FIXED ASSETS – AGENDA

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- Costs Included in Capital Assets
- Useful Life
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Fixed Assets

Introduction
Capital assets are items of property that are tangible or intangible in nature, that have a useful life greater than one year, and have a value that exceed established thresholds (as described later).

- Tangible Assets have a physical form, can be seen/touched (e.g. servers, buildings, land)
- Intangible are long-term assets that can not be touched or seen (e.g. patents, copyrights, trademarks)
# Categories of Fixed Assets and Capitalization Threshold

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Account</th>
<th>Capitalization Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>7620</td>
<td>Capitalized Regardless of Cost</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>76xxxxx</td>
<td>$\geq$50,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>7650</td>
<td>$\geq$5,000/unit</td>
</tr>
<tr>
<td>Computer Equipment</td>
<td>7610</td>
<td>$\geq$5,000/unit</td>
</tr>
<tr>
<td>Furniture</td>
<td>7670</td>
<td>$\geq$5,000/unit</td>
</tr>
<tr>
<td>Software/Licenses – purchased</td>
<td>7690</td>
<td>$\geq$5,000/license</td>
</tr>
<tr>
<td>Software – internally developed</td>
<td>7690</td>
<td>$\geq$50,000</td>
</tr>
<tr>
<td>Buildings</td>
<td>7640</td>
<td>$\geq$50,000</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>7660</td>
<td>$\geq$50,000</td>
</tr>
<tr>
<td>Infrastructure (Cable &amp; Ducts)</td>
<td>76xxxxx</td>
<td>Have only one asset for $1.9M</td>
</tr>
<tr>
<td>Construction in Progress (CIP)</td>
<td>76xxxxx</td>
<td>Depends on Asset being Constructed</td>
</tr>
</tbody>
</table>
What’s Included

Capitalized costs for fixed assets include costs that are incurred in order to bring the asset into its intended location and condition for use. These would include (but not limited to):

- Purchase price of item
- Freight and delivery charges
- Installation and testing in order for the asset to function as intended
- Appraisals
- Surveys
- Detail design work (e.g. engineering, architectural work, etc.)
- Code inspections

Note regarding Unit Cost: In some instances, a purchase of several individual items may occur in which the unit cost of those individual items may be less than $5,000. However, if those individual items are to be assembled to create a single piece of equipment, then the purchase should be capitalized if the sum of the individual items is greater than or equal to $5,000.
Useful Life

- This is the period of time the asset is expected to be useable to the department.

- An asset’s useful life does not necessarily mean how long the item will physically last but how long the asset will be useful to the department before disposing of it.
Inventory

- Conducted annually
- Purpose is to verify that the assets exist and are reported in the Fixed Asset Record
- Also is a means of updating the Fixed Asset Record with detail data (e.g. Building, Room, Serial Nos., Organizational Data, etc.)
Inventory (cont.)

- UL Designations

1. Lost
2. Transferred to: Colo. Surplus, Other: obsolescence (specify)
3. Stolen
4. Used for parts
5. Returned to vendor
6. Damaged or destroyed
7. Trade-in on new asset
8. Asset sold
Inventory (cont.)

- Assets marked as "UL (1)”, unable to locate will **not** be immediately deleted off the records. There may be a chance it was just misplaced and by leaving it on your records we encourage you to continue looking for it.
Inventory (cont.)

- For assets marked as “UL (2)”
  - If the item transferred to Colorado Surplus, then please include a completed “DC Form 450-03A (02/02)” with signatures along with the other documents.
  - If the items were given or transferred to another department please provide identify the department it was transferred to and who in that department received the item.
  - If it was donated to a third party, please identify the third party, reason for the donation, and copy of receipt or written acknowledgement of the donation.
  - The reason for this documentation is to provide support that the asset item no longer exists and can be written off.

- Note: Some departments will notify IT to pick up surplus computer equipment (e.g. printers, scanners, servers, etc.). This is usually done by completing an IT helpdesk ticket. If this is the case, please supply the ticket number, the date, and a copy of the email confirmation.
Inventory (cont.)

- For assets marked as "UL (3)" unable to locate because it was stolen, the item will not be deleted off the record unless a police report is returned with completed inventory.

- For assets marked as "UL (5)" please provide documentation evidencing that the item was returned to vendor such as shipping documentation, acknowledgment from vendor that items was returned, etc.
Inventory (cont.)

- For asset items marked as “UL (7)” which were used as trade-ins for purchase of a new asset, please provide the PO#, trade-in allowance, the purchase price before the trade-in allowance, the vendor, and cash paid.

- For assets marked as “UL (8)” which were sold please provide who it was sold to, the sales price, and FOAP where the revenue was deposited and date of the deposit. Also please provide a copy of the sales agreement/contract.

- If item has been moved to a temporary storage location, please note that on the spreadsheet with the location of the temporary location.
Trade-ins

- Occasionally, a department will have an opportunity to trade in an old asset (e.g. equipment) and will receive a trade-in allowance to reduce the amount of cash outlay for the purchase.

- Transactions involving trade-ins require additional analysis and accounting treatment when recording the cost of the new asset. The accounting treatment will depend on whether the trade-in results in a gain or loss.

- If an asset is used as a trade-in, the tag number of the old asset traded will need to be forwarded to the Fixed Asset Accountant in order to write off the old asset.
Asset Sales

- Departments that anticipate selling asset items must notify Fixed Asset Accountant and/or Tax Accountant

- Information that is needed
  - Amount of proceeds from sale
    - Amount per each item if a bulk sale
  - Tag number(s) of asset(s) being sold
  - Who the asset(s) was/were sold to
  - Copy of sales agreement/contract/Bill of Sale

- Why
  - Compute and record any gain/loss on the sale
Asset Sales (cont.)

- Write the asset off from the Asset Record
- Determine any potential sales tax related to the sale
Donated Assets

- Donations to MSUDenver
  - Notify Foundation first to see if they want the donation through them
  - Must determine Estimated Fair Market Value
    - Value a buyer/seller willing to pay/sell in arms-length transaction
    - Catalogue
    - Appraisals by qualified experts
  - Write On based on Estimated Fair Market Value
  - Will also need to know estimate useful life of donated item
Donated Assets (cont.)

- Donation by MSUDenver
  - Can only donate to non-profit organizations
    - As defined in IRS regulations Section 501(c)(3)
  - Receive letter acknowledging receipt of donated item
  - Letter should be on recipient letterhead
  - Tag Number of item donated
  - Caution:
    - If the purchase was funded by grant—verify that donation does not violate terms of grant
Contact Information

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