

# Financial Services

## Guidelines for Processing Capital Purchases

- 1) **WHAT IS CAPITAL EQUIPMENT?** - You must assess whether or not an item to be purchased is Capital Equipment. To correctly assess equipment as Capital, use the following criteria (as per policy):

Equipment ownership rests with the University, whether purchased with operating funds, grant funds or leased to purchase.

The useful life expectancy is one (1) year or more from the date acquired by the University.

Equipment has a unit cost of \$2,500.00.

Unit is freestanding or has the **ability** to be a freestanding unit.

Unit is not joined permanently to a building or other permanent structure.

Unit is joined to a building or other permanent structure, but does not lose its identity, shape or usefulness upon removal or detachment from its original location.

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- 2) **EXPENSE CODES – EQUIPMENT RELATED** - All items with a dollar value over \$2500 and that are considered Capital Equipment as per the above noted criteria, must be coded with one of the following account codes from the 7M category:

- 726001 - Works of Art/Museum Pieces
- 726101 - Computer Systems & Related Hardware purchases
- 726102 - Laptops
- 726103 - Networking Hardware
- 726105 - Internal Leased – Computer Network HW
- 726161 - Audio/Visual Electronics
- 726162 - Internal Leased – A/V Equipment
- 726201 - Vehicles
- 726202 - Farm Equipment (vehicles)
- 726203 - Internal Leased – Vehicles/Farm Equip
- 726301 - Equipment under Capital Lease (see lease guidelines)
- 726401 - Office Furnishings
- 726402 - Office Equipment
- 726403 - Internal Leased – Office Equip & Furnishings
- 726411 - Scientific & Research Equipment
- 726412 - Internal Leased – Scientific & Res Equip
- 726421 - General Equipment
- 726422 - Internal Leased – General Equipment
- 726431 - Ground Mtce Equipment
- 726432 - Building Mtce Equipment
- 726433 - Internal Leased – Maintenance Equipment
- 726441 - Sports and Athletic Equipment
- 726442 - Internal Leased – Athletic Equipment

Non-Capital Equipment Account Codes (under \$2500):

- 706004 - Office Furnishings
- 706005 - Office Equipment
- 706107 - Lab Equipment
- 706202 - Audio Visual Equipment
- 706520 - Sports/Athletic Equipment
- 706702 - General Equipment
- 706801 - Computer Hardware
- 706802 - Computer Software
- 706803 - Networking Hardware

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Non-Capital Equipment Account Codes (under \$2500) cont'd:

- 706903 - Maintenance Equipment
- 706920 - Cleaning Equipment
- 707002 - Dental Instruments/Equipment
- 740203 - Rental/operating lease pmts for equipment
- 740204 - Rental/operating lease pmts for computer equipment

Repair/Maintenance Account Codes for equipment are as follows:

- 740001 - R & M - General Equipment
- 740002 - R & M - Vehicles
- 740003 - R & M - Computer Hardware
- 740004 - R & M - Computer Networks
- 740005 - R & M - Office Equipment
- 740006 - R & M - Telecommunications Equip

- 3) **EXPENSE CODES – BUILDING/LAND RELATED** - Purchases relating to new construction/renovations and/or repair & maintenance of buildings or land, must use the proper accounts as noted below:

**730XXX** - All purchases relating to new construction/renovations of buildings must be coded with accounts beginning with the **730 – Capital Land Building Acquisitions** group.

**7401XX** – All purchases relating to repair and/or maintenance of buildings or land must be coded with accounts beginning with the **7401 - Building Repairs & Maintenance** group.

All Work Orders, Purchase Requisitions and ID Charges must include a proper description of the work being done. They must also include the Physical Plant work order #, as well as the room # and the name of the building where the work is taking place. ***This information is critical as costs for all new construction projects and renovations must be gathered for Financial Reporting purposes.***

- 4) **LOCATIONS** - Please ensure that the location for Capital Equipment is entered when completing the FOAP(L) on an order. It's important that the location for the person receiving the equipment is used, if known. This information automatically populates Fixed Assets when a Purchase Order is processed for Capital Equipment. In most cases, the location will be the same as the Ship To: address.

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- 5) **Commodity Code** - It is important that you completely identify/describe the equipment being purchased or the renovation/repair work being done. This will enable Purchasing Services to assign a correct Commodity Code or to equipment and to ensure that building expenses are coded correctly. This information is automatically transferred over to Fixed Assets from the Purchase Order. Since you are requesting the order, you will have a better idea as to what the item is and what it is used for. **It is not enough to just provide the product code or part #.** (see item # 6)

6) **DESCRIPTIONS OF CAPITAL ASSET PURCHASES** :

- a) **Equipment Requisitions** - When setting up requisitions for equipment, please ensure that a *complete* description of the unit is provided. The basic description of the unit should be the first line. Then include any additional information required, as well as, Make/Mfg, Model #, product codes or Catalogue #'s.

E.g.   Laser Printer                                      or       Liquid Nitrogen Dry Shipper  
      H P    LaserJet 4250TN                            FORMA     8040

This will ensure that the proper information for the item to be purchased is reflected in the Fixed Assets system.

- b) **Building/Land Related Requisitions** - Please ensure that any requisitions, work orders and related ID Charges have all pertinent information relating to the project. This should include the Physical Plant Work Order #, if applicable, proper descriptions and locations of work being done. The location must include building name and rm # where the work is being done.

- 7) **QUANTITY** - **Never** process more than one of the same type of Capital Equipment item as 1 lot. If 3 of the same units are being ordered for \$2500.00 each, then it should be 3 units, with a unit cost of \$2500.00, for a total commitment on one line of \$7500.00. This will prompt 3 fixed asset tag #'s to be assigned. If 1 lot is used for several items, then only one # is issued for the total commitment.

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- 8) **EQUIPMENT SYSTEMS** - When processing equipment with several components, such as computer bundles, microscopes, etc, it is advisable that the whole unit is captured as one system or unit. All components and/or pieces that are an integral part of the whole working unit should be captured as one. Some exceptions may apply. If the component(s) can be free standing, or easily used with another unit or system and the limit is over \$2500.00, then a new line should be used to prompt a property # for that item. This can then be associated with the main unit in Fixed Assets as a component.
- 9) **SYSTEM UPGRADES / BETTERMENTS** - When purchasing upgrades to existing systems (whether for existing computer systems or Research equipment), you must determine whether the upgrades (or all components forming one upgrade), fit the Capital Equipment criteria before setting up the P O. If the total upgrade has a final cost of \$2500.00 and enhances the usefulness of the original piece of equipment, then the upgrade must be set up in AURORA and the account # of the original unit purchase should be used. Please ensure that you provide the Capital Equipment tag # of the main unit that is to be upgraded.
- 10) **STANDING-ORDERS**- Standing-orders are **not allowed** for Capital Equipment related purchase orders.
- 11) **TRADE-INS** - When a department wishes to trade-in equipment in order to purchase new equipment, a fully completed, properly signed Asset Disposal Form should accompany their requisition. This will facilitate the correct information for the trade-in being recorded on the Asset Disposal Advice form by the buyer, such as the new Purchase Order #. The Asset Disposal Advice form will then be forwarded to Capital Asset Management for final processing.
- 12) **PROFESSIONAL DEVELOPMENT** - Capital Equipment may **not** be purchased on Professional Development accounts. When a department places an order requesting that such accounts be used for the purchase, the order will be changed to the appropriate Capital Equipment account code(s) and processed in the normal manner. Any claims regarding Professional Development must be made through Budget & Grant Accounting Services.

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- 13) **SYSTEMS CONTRACT & PURCHASING CARD** - Capital Equipment items may **NEVER** be purchased on a Systems Contract, through an expense claim or with the Visa Purchasing Card.
- 14) **CIDA EQUIPMENT** - Any equipment purchased on CIDA Grants, that is being shipped directly to foreign countries and which will remain there at the end of a Research Project, should not be captured as Capital Equipment. These items should be coded with an account for equipment purchases not capitalized (see item 2) above for listing). A comment should always be noted in the body of the P O as to the final destination and the Research Project Number. **CFI orders are the exception. The University is required to report on all equipment purchased with these Grants, regardless of location.**
- 15) **LEASED EQUIPMENT** - Any equipment that is purchased on a lease that meets the criteria set out on the Lease Guidelines document should be Capitalized. Authorized Leases for any Capital Equipment should be processed so that the lease payments can be tracked on the same PO #, right till the end of the lease term. This would mean that the same P O # should be used every year until complete. **All Capital leases are to be paid annually, not monthly.** Monthly rental payments for equipment received from unauthorized Leasing Co's should be posted to account code "740203 – Equipment Rental" or "740204 – Computer Rental".  
**See " Procedures for Processing Leases / Rentals for Equipment ".**

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- 16) **CFI Equipment Orders** – All requisitions for any equipment and Capital Infrastructure, such as lab renovations, (regardless of value) that is to be purchased on any CFI (Canadian Foundation for Innovation) Grant Accounts, must first be authorized by: Aaron Duncan, Research Accountant (Institutional funding), Research Accounting Services.

**It should be noted that due to the strict nature of these grants, purchases of any type or dollar value (equipment or otherwise) may not be made using the VISA Card, Systems Contract or Bookstore ID Charges.**

If you have any questions or concerns regarding any of the information noted in these Guidelines, please contact:

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