

Benedictine University	S.O.P 105
Approval	Date

CAPITAL EQUIPMENT PURCHASES

General

A "capital purchase" is equipment or software with a useful life exceeding three years and an individual cost equal to or above the thresholds defined directly below. Capital purchases (equipment, furniture, computers, software, etc.) are developed from budgeted departmental needs for new and replacement equipment.

Capitalization Policies and Procedures

Here is a statement of the University's fixed asset capitalization policies and procedures. We capitalize the following:

1. All purchases or donations of land.
2. All building additions and improvements, but not repairs, maintenance, or alterations. The normal source document will be construction contracts.
3. Individual furniture and equipment items with a cost of \$5,000 or more or furniture or equipment-like items with an aggregate cost of \$5,000 or more. These expenditures will be charged to account number 51705 - "Capital Purchases > \$5,000. Any purchase of equipment under \$5,000 will be considered a non-capital expenditure and charged to account number 50215 - "Capital Purchases < \$5,000."

Property, plant and equipment are recorded at cost at the date of acquisition or in the case of gifts, fair value at the date of donation.

The University will write off each item when it approves a disposal. The Executive Vice President or Vice President of Finance may approve disposals. Any unusual disposals will be brought to the attention of the Executive Vice President and Vice President of Finance.

After an asset is fully depreciated, the assets and accumulated depreciation accounts are zeroed together. When an asset is fully depreciated but still operates in the University, the asset and its accumulated depreciation accounts will remain in the records even after it is fully depreciated to show that this asset still exists and operates, unless it is not readily identifiable.

Estimated Useful Lives

Buildings	60 years
Improvements	20 years
Equipment	3-20 years
Library books	10 years

Depreciation Method

The University depreciates its property, plant and equipment using the straight-line method over the estimated useful life of the asset. For equipment, the University uses the half-year convention, which recognizes one-half year of depreciation in the asset's first year of service.