

## Indiana University Office of Procurement Services

### STANDARD OPERATING PROCEDURE

<b>SOP NO:</b>	SOP-PURCH-34
<b>SUBJECT:</b>	Capital Assets
<b>SOURCE:</b>	University Procurement Services
<b>ORIGINAL DATE OF ISSUE:</b>	09/01/2021
<b>DATE OF LAST REVISION:</b>	N/A
<b>DISCLAIMER:</b>	The information provided in this Standard Operating Procedure (SOP) is designed to provide helpful information on this procedure. Purchasing reserves the right to determine on a case by case basis if a SOP should be adjusted for a particular situation. This SOP is not intended to cover each and every situation nor can it anticipate specific circumstances.
<b>RATIONALE:</b>	To provide Indiana University employees guidelines for purchases involving Capital Assets, including repair and replacement parts
<b>PROCEDURES</b>	<p>Capital assets are strictly prohibited on the P-Card.</p> <ul style="list-style-type: none"> <li>• P-Card single transaction limit maximum is \$4999 and most capitalization occurs at \$5000 or higher. <ul style="list-style-type: none"> <li>○ Transactions exceeding \$4999 are declined at U.S. Bank.</li> </ul> </li> <li>• The capital asset object code is not available in P-Card reconciliation. <ul style="list-style-type: none"> <li>○ Capital assets are not identified as required by Policy FIN-ACC-150 Ownership, Depreciation and Capitalization of University Assets.</li> </ul> </li> <li>• Chrome River is not integrated with BUY.IU. <ul style="list-style-type: none"> <li>○ P-Card transactions containing capital assets are reconciled in Chrome River and are not added to the BUY.IU requisition, which initiates capital asset management and ensures capitalized items are entered in the university asset database.</li> </ul> </li> </ul> <p><b>Repairs and replacement parts</b></p> <p>Once justification and fiscal officer pre-approval have been established, repairs and parts may be purchased on a P-Card and reconciled in Chrome River as these types of expenditures are not normally capitalized. See 'Justification' under <b>Definitions</b> for guidance on justification and approval requirements.</p> <ul style="list-style-type: none"> <li>• Parts for a fabricated asset – Allowable with justifications if not available from another supplier. Use an expense code in Chrome River, and then issue a GEC document to move the expense to 7500 Fabrications.</li> </ul> <p><b>Definitions:</b></p> <p><b>Capital Asset:</b> Any asset that has an acquisition value that meets or exceeds the capitalization threshold for its respective asset type and a useful life expectancy of one year or more.</p> <p><b>Capital Object Code:</b> Object code used to ensure the university can properly identify ownership and accurately record the cost and depreciation of all capital assets.</p> <p><b>Capitalization Thresholds:</b> Dollar amount that determines the proper financial reporting of an asset.</p> <ul style="list-style-type: none"> <li>• Art and Museum Objects – \$5,000</li> <li>• Buildings &amp; Infrastructure- \$75,000</li> <li>• Capital Leases - Capitalized regardless of cost.</li> <li>• Intangible Assets - \$500,000</li> <li>• Land Improvements - \$75,000</li> </ul>

	<ul style="list-style-type: none"> <li>• Library Acquisitions - \$1; Library books are not uniquely identified in the Capital Asset Management System but capitalized as a group.</li> <li>• Movable Equipment: \$5,000</li> </ul> <p><b>Justification:</b> Valid business reason for purchasing item on a P-Card that is substantiated with the Department/Unit Fiscal Officer approval. For example, justification may be an email from the fiscal officer approving P-Card payment because the supplier will only accept credit card payment. A PDF copy of the approval email must be uploaded to the relevant P-Card reconciliation report.</p> <p><b>FIN-ACC-150 Ownership, Depreciation and Capitalization of University Assets:</b> This policy governs the ownership, capitalization, and depreciation of any capital asset in the custody of Indiana University. <u><a href="#">Ownership, Depreciation and Capitalization of University Assets</a></u></p>
<b>CROSS REFERENCE:</b>	<u><a href="#">SOP-PCARD-04 Restricted Items</a></u>