

CAPITAL ASSET PURCHASE GUIDE

Purpose: The purpose of this guide is to assist departments when purchasing capital assets with the proper account coding. This will ensure accurate recording of capital assets for financial reporting.

Definition: A capital asset is property or equipment acquired for long-term use in University operations, expected to provide value for more than one year, and not intended for resale in the ordinary course of business.

Key characteristics typically include:

1. University owned and/or safeguarded.
2. A useful life of more than one year.
3. A cost that meets or exceeds the thresholds listed below.
4. Will be used in University operations rather than for resale.

Description	Threshold
Buildings	\$100,000
Land & Building Improvements	\$100,000
Equipment & Vehicles	\$5,000
Intangibles	\$250,000

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EQUIPMENT - INCLUDING VEHICLES

Equipment is an apparatus, tool, or combination of parts to form a tool, or purchased equipment, used in operations. These items can be fixed or movable. They will stand alone and not become a part of a basic structure or building.

Purchase Price Threshold: \$5,000 or more.

Special Considerations for Equipment

- **Capitalizable Costs** (all costs below should be coded to a capital account code):
 - **Equipment** and modifications
 - **Shipping**, including protective in-transit insurance
 - **Tariffs**
 - **Site preparation**
 - **Assembly and installation**
 - **Attachments, accessories, or auxiliary apparatus** necessary to make the equipment operable.
- **Non-Capitalizable Costs** (all costs below should be coded to a non-capital account code):
 - **Warranties** - Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.
 - **Training** - Training costs, which can be separately identified from the cost of the equipment, should not be capitalized.
 - **Repairs and Maintenance** – expenditures that retain value rather than provide additional value to an asset. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life is not capitalized.
- **Integrated Machines** – If a group of smaller items is acquired to collectively form a single integrated machine, and all components are necessary for the equipment to function as intended; the entire group is considered together when determining whether the purchase qualifies as a capital asset.
- **Unit of Measure** – When purchasing capital asset equipment, the unit of measure should be entered as each. This is required so that each asset can be entered with multiple tag numbers and serial IDs.
- **Multiple Invoices** – If there is more than one invoice associated with a capital purchase, a PO is preferred to tie all invoices together.
- **Communicating additional charges:** When purchasing, it is important to note special details on the PO regarding anticipated additional costs billed separately, such as shipping, installation, etc. Alerting accounting of charges to come and the details of where PO/invoices for those charges can be found.

Account Codes for Capital Equipment Purchases

Account	Description
4010	Agricultural Equipment & Machinery
4020	Household Equipment
4030	Office Equipment
4040	Professional & Scientific Equipment
4050	Passenger Cars
4060	Trucks
4080	Shop & Plant Maintenance Equip
4090	Other Furniture and Fixtures
4110	Books and Library Material
4120	Reprographic Equipment
4130	Microcomputer Sys & Supp Equip
4160	Information Processing Equipment
4180	Computer Systems Software
4610	Telecommunications Equip
4620	Telecommunications Switching
4640	Radio (Portable) Equipment
4660	Data Communications Equipment
4092	Audio Visual Equipment

Account Codes for Non-Capital Equipment Purchases

Account	Description	When to Use	Collects Indirects
4046	Prof & Science Equip-GOV Inventory (exempt)	Equipment that <u>is not owned</u> by WSU. However, WSU is responsible for managing and safeguarding asset.	No
4047	Prof & Science Equip Non-Inv (exempt)	Non-capital equipment.	No
4049	Prof & Scientific Equip Non-Inv	Non-capital equipment.	Yes

LAND & LAND IMPROVEMENTS

Land includes parcels acquired for operations, or development, and is recorded at purchase price or fair market value at acquisition.

Purchase Price Threshold: No minimum cost.

Land Improvements consist of betterments, site preparation and site improvements (other than buildings) of a permanent nature that ready the land for its intended use.

Purchase Price Threshold: \$100,000 or more.

Examples of Capital Land & Land Improvements Expenditures

- Original purchase price or estimated acquisition value at time of donation.
- Professional fees (closing fees, title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Land excavation, fill, grading, drainage, and clearing
- Demolition of existing buildings and improvements, (if site has been identified for specific future use)
- Removal, relocation, or reconstruction of property of others (railroad, telephone and power lines)

Account Codes for Capital Land Purchases

Account	Description
4310	Land
4480	Professional Fees – Land
4400	Land Improvements

BUILDINGS & BUILDING IMPROVEMENTS

Buildings are a structure that is permanently attached to the land and is not intended to be transportable or moveable.

Purchase Price Threshold: \$100,000 or more.

Examples of Capital Building Expenditures

- Building purchase price
- Expenses for remodeling, reconditioning or altering the structure of a purchased building to make it ready to use for the purpose for which it was acquired
- Environmental compliance costs (i.e., asbestos abatement)
- Professional fees (legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout costs of existing leases
- Other costs required to place the building into operation
- Building construction costs including preparation of plans, permits, professional fees
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building

Building Improvements materially extend the useful life of a building and/or increase the value of a building by enhancing a building's functionality (effectiveness or efficiency).

Examples Of Capital Building Improvements

- Conversion of attics, basements, etc., to usable office, clinic, research or classroom space
- Structures attached to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- Installation or upgrade of windows or doors, plumbing, electrical wiring, heating and cooling systems
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.

Maintenance and repairs costs are NOT capital. Repairs or replacement costs that are required to maintain an asset in its normal state are not to be capitalized.

- For example:
 - Flood Repairs
 - Restoration, etc.

Account Codes for Capital Building Purchases

Account	Description
4200	Buildings
4210	Building Improvements

IMPROVEMENTS OTHER THAN BUILDINGS

Improvements other than buildings include improvements made to land of a permanent nature, other than buildings that add value to land.

Purchase Price Threshold: \$100,000 or more

Examples Of Capital Improvements Other Than Buildings:

- Fencing and gates
- Parking lots, driveways, parking barriers (would not include restriping or resurfacing existing lots and driveways)
- Outside sprinkler systems
- Recreation areas and athletic fields (including bleachers)
- Paths and trails
- Swimming pools, tennis courts, basketball courts
- Fountains
- Plazas and pavilions
- Retaining walls

Account Codes for Improvements Other Than Buildings

Account	Description
4400	Land Improvements

INTANGIBLE ASSETS

Intangible Assets are non-physical assets that provide long-term value to an entity. Examples include patents, copyrights, trademarks, goodwill, and software.

Purchase Price Threshold: \$250,000 or more

Special Considerations for Equipment:

- **GASB 96 Compliance:** When acquiring subscription-based IT arrangements (e.g., cloud software), departments must consider GASB 96, which requires these agreements to be recorded as intangible assets and liabilities. Purchasing should ensure contracts clearly define terms, costs, and renewal options to support accurate financial reporting and compliance.

QUESTIONS?

Please contact Property Control at wsupropertycontrol@wichita.edu