

## Accounting for Capital in Progress and Group Purchases

Reference: [Capitalization and Depreciation Policy](#)

**Capital in Progress** will be used to refer to the collection of costs related to the fabrication of a capital asset. A capital asset is an asset that costs over \$1,000 and has a useful life over one year, per our policy. Capital Assets also include projects such as constructing a building, major repairs to a building, or fabricating a piece of equipment. All of these items require establishing “activity codes” within our accounting system to accumulate the cost of the project.

Assets fabricated for “educational purposes” and may later be broken down and become parts of other projects are not Capital Assets and should not be included in the Capital in Progress category. These assets should be considered laboratory expenses even if over the \$1,000 value. Capital assets must be assets used for the purpose they were intended and expected to last through their estimated useful life.

Some examples of capital vs. expense for expenditures over \$1,000:

FIT receives a grant to develop a new computer; all material costs related to the project should be	Capitalized
FIT students have a design project to build a concrete canoe for competition; if this is a one-time use and will not be used continuously over a period of time	Expense
FIT Professors decide to develop a piece of equipment for the lab which will be used by students; all material costs to develop the lab equipment should be	Capitalized
FIT student is required to complete a design project that will be put on display; all material costs should be	Expensed

Construction of buildings or major repairs/restoration of a capital assets are handled through the FIT Facilities Department through their Work Order system. [Guidelines for Work Orders: Policy, Procedures & Account Categories](#) provides the steps to request a work order project. The Facilities Department establishes activity codes related to the Work Orders. Quarterly, the Facilities Department provides a listing of closed work orders to the Controller’s office so that work orders for capital assets can be properly reclassified from expense to capital.

Capital Equipment in Progress would be used for any fabrication of equipment not handled through the Work Order process. Each department must complete a [Capital Equipment Project Form](#), prior to incurring any expense, and submit to the Controller’s office. The Capital Equipment Project form includes the following:

- Date of Request
- Project Title
- Project Description
- Department Name and Org#
- FIT Employee Responsible for project
- FIT Financial Manager approval
- Start Date
- Projected End Date
- Estimated cost broken down into major categories (internal labor should not be included or charged to the project)
- Fiscal Year End update on project
- Controller’s Office:
  - \_\_\_\_\_Expense \_\_\_\_\_Capital
  - Activity Code Assigned \_\_\_\_\_
- Project Completion:
  - Date asset put into service
  - Total cost of project

The Form will be reviewed and determined if it meets our capital requirements or if it should be expensed. The Controller’s office will mark “expense” or “capital” on the form and, if capital, will assign an activity code to the project and return the form to the Responsible employee. If a capital project, then all expenses (including purchase orders, invoices and pcard transactions) should be charged to account 79981, in your department’s org, with the activity code provided. The fund for a capital purchase should be either 90100 or 9030X. If 9030x is used, then please provide the 3fund that will be funding the purchase. If the project should be expensed, then all expenses should go to applicable expense accounts, not the 79981 account.

Budgeting for capital in progress projects will depend if it is determined to be capital or expense, but for either, it must be part of the budget for your org.

Use of the 79981 account is restricted to capital projects that have been assigned an activity code through the process above. If other costs are charged to 79981, the Financial Manager will be required to reclass these costs to other expense accounts.

**Group Purchases:** When many items are bought and each item is less than \$1,000 but in total the group purchase exceeds \$10,000 then it can be capitalized. This is limited and must be discussed with the Controller’s office. As a complete project it can be capitalized. The capitalization threshold is higher for the group because it is harder to track the individual components and they can be moved easily. These group purchases should also be submitted on the Capital Equipment Project Form and follow the same process as above. All Purchase orders need to have the activity code referenced.

Some examples of group purchase expense vs. capital:

Purchase new conference room table and chairs; individually less than \$1,000, but in total \$3,500	Expense – total is less than \$10,000
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Annual purchase of computers, individually less than \$1,000 but in total \$200,000	Capitalize as group purchase
Classroom refresh to include new projectors, screens, computers, etc. individually less than \$1,000 but in total \$12,000	Capitalize as group purchase

**Completion of Project:** At the completion of the project, the Responsible Employee/Financial Manager should notify the Controller's office that the project is complete by returning a copy of the Capital Equipment Project Form and denoting when the project had been put into use and identify the total costs of the project. The Controller's office will then make the appropriate entries to capitalize the asset.

If a project is still in works over our year end, April 30<sup>th</sup>, an update on the project will be requested so we can reclass the capital expenses for year end. If an update is not received by the requested due date, all purchases will be moved to expense at the end of each fiscal year.