

## CENTRAL WASHINGTON UNIVERSITY

SUBJECT: Capitalization Guidelines for Fixed Assets

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### I. LAND

- A. Cost of the land plus ancillary costs that can include such items as legal and title fees, surveying fees, appraisals and negotiation fees, damage payments, site preparation costs, and costs related to demolition of unwanted structures. All land is to be capitalized.

### II. BUILDINGS AND IMPROVEMENTS OTHER THAN BUILDINGS

- A. The cost of construction or acquisition related to placing a fixed asset into its intended state of operation plus ancillary costs that can include such items as professional fees or architects, attorneys, appraisers, financial advisors, etc.; damage claims; costs of fixtures permanently attached to a building or structure, insurance premiums, interest, the cost of razing prior structures and related costs incurred during construction; and other expenditures/expenses necessary to place a building or structure into its intended state of operation. All such expenditures totaling \$5,000 or more for a component are to be capitalized.

#### B. Extraordinary repairs, betterments, or improvements

- 1- Extraordinary repairs, betterments or improvements will be capitalized if the following criteria are met:
  - a. Expenditures that increase future benefits from an existing fixed asset beyond its previously assessed standard of performance. Increased future benefits typically involve:
    - (1) An extension in the assets' estimated useful life.
    - (2) An increase in the capacity of an existing fixed asset
    - (3) A substantial improvement in the quality of output or a reduction in previously assessed operational costs
    - (4) Such expenditures are to be capitalized if they total \$5,000 or more.
  - b. If a portion of the entire building is to be renovated, the entire cost should be added to the plant investment. Old costs are not taken off the books unless the new value (original cost plus cost of the renovation) would be overstated for fair market value or insurance purposes.
  - c. Whenever a small area of a building, such as a classroom, is being converted to a laboratory, or a large classroom to offices, or a laboratory remodeled for a new purpose, the cost should not be capitalized.
  - d. In determining whether to capitalize or expense an expenditure or project, the judgment of the fiscal Grants and Contracts accountant and personnel in Facilities Planning and Construction are important.

#### C. Replacement

- 1- An expenditure to acquire a fixed asset to replace all expenditures of \$5,000 or more are to be capitalized if they are at least equal to the lesser of 10% of replacement value of an asset or \$100,000.
- 2- Some exceptions to remember:
  - a. Expenditures to replace roof coverings will not be capitalized unless the replacement extends the useful life of the building.
  - b. Expenditures to replace floor coverings and window coverings will not be capitalized.
  - c. Expenditures to remodel (convert) a building to a different use, where the remodeling does not extend the useful life of the structure itself, will not be capitalized.
  - d. The cost of the replaced fixed asset is to be deleted if the amount is determinable and the replacement is capitalized.

D. Addition

- 1- If a renovation or addition expends the square footage of building, the cost of the addition should be added to the original building cost. All such expenditures of \$5,000 or more are to be capitalized.

### III. EQUIPMENT

- A. Equipment with unit costs of \$5,000 or more should be inventoried and capitalized. Addition of components, such as freight, installation, and warranties for a piece of equipment should be capitalized if the costs of the initial parts total \$5,000 or more.  
**Charge to account 54005.**
- B. Small and attractive assets costing less than \$5,000 and more than \$300 should be inventoried but not capitalized. The following items are considered small and attractive:
  - 1- All fixed assets regardless of costs, classified under the following class:
    - a. 10XX: Weapons, firearms, signal guns and accessories - **charge to account 53420.**
    - b. 23XX: Motor vehicles, trailers, and cycles - **charge to account 53420.**
    - c. 9915: Collector's items - **charge to account 54470.**
  - 2- All fixed assets costing from \$300 to \$4999.99 and not included in section 1:
    - a. 74XX: Office equipment (calculators, copiers, fax machines, and typewriters) - **charge to account 53420.**
    - b. 67XX: Audio visual equipment (TV, VCR, camera, etc.) - **charge to account 53420.**
    - c. ADP/Supp. equipment (printers 7038 and 7039, CPU's, monitors 7036 & 7037, hard drives, and bar code readers) - **charge to account 53420.**
- C. The following items are not to be tagged, capitalized, or used to add value to another asset.
  - 1- All keyboards and cables - **charge to account 53130.**
  - 2- Appliances costing less than \$5,000 (dishwashers, ranges, refrigerators) - **charge to account 53410.**
  - 3- Furniture costing less than \$5,000 (chairs, desks, file cabinets, credenzas, etc.) - **charge to account 53410.**
  - 4- Tools costing less than \$5,000 (saws, drills, sanders, etc.) - **charge to account 53410.**

#### IV. GIFTS

- A. Gifts of land, buildings, and/or equipment that would normally be capitalized and/or inventoried if purchased or constructed should be capitalized and/or inventoried at the fair market value as of the date of the gift.