

SUBJECT: CAPITALIZATION LIMIT**1. Purpose**

The purpose of this policy is to define a capital asset to be recorded in the accounts of the University.

2. Scope

This policy applies to all assets purchased from operating or other funds such as research grants, except where funding agencies have specific regulations regarding capitalization.

3. Authority

The Controller reports to the Vice President (Business & Finance) and is responsible for the administration of this policy. Authority for this policy rests with the Vice President (Business & Finance) who must approve any deviation from this policy.

4. Definitions

Capital Asset: An item, tangible or intangible with a useful life of greater than one year and an after tax value of more than \$1,000. **(see note)

Tangible Items: Those having physical substance such as furniture, equipment, buildings or land.

Intangible Items: Those having no physical substance such as copyrights, patents and software.

5. Items Eligible to be Capitalized

Generally, any item that fits the above definition must be capitalized. Purchases of capital items are subject to the normal Purchasing policies of the University.

6. Funding of Capital Purchases

Capital items may be purchased from operating budgets if sufficient funds are available. Items in excess of \$1,000 may be eligible for purchase from the Capital Equipment Replacement Reserve, subject to normal replacement guidelines. Items less than \$1,000 should be purchased from operating funds.

****Note:** The increase to \$1,000 is effective April 1, 2000. For the transition year 2000-2001, purchase of \$500 - \$1,000 may be eligible for funding from the Capital Equipment Replacement Reserve. For subsequent years, items less than \$1,000 must be made from operating funds unless specially authorized by the Vice President (Business & Finance).