



## **Policy Statement:**

All items of equipment, furniture or systems of equipment with an acquisition cost of \$3,000 or greater are evaluated for capitalization.

Equipment/furniture expenditures are evaluated on the basis of unit of property which is defined as a series of components which are "functionally interdependent" to perform a specific function. The costs associated placing the unit of property in service include design, contract negotiation, contract management, shipping and installation.

## **Reason for Policy:**

The Institute is required to maintain a system to control Government property in accordance with the provisions of uniform guidance Title 2 – Subtitle A – Chapter II – Part 200. In conjunction with the system used to control Government property and property purchased by specific sponsored projects, the Institute maintains control of its own property using the same techniques.

## **Roles and Responsibilities:**

The Financial Manager, in collaboration with the requisitioner of the equipment, is responsible to identify and classify the equipment in accordance with these policies. Property Administration is responsible to review and record capital equipment in the subsidiary ledger (Vertere Inventory Management - VIM) equipment module of the sub-ledger. Financial Reporting monitors the sub-ledger database and reconciles to the general ledger.

## **Procedures:**

### ***The following types of equipment will be capitalized:***

#### 1. Initial Acquisition of Equipment – Computer or Capital

- The unit of property is moveable and the transaction costs incurred (i.e., facilitative costs) exceed \$3,000
- Note that a unit of property may be one piece of equipment or it may be multiple pieces of equipment that are used together to create one unit. Example might be a presentation lab.
- The useful life of the unit of property is greater than one year.
- Title of the equipment is in the name of the Institute or specified in the sponsorship award source documents

#### 2. Fabrications

Fabrications are planned construction of a moveable unit of property using multiple parts which when constructed will have useful life exceeding one year and whose budgeted total cost exceeds \$3,000. This differs slightly from the multiple pieces mentioned in #1. In this case, parts are being assembled to create one piece of usable equipment. In #1, the pieces of equipment can function on their own, but when put together create a unit.

#### 3. Components Parts

A component part will be capitalized if it is defined as follows:

- Expenditures in excess of \$1,000 which increases the value of the unit of property

- A major functional betterment (materially increases productivity, quality or output;)
- An adaptation which must perform a new discrete/critical function; or
- Correct a material condition or defect (addition will occur only once during life)

#### 4. Refurbishments/Restorations

Expenditure to rebuild (like new) a critical or material functional component that exceeds \$3,000, extends the useful life of the unit of property beyond its current remaining useful life, and was incurred during the last 50% of the useful life is considered a refurbishment or restoration. Financial Managers should consult with Financial Reporting to determine the useful life if a piece of equipment is being refurbished or restored.

The following disbursement accounts should be utilized by Financial Managers when procuring equipment.

Capitalization Category	Account Code to be Used			
	Federally Funded	Department Funded	Plant Funded	Rensselaer Tech Park
Computer Equipment	173	176		176T
Capital Equipment (including furniture)	178	175	179	175T
Component Parts	17A	177	179	177T
Fabricated	17AF	177F	179F	

The general ledger capitalization is performed thru an auto capitalization process in Banner to account codes 839R (Federal), 839 (Department), 837 (Plant), and 839T (Tech Park).

#### Federally Funded Equipment

When equipment is capitalized and all or a portion of the funding source is a federal award, the equipment must remain un-encumbered by debt unless authorized by the awarding agency and the Institute must maintain property records identifying the funding source.

Equipment title at the end of an award of federally funded equipment will be determined by the language in the grant or contract.

#### Gift in Kind Equipment

Gift in Kind equipment additions are processed by Property Administration in accordance with Institutional Advancement policies and capitalized to account 838. The Financial Managers should follow the Gift Acceptance policy found here:

<http://www.rpi.edu/dept/busop/property/GIKAcceptancePolicy>

#### ***The following types of equipment will be expensed:***

- The unit of property cost is less than \$3,000 or the useful life is less than one year.
- A component part cost is less than \$1,000 or the useful life is less than one year.
- A component part cost exceeds \$1,000 and the useful life is greater than one year and qualifies as:
  - Rotable/Spare parts which are acquired more than once during the unit of property useful life or do not constitute a critical or major functional component
  - Replacement of a functional component during the first 50% of the original equipment's useful life

- Replacement of a component part which does not constitute a major functional betterment or adaptation.

**Common**

<b>Account Codes</b>	<b>Expense Category (Supplies)</b>
001	Office Operations Supplies
002	Laboratory Supplies
0022	Chemicals
006	Equipment (Non-Capital)
007	Computer Software
008	Computer Supplies Other (Non-software)
009	Other Supplies
010	Unallowable Supplies
013	Safety Supplies
014	Lighting Supplies

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