

# Capitalization of Movable Equipment

FIN-ACC-I-150



## About This Policy

Effective Date:

07-01-1992

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Responsible University Office:

The Office of the Treasurer/Capital Assets

Responsible University Administrator:

Vice President and Chief Financial Officer

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## Scope

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## Policy Statement

An item must meet two specific criterion in order to qualify as a capital purchase of movable equipment. It must have (1) an acquisition value of at least \$5,000 and (2) a useful life expectancy of one year or greater.

The acquisition value of movable capital equipment includes the university's cost of equipment and all additional costs necessary to place an asset in its intended location and condition for use. Additional costs that can be capitalized with equipment purchases include the cost of asset assembly, asset installation, freight, in-transit insurance, training for use of the asset, and preparation of the asset and/or asset site for its intended use. (See Note 1)

Examples of costs that are not considered movable capital equipment, regardless of the cost or useful life, are repair or replacement parts, and general maintenance and warranty agreements. Software license agreements are not capitalized unless ownership is indicated within the license agreement.

Movable equipment assets are capitalized net of cash, trade-in allowances and other earned discounts.

Movable equipment purchased in the university procurement system will generate a CAMS Document. The CAMS Document is used to capture asset details and location information necessary for the asset creation process. The CAMS Document is required to be completed within five business days of receipt of the asset/merchandise.

Generally, equipment that is attached to a building is capitalized as movable equipment when removing the equipment does not cause structural damage to the building and will not destroy the equipment.

Note 1: GASB Statement No. 34, paragraph 18.

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## Reason For Policy

To provide guidelines for the capitalization of movable equipment on procurement transactions and other financial documents.

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## Procedure

In order for an item to be secured as capital equipment, the correct capital object code should be utilized on the purchase and disbursement documents.

A list of the current capital object codes can be found at the CAMS Standard Operating Procedure [1.0 Capitalization Rules](#) or the Kualu Financial System Object Code References Tables.

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## Definitions

**Capital Assets:** Capital assets have an acquisition value of at least \$5,000 and a useful life expectancy of one year or more.

**Equipment:** The term includes delivery equipment, office equipment, machinery, furniture and fixtures, factory equipment and similar fixed assets.

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## History

The source to this policy is:

Office of Management and Budget (OMB) A-21, American Institute of Public Accountants (AICPA) Guidelines for Colleges and Universities, GAAP