What Is An Asset?
A Quick Guide in Determining Which Expenses Should be Capitalized

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Objectives
After this presentation, participants will be able to determine which expenses are or might be assets and what steps to take to record them, carry them through their useful lives, and dispose of them.

Topics
- Basic Overview: What is an Asset?
- Understanding the Big Picture: Why We Capitalize
- Putting it to Practice: Am I an Asset?
- I Am an Asset – Now What?
- Donations – Don’t Forget About Us
- Letting Go: When It’s Time to Say Goodbye
- Reference Items and Links
Basic Overview: What is an Asset?

Asset Defined:

- Capital equipment is defined as equipment having a useful life of more than one year AND a cost of $5,000 or more

- Costs include: purchase price, shipping, installation, training, and some warranty costs

- Capital equipment may be acquired through purchase, donation, trade-in, construction, lease purchase or component building

Assets Do Not Include:

- Repairs, maintenance, extended warranties, annual subscriptions and software renewals
Understanding the Big Picture: Why We Capitalize

Why We Capitalize:
- Financial reporting
- Insurance purposes
- Budgeting
- Equipment control and utilization

Capital Assets
Useful life beyond a single reporting period AND include:
- Land and land improvements
- Easements
- Buildings
- Vehicles
- Machinery and equipment
- Works of art and historical treasures

Depreciation
Depreciation occurs over the life of the asset, allowing us to record the expense over time, and specifically, over the time the asset provides an economic benefit.
Putting it to Practice: Am I An Asset?

What to look for:

• 1 – Any purchase in the high $4,000 range and up

• 2 – Identify what is being purchased
  • Could this item be useful longer than one year?
  • Determine whether it’s something that has the qualifying characteristics
    • Single item that meets threshold
    • Multiple items that are combined to become one piece

• 3 – What makes up the cost?
  • Costs that are part of the asset:
    • Purchase price, installation, additional parts, training, warranties

• 4 – Am I an asset?

Let’s look at a few invoices and practice!
Putting it to Practice: Am I An Asset?

Example 1:

Full Compass Systems
- See Attachment A
- Invoice Amount?
- What was purchased?
- What is the expected life?
- Should we capitalize?

[Attached invoice image]
Putting it to Practice: Am I An Asset?

Example 2:

MediaRight

- See Attachment B
- Invoice Amount?
- What was purchased?
- What is the expected life?
- Should we capitalize?
Putting it to Practice: Am I An Asset?

Example 3:

Li-Cor Biosciences

- See Attachment C
- Invoice Amount?
- What was purchased?
- What is the expected life?
- Should we capitalize?
The UNC Foundation:

- The UNC Foundation handles all donations received
- This allows the donor to receive tax benefits along with donor recognition
- Below is the information required when accepting donations:

**Required items:**

- Donor information (used to complete GIK Form)
- Completed Gift-In-Kind Acceptance Form (Attachment D)
  - Should be completed by the person at UNC that is accepting the donation
  - This person should ask the Dean or department head if the donation should be accepted
- If the GIK is greater than $5,000:
  - An appraisal for the donation (obtained by the donors)
  - Completed IRS Form 8283 Noncash Charitable Contributions (Attachment E)
    - Completed by the donors and signed by the Foundation
I Am an Asset – Now What?

What to do next:
• Keep in mind that all purchases over $5,000 require a Purchase Order
  • Be diligent in reviewing large-dollar purchases

• When making purchases be sure to use a “79xxx” account code
  • Here are some of the most common codes:
    • 79170 “Capital Outlay – Other Equipment”
    • 79160 “Capital Software/Licenses”
    • 79880 “Capital Outlay Art Historic Treas”

If it didn’t get recorded correctly:
• If an initial purchase was under $5,000 but the final invoice is over the threshold and
  is an asset, notify the property accountant and submit a journal entry correcting the
  expense account

• Even if there is not budget in a “79xxx” line, the expense needs to be recorded in that
  account group for financial reporting purposes

The accounting side:
• An asset tag will be assigned with a unique number for the asset, which is used to record
  the purchase in Banner, our Asset Database, and for tracking purposes
Letting Go: When It’s Time to Say Goodbye

The Asset Life
It is always intended that assets be kept through their useful life for the benefit of the University; however, this does not always happen.

Events that require certain forms to be submitted:
- Capital Equipment Trade-In Form (Attachment F)
- Capital Equipment Transfer Form (Attachment G)
- Capital Equipment Surplus Form (Attachment H)
- Lost, Stolen, or Missing Equipment Form (Attachment I)
- Off-Campus Equipment Form (Attachment J)

Other Items
- Equipment/Supplies Donation Form (Attachment K)
  - For surplus donations to nonprofit agencies
  - Original value of asset(s) under $5,000
Thank You!

Reference Links

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Reference:
- www.unco.edu/acctservices/genacct/propmvmt.htm
- http://www.unco.edu/acctservices/genacct/property_accounting.htm