Policy 4.9
Capitalization of Equipment

Responsible Official: Vice President for Finance
Administering Office: Office of Grants and Contracts Accounting
Effective Date: September 1, 2009
Last Revision: December 1, 2010

Policy Sections:

I. Types of Equipment
   A. Moveable Equipment- Assets with a life expectancy of more than 1 year that can be moved are tagged and tracked at a cost of $5,000 or higher per unit.
   B. Supplies-Noncap Equipment- Assets with a life expectancy of more than 1 year that can be moved but, have a unit cost of less than $5,000 per unit.
      ** This equipment is capitalized but not tracked/tagged on an individual basis.
   C. Fixed Equipment- Assets that are attached to a structure in such a way as to cause damage or become inoperable if removed. Assets are tracked by location but are not physically tagged.
   D. Nontitle equipment- Assets for which Emory has no legal right to sell, dispose and or transfer.
   E. Titled equipment- Assets for which Emory has legal right to sell, dispose and or transfer. Unless specifically stated on the award, title to equipment purchased on an active grant automatically vests in the University when received.
   F. Fabricated Equipment- This type of moveable equipment is assembled from various individual parts that when completed operate as an individual unit.
   G. Integrated System- An integrated system may be treated as a unit and capitalized as moveable equipment if the use of each item is interdependent of the other and non-functional without all items combined. An example of this would be a cognitive testing system that is comprised of the following items:
      - A touch screen
      - An antenna and reader
      - A camera
      - A pellet dispenser

II. Costs to be capitalized- The cost of the equipment to be capitalized is the invoice cost per unit and includes all of the incidental costs necessary to place an asset in its intended location and setup in condition for use.
   Examples include cost of freight, installation, in-transit insurance, testing and preparation.

III. Costs not capitalized- The cost for repair or replacement parts, general maintenance, and warranty agreements.

IV. Account codes- The following accounts have been established in the PeopleSoft Accounting System (Compass) to be used for the purchase of equipment.
   - 75200 (Movable Equipment)- > Equal to or Greater than $5,000 per unit
   - 53800(Supplies-Noncap Equipment)-< Less than $5,000 per unit
   - 75220 (Fixed Equipment)
   - 75225(Non-title Equipment)
V. Acquisition methods

**Purchase** - University equipment is acquired through Emory Express. Once a requisition has been approved by the department and school administration, the requisition(s) that contains a capital equipment account code (75XXX) routes to the Asset Management staff where an asset identification number is assigned.

**Gift** - A gift of equipment if accepted by the University will ultimately get recorded on the financial statements at its Fair Market Value and will be classified as a gift without any donor restrictions. The Development and Alumni Relations Office safeguards the acceptance of noncash gifts and should be contacted when a department is offered a gift of equipment.

**Trade-In** - A trade-in occurs when a piece of equipment is returned to a vendor for value in order to obtain an updated piece of equipment or new equipment. All trade-ins of equipment purchased with sponsored funds should be approved by OGCA to determine if prior approval from the sponsor is required. Once approved the Asset Management staff should be notified to retire the asset and record any journals required to reflect the gain or loss on the transaction.

**Exchange** - An exchange occurs when a piece of equipment is replaced with another piece of equipment. OGCA must be informed so the equipment inventory can be updated to reflect the transaction and the newly-exchanged-for asset can be properly tagged.

**Leasing Equipment** - An analysis is made by the Procurement Department to determine whether a lease should be capitalized and tracked in the asset module. Leased equipment will be capitalized when any one of the following criteria is fulfilled:

- By the end of the lease term, ownership is transferred to Emory.
- The lease contains a bargain purchase option. This is the most common criteria met. If a lease contract allows Emory to purchase the item at the end of the lease term for $1 or other bargain price, the lease is likely capital.
- The lease term is substantially (75% or more) equal to the estimated useful life of the leased equipment.
- The net present value of the minimum lease payments is 90% or more of the fair value of the leased property.

**Transfers into Emory University** - When a Principal Investigator brings equipment from another University, a list of this equipment should be provided to the Asset Management Staff in order to account for the equipment not purchased with Emory funds. (See Forms Section: Equipment transfer-In Form)

VI. Accountability of University Equipment

**Tagging Process** - The initial accountability of equipment is conducted by the Asset Management staff through placing a permanent bar code sticker on every capitalized piece of equipment. This tag number is recorded in the Compass Asset Management Module along with other information about the equipment including the building and room location.

**Inventory Process** - According to OMB Circular A-110 a physical inventory of equipment should be taken at least once every two years and reconciled to the asset module. Departments should communicate to OGCA any changes in equipment status. This insures that the information in the asset module is current and equipment assets are properly recorded.

**Physical Inspection** - Once the inventory process is complete; the Property Management office periodically performs a random spot check of department equipment.

**Equipment Status Change** - Departments should communicate any changes in equipment status to the Asset Management staff by completing an equipment status change form that is located on the OGCA website.

The following status changes represent some of the status changes that should be communicated to Asset Management:

- Equipment is being loaned to another department or institution
- Equipment was moved to another location within Emory
- Equipment sold to a third party
- Equipment was traded-in/exchanged with the vendor
- Equipment was transferred to another institution
- Equipment is lost/stolen or obsolete

VII. Depreciation of Moveable Equipment
Depreciation is calculated on a straight-line basis over the useful life of the asset. With the inception of Compass, the University and Healthcare units are using an actual day convention for all acquisitions made beginning in FY2010. Acquisitions prior to FY2010 continue to depreciate based upon their original convention, which was a half-year convention for the University.

**Estimated useful lives are as follows:**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Useful life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture</td>
<td>20</td>
</tr>
<tr>
<td>Academic support</td>
<td>10</td>
</tr>
<tr>
<td>Scientific equipment</td>
<td>10</td>
</tr>
<tr>
<td>PC and computer equipment</td>
<td>5</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5</td>
</tr>
<tr>
<td>Supplies-Noncap equipment</td>
<td>3</td>
</tr>
<tr>
<td>Supplies-Software</td>
<td>3</td>
</tr>
</tbody>
</table>

VIII. Disposal of Moveable Equipment
The University Surplus Department should be contacted to remove any furniture & equipment no longer needed by the department. This option should only be used if the equipment is essentially worthless. The desired option would be for the department to contact other school/departments within the Emory campus that could benefit from the use of the equipment. To schedule a pickup see link below.

http://www.fm.emory.edu/surplus/

Departments need to be cautious when disposing equipment purchased with sponsored funds. There are specific guidelines for the proper disposal of equipment purchased on an active federal project. For more information please refer to OMB Circular A-110 link below or contact Renee Corsello at 7-2287.

http://www.whitehouse.gov/omb/circulars_a110/

**Disposing Non-title Equipment**
An exception exists for equipment not owned by Emory. If a piece of equipment has a special tag or has not been tagged, the equipment may not be owned by Emory and may need to be returned to the Agency or other entity. Contact the Asset Management staff to help identify equipment ownership and the proper disposition method.

IX. Sale of Equipment to third party
Although selling equipment to a third party may result in the most profitable way to dispose of equipment the University is responsible for collecting sales tax of 7% from the sale unless the third party is a tax exempt entity. For more information contact the Tax Manager -Carol Carter at 404-727-5334.
X. Communication of changes in status of Equipment
Regardless of the disposal method, the department will need to complete the status change/disposal form to remove the equipment from the asset module. Completing the form timely will result in more reliable inventory records and better management of our equipment. Please refer to link below.
http://www.ogca.emory.edu/post/other/Moveable_Equipment.cfm

XI. Roles & Responsibilities

Asset Management Staff
a. Tag and track all moveable equipment purchased or donated to Emory.
b. Maintain capital equipment records for the useful life of the asset.
c. Track internal department transfers
d. Update equipment status changes documented via Equipment Status Form.
e. Verify capital equipment purchases via workflow in Emory Express.
f. Randomly spot check capital equipment to test the validity of the equipment database. Any discrepancies found from the random check will need to be resolved by the department.
g. Provide a moveable equipment listing to departments upon request.

Schools/Departments
a. Oversee all capital equipment purchases for the department(s).
b. Complete the equipment status change/disposal form on a timely basis.
c. Conduct a physical Inventory of capital equipment every two years with the assistance of the Asset Management staff
d. Report any gifts of equipment to the Development & Alumni Relations Office.

XII. Forms:
Links will be provided

http://policies.emory.edu