

**Capitalization – Policy**

Date Effective  
October 2017

Responsible Administrator: Vice Chancellor for Finance and Chief Financial Officer  
 Responsible Office: Controller’s Office  
 Policy Contact: Assistant Controller

**Contents**

1. Policy Statement ..... 1  
 2. Scope ..... 1  
 3. Definitions..... 1  
 4. Policy ..... 2  
 5. Capitalization Responsibility Matrix..... 2  
 6. Appendix A: Asset Lives ..... 3  
 7. Appendix B: Capital Project Examples ..... 3  
 8. Appendix C: Property Transmittal Form..... 4

**1. Policy Statement**

This policy establishes requirements for the capitalization of moveable equipment and real property (including the acquisition of land, buildings, fixed equipment, and the renovation and improvement of existing real property owned or leased by Vanderbilt) and is applicable to all areas within Vanderbilt University. Vanderbilt University follows uniform policies and procedures for financial statement purposes and for compliance with federal requirements 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**2. Scope**

This policy applies to all Vanderbilt staff responsible for initiating, processing, and authorizing asset purchases. The policy serves as the single governing authority for all capitalization of assets.

**3. Definitions**

Asset Management – Oracle Fixed Asset Sub Ledger (FASL) – repository containing all details of capital assets.

Capitalize – Capitalizing is an accounting method used to delay the recognition of expenses by recording the expense as a long-term asset. In general, capitalizing expenses is beneficial as it allows companies acquiring new assets with a long-term lifespan to spread out the costs.

Fixed Asset - is a long-term tangible piece of property that a firm owns and uses in its operations to generate income. Fixed assets are not expected to be consumed or converted into cash within a year. Fixed assets are known as property, plant, and equipment (PP&E). They are also referred to as capital assets.

Real Property – fixed property, principally land, and buildings.

#### 4. Policy

- a) All moveable equipment with a useful life of more than one year and an acquisition cost of \$5,000 or more per unit will be capitalized on a per unit basis. A unit is defined as a piece(s) of equipment that, when assembled, functions as a stand-alone asset, or is an enhancement to an existing asset.
- b) A group or lot of moveable equipment that in total costs \$5,000 or more, but each unit costs less than \$5,000, will not be capitalized. Examples of this type of group purchase include, but are not limited to, one lot of modular furniture or computer workstations where the total cost is \$5,000 or more, but the unit cost is less than \$5,000.
- c) All real property acquisitions or improvements with a useful life in excess of one year and a cost of \$100,000 or more will be capitalized.
- d) Vanderbilt depreciates all buildings and equipment utilizing the straight-line method over their useful lives. Vanderbilt uses a mid-year convention for buildings and fixed equipment.
- e) Vanderbilt retires assets from the fixed asset system when an asset is sold, scrapped, traded-in, lost or stolen, or Vanderbilt no longer has title. Vanderbilt removes real property from the fixed asset system that has been modified or replaced by a building renovation if the original cost and accumulated depreciation is separately identifiable.

#### 5. Capitalization Responsibility Matrix

Activity	Financial Unit	Controller's Office
Initiate purchase of capital assets	✓	
Maintains fixed asset sub ledger (FASL) (Oracle Asset Management) by recording additions, retirements, and depreciation monthly		✓
Physical inventory for moveable equipment at least once every two years	✓	✓
Asset transfers to other departments, retirements, and trade-ins, including location changes (Appendix C)	✓	
Depreciation calculation and maintaining the property records in asset management.		✓

## 6. Appendix A: Asset Lives

Asset Type	Life
Building Improvements	15-20 years
Buildings – New	50 years
Buildings – Purchased	20 – 25 years
Fixed Equipment	5 – 25 years
Land	N/A
Land Improvements	10 – 20 years
Leasehold Improvements	Not to exceed the life of the lease plus renewals
Moveable Equipment	3 – 15 years

## 7. Appendix B: Capital Project Examples

Project	Capital	Comments
Lighting retrofit	No	Typically treated as non-capital as scope of work is generally to replace with more efficient bulb types, not major lighting redesign.
Repair drainage issues in bathrooms	No	Typically treated as non-capital as project is simply correcting a deficiency in design (rather than a major improvement of the overall space.)
Replace leaking pipes	No	Replacing sections of pipe due to leaks and other damage with new piping is not considered capital. However, a plumbing project could be considered capital if there is a major redesign of the plumbing.
Replace aging water pumps	No	Typically treated as non-capital as project is simply replacing a building component that is not functioning. There is typically no significant added value or new operation.
Roof Repairs	No	Typically treated as non-capital as project is simply replacing a building component that is not functioning. There is typically no significant added value or new operation.
Roof Replacement	Yes	Full roof replacements are treated as capital costs.
Bathroom upgrades	Yes	Typically treated as capital if performing a complete major upgrade such as replacing fixtures, plumbing, flooring, and other surfaces.
Replacing or Upgrading major mechanical/electrical	Yes	Replacing major mechanical electrical equipment with age over 10 years is typically treated as capital since new equipment is more efficient and improves the operation of the building.
Window replacement	Yes	Typically treated as capital but assessment depends on the nature of the replacement. Replacing single pane with single pane is non-capital, but replacing single pane with double pane or similar windows that improve efficiency and performance of the space would be capital.

**8. Appendix C: Property Transmittal Form**

Asset transfers to other departments, retirements, and trade-ins must be communicated in writing, on an on-going basis, to the Controller's Office using the Property Transmittal Form. The only exception is a location change that does not involve a change in departmental ownership (i.e. moving equipment from one lab or office to another lab or office within the same financial unit). This type of change can be communicated to the appropriate property management office via e-mail.

<https://finance.vanderbilt.edu/accounting/PropertyTransmittalForm.pdf>

<b>VANDERBILT UNIVERSITY</b> <b>PROPERTY TRANSMITTAL FORM</b>							
<b>A</b> Department Name		Department Address		Completed By		Phone #	Date
<b>B</b> GENERAL INFORMATION					Disposal Addition	ASSET TRANSFER INFORMATION	
Asset Tag #	Asset Description	Serial #	Financial Unit	Code	New Entity - Financial Unit	New Bldg	New Room
1							
2							
3							
4							
<b>C</b> Disposal / Addition Codes & Descriptions			<b>D</b> For Plant Operations use only (disposal code E)			<b>E</b> Trade-In Information	
E - Surplus to Plant Operations T - Scrapped (contact Plant Ops for instructions) Z - Traded-in (complete Trade-in Section) A - Transferred Out (external entity) C1 - Stolen (attach police report) C2 - Lost D - Internal Transfer (transferring to the new financial unit/building/room) B - Add to Inventory (provide details about acquisition)			Scrapped: 1 2 3 4      Surplus Sale 1 2 3 4 Transferred to another Dept: 1 2 3 4      Plant Operations: Sign _____ Date _____ Item # _____ Dept Transferred to: _____			Trade-in Amount: _____ PO or PO Req #: _____ Vanderbilt Tag #: _____ (for asset traded-in)	
						<b>F</b> Net Book Value Information	
						NBV Amount: _____ Date Retired: _____	
<b>G</b> Principal Investigator / Faculty Member Leaving Vanderbilt							
I request permission from Vanderbilt to transfer property. This transfer will not adversely affect the programs in effect at Vanderbilt. This equipment may have been purchased in part or whole with restricted funds, and I understand that certain restrictions may apply.							
						PI Signature: _____	
<b>H</b> Name (printed)		Signature		Date			
Requested By: _____		_____		_____		Administrative Officer / Faculty / Principal Investigator	
Approved By: _____		_____		_____		Financial Unit Business Officer (required)	
Approved By: _____		_____		_____		"Receiving" Financial Unit Business Officer*	
Approved By: _____		_____		_____		Chairperson / Director	
Processed By: _____		_____		_____		Asset Management /Vanderbilt Finance	
Cleared By: _____		_____		_____		Contract & Grant Accounting	
SEMO Surplus: _____		_____		_____		Manager	
* "Receiving" Financial Unit Business Officer approval is required for the following code - D.							