University Constructed Equipment

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. See the Capital Asset Accounting Policies. 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. Grant 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 the items will be capitalized.
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 this account code. General supplies and miscellaneous items may not be charged to University Constructed Equipment.

3. Procedures for Capitalization:
    a. The PI, or another individual with proper authority and sufficient knowledge of the constructed asset, 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, or their representative, must provide a listing of all individual items comprising the piece(s) of equipment.
        ii. Annually, 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. It is allowable for multiple funds to contribute to the construction of a capital asset, even if their individual contribution is less than $5,000.

For Example:

Fund 1 Allocated Costs	$2,000
Fund 2 Allocated Costs	$1,000
Fund 3 Allocated Costs	$4,000
Total Capital Cost	$7,000

For this practice to be allowable, 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 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 to a capital equipment account 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 non-grant fund, such as F&A, discretionary or departmental funds.