



POLICY STATEMENT

University Constructed Equipment is a temporary account containing multiple items that will be combined to create a piece of capital equipment which, as a whole, meets the criteria of capital equipment (cost > \$5,000, useful life of more than one year, etc). When the item is complete and placed in service, costs are transferred to the appropriate capital equipment account category and depreciated over its useful life.

1. Budgeting Implications:
 - a. A grant may be budgeted for University Constructed Equipment, assuming the items will be combined and meet capitalization requirements as one or more individual items.
 - b. Indirect Costs will not be charged on University Constructed Equipment since it is assumed that the items will be capitalized. Therefore, the grant budget will not include Facility and Administrative recovery ("F&A") on University Constructed Equipment.
2. Charges to University Constructed Equipment
 - a. Principal Investigators ("PI") are responsible for reviewing charges to University Constructed Equipment accounts on a regular basis.
 - b. Only items that will be combined to create capital equipment may be charged to these accounts codes. General supplies and miscellaneous items may not be charged to University Constructed Equipment.
3. Procedures for Capitalization:
 - a. The PI is responsible for completing and submitting a [University Constructed Equipment Transfer Form](#) to his or her Research and Sponsored Programs Accounting ("RSPA") accountant.
 - i. In addition to this form, the PI must provide a listing of all individual items comprising the piece(s) of equipment.
 - ii. Ultimately, if some items in the University Constructed Equipment account were not used to create the final piece(s) of equipment and do not meet the capital threshold, these items must be transferred to a non-capital account.
 - iii. An exception to the > \$5,000 limit is allowed if items from multiple funds are combined to create a piece of equipment that meets the capitalization policy. In this instance the item(s) in University

Constructed Equipment in one fund may be < \$5,000, however when combined with charges in other funds they should be capitalized since the piece of equipment in total is > \$5,000. For Example:

Fund 1 Allocated Costs	\$2,000
Fund 2 Allocated Costs	\$1,000
Fund 3 Allocated Costs	<u>\$4,000</u>
Total Capital Cost	\$7,000

For this exception to apply the allocation method between funds must be clearly stated and justified. See policy “Determining Allowability of Costs”.

- b. The Transfer Form must be approved by both RSPA as well as the Manager, Plant Fund Accounting.
- c. Once the form is completed and approved, the RSPA accountant will generate a journal entry to move the appropriate items into capital equipment and provide a copy of the entry to the Manager, Plant Fund Accounting.
- d. Indirect Costs will be charged on all items not meeting the capital threshold and will be transferred to non-capital accounts (as noted in 3.a.ii above). If this action creates a fund overdraft, the excess must be transferred to a cost share account and funded by other sources such as F&A, discretionary or departmental funds.