

Capitalization of Building

FIN-ACC-I-190



About This Policy

Effective Date:

07-01-1992

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07-01-2002

Responsible University Office:

The Office of the Treasurer/Capital Assets

Responsible University Administrator:

Vice President and Chief Financial Officer

Policy Contact:

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Related Information

* [Capital Standard Operations Procedures](#)

* [I-150, Capitalization of Movable Equipment](#)

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Scope

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Policy Statement

The cost of the building shall include all direct expenses. Construction costs shall include materials, labor, overhead directly related to the construction, building permits and fees "i.e., attorney and architecture". Interest on indebtedness related to the building will be capitalized during the construction process.

In order for costs to be capitalized and added to the cost of an existing building, they must meet the following criteria:

1. Expenditures per building for alteration or renovation must be at least Seventy-five Thousand Dollars (\$75,000) or twenty percent (20%) of the historical cost of the existing building at June 30 of the previous year, whichever is lower to be capitalized.
2. The improvement must be an attached fixture.
3. The expenditure must increase the life or enhance the utilization of the building.

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Reason For Policy

To define expenditures which will be classified as new buildings, building additions or major building renovations.

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Procedure

The building should be identified in the account description of the construction account utilizing the correct object on the Purchase Order and disbursement documents.

A list of the current object codes (income and expense classes) is available by contacting your campus Chart Manager (see listing; <http://www.fms.indiana.edu/fia/coaman.asp>) or the Quali Financial System's Object Code References Tables.

All capitalized building projects should be processed through a construction account or renewal and replacement account and should not be recorded in an operating account. Any federal funds used should be allocated to the correct disbursement object code.

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Definitions

An item is an **attached fixture** if removal of the addition causes major structural damage.

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History

The source to this policy is:

American Institute of Certified Public Accountants (AICPA) Guidelines for Colleges and Universities, GAAP