Property Control System Manual (PCS)

PCS 102: Equipment Acquisitions

Effective: 6/30/2010 **Revised**: 7/15/2025

Purpose

To outline the accounting classifications of equipment acquisitions

Source

Financial Services

Applicability

All university equipment acquisitions

Policy

Capital equipment is controlled by the University and used in operations to provide services to the University community.

When acquiring equipment, correct spend categories are essential for determining capital vs. noncapital equipment. (For a list of capital spend categories, run the Workday Spend Category Detail Report).

Capital Equipment is recorded at cost in the financial system, tagged by CAM with a unique ASU identification number, and inventoried once every two years or, in the case of capital equipment purchased with sponsored funds, as required by the sponsoring agency.

Capital Equipment

1. **Capital Equipment**. Movable, tangible property having a life expectancy greater than one year or more and a unit cost of $10,000 or more (exclusive of sales and/or use tax, freight, and installation).
2. **Trade-ins**. Capital equipment purchased with trade-in credit is recorded at the cost of the purchase exempt of any trade-in credit.
3. **Gifts**. Gifts and bequests are recorded per information received from either valuations or the donor. See PCS 206 for more information.
4. **Fabricated Equipment**. Fabricated equipment having a completion cost of $10,000 or more and a life expectancy greater than one year or more is capitalized. The amount recorded should include the total of all identifiable direct and indirect costs. Departments must notify CAM prior to fabricating capital equipment in order to receive an assigned PCN number that should be referenced on all fabrication purchases.

Special Considerations

Computers

The cost of computers includes the tower, human interface devices, and operating system, and is capitalized if the sum of these components equals $10,000 or more.

Software

All software is expensed except for major system purchases ($5,000,000 or more per package) that are not subscription-based information technology agreements. These purchases are capitalized as determined by Financial Services. Inventory control of all other software is left to the discretion of the department having custody.

Library Resources and Collections

Resources acquired for use in official university libraries or library special collections are capitalized at cost or per valuation (depending on whether purchased or donated). CAM does not inventory library resources or collections. Inventory and control are the responsibility of the individual library.

Non-library resources are coded as materials and supplies purchases.

Art Objects, Displays, and Museum Acquisitions

University-owned art objects, displays, and museum acquisitions are capitalized at cost or per valuation (depending on whether they are purchased or donated) and have a life expectancy greater than one year or more and a unit cost of $10,000 or more.

Sales/Use Tax, Freight, and Installation Costs

Sales/use tax, freight, and installation costs associated with any capital coded purchase are capitalized and considered as part of the value of the equipment when charged on the same purchase order as the equipment. However, these costs do not determine whether an item is coded as capital or noncapital equipment. If sales tax, freight, and/or installation costs are charged on a different purchase order and cannot be identified to a particular capital asset, they are transferred to a noncapital object code.

Agency Fund Accounts

For agency fund cost center/programs, no property purchases may be coded as capital purchases (capital spend categories).

Equipment purchases made from agency fund accounts are not considered ASU capital assets and therefore should not be coded as capital and should not be tagged with ASU property control numbers (PCNs).

Expenditures Relating to Capital Equipment

Maintenance and Repairs

Expenditures for maintenance are those required to maintain equipment in good working condition. Repairs are those expenditures required to bring equipment back into good working condition. Neither expenditure extends the intended useful life or changes the intended purpose of the capital asset. Therefore, costs incurred for maintenance and repairs are not capitalized. Floor and wall covering replacements (e.g., carpet, floor tile, and wallpaper) are considered maintenance and repairs, except when done in conjunction with a remodeling project.

Betterments

Betterments are capitalized if they meet the minimum requirements for capitalization as defined in PCS 004. Alterations made solely for cosmetic purposes are not capitalized.

Replacement Parts

Replacement parts generally do not increase the value and/or intended useful life of a capital asset. Therefore, replacement parts are generally not capitalized. However, if a significant increase in value or useful life is provided through a replacement part, the guidelines for betterments are to be followed.

Sale of Capital Equipment between Departments

If capital equipment is sold between departments, sale price is negotiated between departments. All records of the sale/transfer remain on file, and the custodial responsibility is changed to reflect the new department upon notification.

A financial transaction should be performed as a manual journal in compliance with PCS 210.

Lease/Purchases

For equipment purchased on a lease/purchase basis, separation is made between the cost of equipment and interest. The equipment cost is classified according to the criteria above; interest is charged to an operations object/sub-object code.

Differences between Estimated and Final Costs

Coding criteria for equipment purchases are initially based on estimated cost at time of requisitioning coding. In some cases, final costs differ from estimated costs so that the equipment purchase is not correctly coded. In these situations, CAM adjusts the coding (e.g., equipment purchase estimated to cost at least $10,000 but having a final cost of less than $10,000, or vice versa).

Cross-Reference

For information on sales tax exemptions, see the *Financial Services Policies and Procedures Manual*—FIN 120, "Sales Tax Exemption for Certain University Purchases."