the useful life or capability of an existing asset, it should be capitalized.

2. Costs That May Not Be Capitalized

The following costs may NOT be capitalized (charged to Subcode series 61XX or 63XX):

- Separate warranty costs of maintenance contracts, including items for which periodic invoices are received either monthly or annually such as software, licensing fees, separate warranty costs of maintenance contracts, etc.
- Government furnished equipment.
- Rearrangement, transfer, or moving of equipment from one University location to another, including the costs incurred in dismantling, transporting, reassembling and reinstalling such items in a new location.
- Equipment repair costs.

Note: Equipment repair costs may be capitalized or charged to Subcode series 61XX or 63XX ONLY when the department requesting the repairs states on a repair invoice or other documentation that the repair will add at least two years to the item's assigned useful life of the asset, or the repair is an enhancement of the asset.

3. Capital Equipment Subcodes

Since FAS does not have an asset tracking module, in order to isolate the transactions that would be considered for capitalization, we require that departments use Subcode series 61XX (for equipment purchases) and 63XX (for fabrications) to process requisitions and payments for capital equipment. The total of the charges to these Subcodes during the year becomes the basis for the amount that will be added to e-PRAIS®.

DEFINITIONS

Accountable Property
A term used to identify government property which is recorded in a formal accounting system and is controlled by an identification system and supporting records from its acquisition through disposal.
Capital Equipment
Capital equipment at Columbia University is defined as tangible, permanent item with a life of at least

two years that is held for purposes other than investment or resale and has a value of $5,000. Capital equipment (also referred to as moveable capital equipment, property or capital assets) includes University property and government owned property.

Capital Lease

Leases are considered capital leases under any of the following circumstances:

- Ownership transfers to lessee at end of lease
- Lease contains bargain purchase option
- Lease period is at least 75 percent of its useful life
- Present value of lease payment is at least 90 percent of fair market value

Component Parts

Component parts are add-ons and accessories purchased after the fact that either increase the useful life of the asset or add additional functionality. Component parts are considered capital assets.

Custodial Department

Custodial Department includes a school, department, center, or unit of the University having physical control of University capital equipment.

Depreciation

Depreciation is a method for allocating the cost of buildings and equipment over time. Generally accepted accounting principles and federal regulations dictate that the value of capital assets must be written off as an expense over the useful life of the asset. Depreciation expense is calculated in e-Prais based on the asset's estimated useful life.

Disposition

Disposition is the process of determining if capital equipment is an excess or an unusable asset. It is removed from inventory when it is no longer physically located on-site. Examples of asset dispositions include sale, scrap, donation, etc.

E-Prais

Proprietary asset management software used by the University to account for all moveable equipment either owned by the University or owned by the government and other sponsors.

Excess Equipment

A term that describes the lack of use or benefit a piece of equipment can give to a project or person. Any excess equipment, whether University funded or sponsor funded, should be considered eligible for disposition.

Fabrication

A fabrication is a one-of-a-kind creation. Fabrications are created by assembling a number of components (manufactured or custom made) to produce a piece of equipment that meets unique research specifications. Most fabrications are sponsor-funded and therefore have a number of compliance requirements related to acquiring and tracking equipment in an assembled fabrication .

Found Equipment

Equipment discovered by a custodial department which does not appear on the University capital equipment inventory records. Custody of found equipment is assigned to the user department. The value will be estimated by Capital Asset Accounting of the Controller's Office and the date found will be used as the date received.

General Purpose Equipment

Equipment which is not limited only to research, medical, scientific or other technical activities. General Purpose Equipment is not allowable as a direct cost to a sponsored project unless specifically budgeted for in the proposal or notice of award. Examples of general purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and computing equipment.

Gifts-in-Kind

The receipt of non-monetary gifts given to the University.

Government Property

Government property includes all property owned or leased by the Federal government. Such property acquired under contracts with the University includes:

- **Government furnished property:** property in the possession of or acquired by the government and subsequently delivered to or otherwise made available to the University for use under specified contracts and grants.
- **Contractor acquired property:** property purchased or otherwise provided by the University for the performance of a contract, title to which property is vested in the government by virtue of its procurement with government funds.
- **Excess government property:** property which is no longer required by the holding Federal activity and is available to other Federal agencies or Federal contractors such as the University.
- **Federal surplus property:** property which has been screened by all Federal agencies and generally made available to eligible institutions through the State Agency for Surplus Property.

Loaned Equipment

Loaned equipment is equipment either borrowed by the University from an external agency or by one University department from another, or loaned by the University to an external agency or individual.

Minor Equipment

Includes tangible personal property having a unit cost of less than $5,000 and having a useful life of less than two years. Minor equipment at the University is not considered “capital equipment” and is subject to indirect cost. Minor equipment should be charged to Subcode series 62XX.

Obsolete

A term that means an item can no longer meet its intended purpose and is no longer useful to the University.

Personal Property

Personal property at the University is defined as any movable item subject to ownership which is not real property.

Replacement/Repair Parts

Replacement/repair parts are generally considered minor equipment and should be charged to Subcode 62XX. However, replacement parts may be charged to capital equipment Subcode 61XX or 63XX regardless of cost, if the item:

a) extends the normal life expectancy of the asset by 2 or more years, or
b) adds additional functionality or is an enhancement to the asset.

Special Purpose Equipment

Equipment which is used only for research, medical, scientific, or other technical activities and is allowable as a direct cost to a sponsored project.

Surplus Equipment

Item that is no longer needed or required.
University Property
Equipment purchased with non-government funds, or acquired through private gifts or donations.

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