

Asset Management Business Process Summary

Effective July 1, 2013

Scope of Project

Effective July 1, 2013 the business process for recording of capital asset equipment purchases at the department level will change. Capital equipment purchases will be recorded to expense account *850101 Capital Equipment - Purchases*. When the asset is capitalized, the asset will be recorded to the balance sheet on a central DeptID. All depreciation will also be recorded at the central DeptID.

The business process applies to equipment purchases only.

Capital Equipment Purchase

A department purchases capital equipment following the same purchasing process as any non-capital purchase. Requestor selects Equipment as the category/profile on the Requisition in EFS.

Capital equipment purchases will be recorded to departmental chartstrings. All fields are the department's discretion except account. Transaction will be recorded to account *850101 Capital Equipment - Purchases*.

Split-distribution funding can still be used, splitting the cost of the purchase between multiple DeptIDs/chartstrings with the account (850101) remaining constant.

Accounting transaction:

Debit:	850101 Capital Equipment - Purchases
Credit:	200100 Accounts Payable

Asset Receiving

The purchase will be received in PeopleSoft using the same receiving process as any non-capital purchase for the three-way match process. Procurement Specialists will continue to receive capital equipment. Power receiving in PeopleSoft will no longer be used for capital equipment.

The requestor will continue to complete the Asset Receiving Form. The form will be submitted to Cluster Directors (or appropriate departmental staff) for imaging with the invoice.

Inventory Services will retrieve imaged invoice and asset receiving form from ImageNow to complete the capitalization process.

Asset Capitalization

Inventory Services will capitalize equipment assets by reviewing invoices and asset receiving form (no change to current process).

When an asset is capitalized, PeopleSoft will record the transaction to a central DeptID and central Program value. The Fund will be inherited from the original chartstring. The clearing account to remove the purchase from the income statement will be expense account *850102 Capital Equipment - Clearing*.

There is one Central DeptID for each campus. There is one central Program for each Function.

- PeopleSoft will determine the correct central DeptID based on the Department Tree.
- PeopleSoft will determine the correct central Program value based on the function assigned to the Project or Program value used by the department. If a Project value exists on the chartstring, PeopleSoft looks for the function code on the Project, if no function code exists or no Project value exists, PeopleSoft uses the function code assigned to the Program value used by the department.

At the department level, the purchase remains in the original purchase string – account 850101. At the central level, the purchase is removed from the expense account and recorded to the balance sheet – account 850102.

At the University level, no capital asset purchase remains on the expense codes.

Accounting transactions example:

Purchase:	Debit	1000.10006.20135.850101 Capital Equipment - Purchases
	Credit	200100 Accounts Payable
Capitalize:	Debit	1000.90009.CA310.168250 Capital Equipment
	Credit	1000.90009.CA310.850102 Capital Equipment - Clearing

Depreciation

Depreciation will be recorded at the central DeptID and Program value. Departments will no longer see depreciation expenses recorded to the departmental chartstring. As a result, no depreciation expenses will be included on UMRports.

Reports will be created for departments/RRCs/ISOs that need the depreciation information. Reports will include acquisition chartstring information, asset ID, depreciation amount, and other values as needed.

Asset Retirements / Sales / Trade-Ins

Assets will be retired at the central DeptID and central Program values.

Proceeds from the sale of the asset will be recorded to the department chartstring. All chartstring values are selected by the department except the account. *All deposits are recorded to account 850103 Capital Equipment – Proceeds from Sales.*

Note:

- Deposits are to be recorded to non-sponsored funds only.
- In the unlikely event a department is selling an asset on an active project - please contact SFR for process instructions.

Gains resulting from the asset retirement are recognized at the department level through account 850103 when the deposit is made.

Losses resulting from the asset retirement are recorded at the central level.

Note: Only one trade-in will be allowed per asset purchase. If multiple assets are traded-in for one asset purchase, Inventory Services will determine which asset to treat as the trade-in. The remaining assets will be retired.

Accounting transaction examples:

- **Assets retired with loss no proceeds:**

Example: Asset retired with no proceeds. Asset original cost \$5,000, Accumulated Depreciation \$3,500.

Assets retired by Inventory Services with proceeds and loss:

Debit	168925 Accumulated Depreciation	\$3,500
Credit	168250 Capital Equipment	\$5,000
Debit	890105 Loss on Sale of Asset (central level)	\$1,500
	<i>(All transactions recorded at central level)</i>	

- **Assets retired with proceeds and gain:**

Example: Department sells a fully depreciated asset for \$1,000. Asset original cost \$5,000.

1. Proceeds received by department - \$1,000:

Debit	100xxx Cash	\$1,000
Credit	850103 Capital Equipment – Proceeds from Sale	\$1,000
	<i>(Department chooses all chartfields except account)</i>	

2. Assets retired by Inventory Services with proceeds and gain:

Debit	168925 Accumulated Depreciation (central level)	\$5,000
Credit	168250 Capital Equipment (central level)	\$5,000
Debit	850103 Capital Equipment – Proceeds from Sale (central level)	\$1,000
Credit	890106 Gain on Sale of Asset (central level)	\$1,000

- **Assets retired with proceeds and loss:**

Example: Department sells an asset for \$1,000. Asset original cost \$5,000, Accumulated Depreciation \$3,500 (BV \$1,500). Loss \$500

1. Proceeds received by department - \$1,000:

Debit	100xxx Cash	\$1,000
Credit	850103 Capital Equipment – Proceeds from Sale	\$1,000
	<i>(Department chooses all chartfields except account)</i>	

2. Assets retired by Inventory Services with proceeds and loss:

Debit	168925 Accumulated Depreciation	\$3,500
Credit	168250 Capital Equipment	\$5,000
Debit	850103 Capital Equipment – Proceeds from sale (central level)	\$1,000
Debit	890105 Loss on Sale of Asset (central level)	\$500
	<i>(All transactions recorded at central level)</i>	

- **Assets retired with trade-in:**

Example: Asset traded-in for new asset. New asset cost \$7,000. Traded-in Asset original cost \$5,000, Accumulated Depreciation \$3,500. Trade-in value \$2,000.

1. New Asset purchased by Department

Debit	850101 Capital Equipment – Purchase (dept level)	\$5,000
Credit	200100 Accounts Payable	\$5,000
	(Original cost of asset \$7,000 less trade-in value \$2,000)	

2. Asset traded-in retired by Inventory Services (all central level):

Debit	168925 Accumulated Depreciation	\$3,500
Credit	168250 Capital Equipment	\$5,000
Debit	890105 Loss on sale of Asset (central level)	\$1,500

3. Capitalize new asset with trade-in (all central level):

Debit	168250 Capital Equipment	\$7,000
Credit	850102 Capital Equipment – Clearing	\$7,000
Debit	850102 Capital Equipment – Clearing (trade-in value)	\$2,000
Credit	850106 Gain on Asset Disposal	\$2,000

Asset Transfers

There are two types of asset transfers: custodian only and financial (asset purchased on wrong account string).

Custodian transfers:

Department completes asset transfer form. Inventory Services updates asset management with custodian information. No accounting entry required.

Financial transfers:

If the asset has not been vouchered, department completes a Purchase Order change order to update chartstring with correct information.

If asset has been vouchered, department completes the Asset Transfer form and submits to Inventory Services for processing.

- Inventory Services updates acquisition information in Asset Management.
- Accounting Services completes journal entry to transfer asset at the departmental level.
- Asset Management module creates journal entry to transfer to correct central chart string.

Fabrications

A Department purchases a capital equipment fabrication part following the same purchasing process as any other non-capital purchase. Requestor selects Fabrication as the category/profile.

A department must complete a Fabrication request form and receive approval BEFORE the purchase order or purchase is completed.

All fabrication purchases must be approved by Inventory Services before purchase. Fabrications require a fabrication number to be referenced in the **PO Line Item Description** field on all purchases orders. (No change to current process.) [Note, prior to 6/28/13 this incorrectly said 'PO Header Comment'.]

The fabrication purchase will be recorded to departmental chart strings. All fields are the department's discretion except account. Transaction will be recorded to account *850104 Equipment Fabrication - Purchases*.

Split-funding can still be used splitting the cost of the purchase between multiple DeptIDs with the account (850104) remaining constant.

Accounting transaction:

Purchase:	Debit	850104 Capital Equipment - Fabrication Purchases
	Credit	200100 Accounts Payable <i>(Department chooses all chartfields except account)</i>
Capitalize:	Debit	1000.90009.CA310.168250 Capital Equipment
	Credit	1000.90009.CA310.850105 Capital Equipment – Fabrication Clearing <i>(Transactions recorded at central level)</i>

All fabrication projects will be capitalized one year from initial purchase unless multi-year approval has been received from Inventory Services. After capitalization, any additional expenses will be considered an upgrade and will need to meet the upgrade criteria to be capitalized.

Transition of Existing Data

Open Purchase Orders at 6/30/13:

- Capital Asset purchase orders will be closed by Purchasing on 6/26/13.
 - July 1st – new POs will need to be created for purchases not completely vouchered.
 - Purchases > \$5,000 will be setup as capital equipment purchases.
 - Purchases < \$5,000:
 - If the item has not yet been received, record to 7501xx.
 - If the item was received in FY2013, setup as Capital Equipment (possession was in FY13, follows FY13 capitalization threshold).

Accounting Services will provide information for creating new purchase orders.

Fully depreciated assets < \$5,000:

- Asset disposal will occur prior to the conversion to new accounts.
 - Criteria:
 - < \$4,999.99
 - Fully depreciated
 - Non-sponsored funds only (no sponsored funds, no cost share)

Conversion entries:

- Transactions identified below will be recorded to Period 998.
- Project costing flag will be populated to ensure transactions are not picked up in Project Costing process.
- UM Reports (sponsored and non-sponsored) do not include Period 998.
 - Departments will not see the conversion entries on their reports.
- All entries will include journal import ID "Conv" to easily identify/exclude from queries.
- Note: Query users – exclude Period 998 from your query results.

Account 168001 transactions:

- Purchases that have not yet been capitalized.
- Reclass to 850101 Capital Equipment – Purchases.

Accounting Entry (General Ledger only) example:

Debit	1000.10006.20135.850101.xxx.xxx.xxx	\$5,000
Credit	1000.10006.20135.168001.xxx.xxx.xxx	\$5,000

Capitalized equipment – currently depreciating:

- Transfer assets from 168250 department level to 168250 central level.
- Transaction occurs in AM. AM will create journal entry.

Accounting Entry example:

Debit	1000.10006.20135.850101.xxx.xxx.xxx
Credit	1000.10006.20135.168250.xxx.xxx.xxx

Removes asset from department chartstring – no change to available balance

Debit	1000.90009.CA310.168250
Credit	1000.90009.CA310.850102

Records asset at central level

Note: Asset will depreciate at 1000.90009.CA310.Depreciation Expense.

Table will continue to house ORIGINAL purchase string. Information can be accessed via UMReports.

Capitalized equipment – fully depreciated

Same process as currently depreciating assets.

Departmental Reports:

The following UM Reports will be created based on departmental requests and will reside in a new Asset Management folder:

- Asset Capitalization Report
- Asset Disposal Report
- Asset Management Depreciation Expense Report
- Asset Management Depreciation Schedule Report

Note: All reports include prompts to run by multiple DeptIDs or RRC level.

In addition, the following table will be added in the data warehouse for queries: UM_AM_COST_HIST