

SOUTHEASTERN UNIVERSITY

GENERAL ADMINISTRATIVE POLICY

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TITLE: Asset Capitalization

POLICY NUMBER:

EFFECTIVE DATE: February 9, 2001

REVISION DATE: July 24, 2008

ACCREDITATION STANDARDS:

POLICY:

The college shall capitalize certain expenditures and amortize them in future years based on its estimated useful life, roughly corresponding to normal wear and tear.

PURPOSE:

To provide guidelines for capitalizing costs.

To provide accurate record keeping and internal control for all capital expenditures.

To establish a capitalization policy consistent with IRS and FASB guidelines.

SCOPE:

The Asset Coordinator shall be responsible to maintain and enforce this policy. The Asset Coordinator shall maintain a computer database for all assets. Any additions, disposals or transfers shall be communicated to the Asset Coordinator.

DEFINITIONS:

Asset Costs – The uniform capitalization rules generally require capitalization of direct costs and an allocable portion of indirect costs attributable to producing real and tangible personal property or acquiring real and personal property used in trade or business. This amount should reflect the total cost plus the Net Book Value of the like-kind asset used for trade-in. Total cost is defined as the value allowed by the IRS at the time of acquisition.

Intangible Assets – are characterized by a lack of physical substance. Some examples are copyrights, patents, trademarks, etc.

Library Resources:

- Audio-visual Materials - DVDs and CDs primarily (some VHS and cassette tapes) and are generally kept until the technology used for them is obsolete (e.g. LPs and laser discs). If they are not damaged, the technology gets old before the items become out-of-date. Sound recordings are kept indefinitely.

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- Books - Cost \$10-\$100 each and are kept for approximately 20 years, though it varies based on their construction, content, and discipline. The estimated useful life of books is as follows:

General -	20 years
Religion -	30 years
Behavioral/Social Science -	25 years
Business -	20 years
Science -	10 years
Music -	30 years
Education -	20 years
Communication -	25 years
English -	30 years

- Electronic Resources - Many and varied and continue to change. Main categories include: periodical indexes, which allow searches by subject; periodical indexes with full-text, which allow searches by subject and the ability to read the article online; online journals (on a title-by-title basis); e-books; and specialized databases. These resources are new. Some are on a year-by-year subscription basis. If the subscription is cancelled mid-year, we lose access to all issues of the title(s). Other subscriptions are a one-time only purchase. Others are a combination of the two. These items will be expensed in the year purchased.
- Other – Software and microform. These items will be expensed in the year purchased.
- Periodicals - Are bound and kept indefinitely (unless replaced by a different format). Unlike books, periodicals are valuable as complete runs, so they are not "weeded" like books. Some subscriptions are not bound (e.g. popular magazines) and are kept for a given time period, often 2 or 3 years.

Most library resources are depreciated on a 10-year life, and are purged from the asset list based on the estimated useful life.

Personal Property – All assets not classified as Real. Some examples are office furniture (desks, file cabinets), office machines (fax machines, typewriters) and computer software or groups of assets (chairs for chapel).

Real Property – are land, buildings, leasehold improvements, etc. It includes most anything that is connected to the building structure including built-in desks or cabinets.

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Tangible Assets – are items of physical substance, as illustrated by land, buildings, machinery and equipment, office furniture, computers, etc. They provide services over a long range of time (greater than 1 year). They are exhausted or depleted through physical use.

FORMS AND APPLICABLE DOCUMENTS:

Property Plant & Equipment Depreciation Method & Life Policy
Property Plant & Equipment Data Base Management Policy

PROCEDURES:

All assets must meet the capitalization test before they are booked to an asset account in the general ledger. Only those costs associated with acquiring and installing the asset may be capitalized. Any questions as to whether specific costs are to be included as a part of the asset should be directed to the Controller.

Asset Capitalization Test: In order to record an asset to the General Ledger, ALL THREE criteria listed below must be met:

1. Value:
 - A. Personal property - per item cost must be equal to or greater than \$2,500.00; for a group of items, the total must be equal to or greater than \$10,000.00.
 - B. All other asset classes - per item cost must be equal to or greater than \$2,500.00, or 10% of the original cost.

AND

2. Life:
 - A. Must have a useful life of greater than (1) one year; or
 - B. Must extend the useful life of an asset by greater than (1) one year.

AND

3. Tangibles:
 - A. Must have title to the asset.
 - B. Must be able to physically identify the asset.

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APPROVAL:

DISTRIBUTION:

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