



### Capital Asset Business Process Change

The process for purchasing a capitalized asset has been changed. This new process should make the reviewing and tracking of capital assets more clear to units across campus and have a positive impact on financial reporting. The processes regarding the budgeting, purchasing, and depreciation accounting have changed and are outlined in the below table.

Financial Affairs will present this business process change to further explain this process at the July Deep Dive Presentation **today on July 9<sup>th</sup>, 2020 between 3:00pm-4:30pm**. Additionally, a detailed Business Process Guide will also be available to view tomorrow on the Financial Affairs website under Policies and Reference Material within the Asset Management, Budget Office, and Procurement and Payment Services sections.

A capital asset (also known as a fixed asset/capital equipment) is any individual item that:

- a. Has a per-unit acquisition or fabrication/construction cost of \$5,000 or more;
- b. Is moveable (not permanently affixed to a building or infrastructure);
- c. Has a useful life of at least one (1) year; and
- d. Is an inanimate object, typically used to perform tasks (e.g., research, grounds-keeping, farming, transportation, etc.).

It does not include real property (land), most software, animals, or library holdings.

#### Budgeting for a Capitalized Asset Purchase

- Capital asset purchases should be budgeted within natural account 77404 (*Transfers for Replacement and Depreciation*) from any of their appropriate general ledger funding sources (i.e., unrestricted, designated, etc.). The expense class for this transfer should be 001. (*Fund Source expands upon the Fund Class segment specifying the exact nature of the source of funds; therefore, it is crucial the combination of Fund Class and Fund Source align with one another.*)
- The transfer in (credit) will go into a plant fund within Natural Account 77404, Fund Class 750, and Fund Source 730001 within the University's general operating organization 00001 and expense class 001.

- This transfer will reduce your unit’s spending authority, which will assist with budget to actuals tracking on the Account Analysis report.
- Units will not need to budget or account for depreciation expenses related to capitalized assets.

*Transfer Out/ From Account (account that will be used to fund the transfer)*

Entity	Natural Account	Fund Class	Fund Source	Org	Expense Class	Program	Activity	Future
Any entity	77404	Appropriate Fund Class	Appropriate Fund Source	Any Org	001	Any Program	Any Activity	0 (Default)

*Transfer In/To Account (account that will receive the transfer (the plant fund))*

Entity	Natural Account	Fund Class	Fund Source	Org	Expense Class	Program	Activity	Future
Any entity	77404	750	730001	00001	001	0000	0000	0 (Default)

A more specific sample of a transfer is below, using the scenario of the botany department purchasing a capitalized piece of lab equipment.

*Transfer Out/From Account*

Entity	Natural Account	Fund Class	Fund Source	Org	Expense Class	Program	Activity	Future
10 (UW)	77404	105 (Unrestricted Operating)	000001 (Unrestricted Operating)	13121 (Botany)	001 (Default)	0000 (Default)	0000 (Default)	0 (Default)

*Transfer In/To Account*

Entity	Natural Account	Fund Class	Fund Source	Org	Expense Class	Program	Activity	Future
10 (UW)	77404	750 (Plant Fund)	730001 (Plant Fund)	00001 (General University Operations)	001 (Default)	0000 (Default)	0000 (Default)	0 (Default)

**Purchasing a Capitalized Asset**

- Employees must purchase any type of capital asset/equipment through the standard purchase requisition process (see catalog and non-catalog requisition quick reference guide) to ensure all approvals are obtained and compliance is met.
- When processing the requisition to purchase the piece of capitalized equipment, please now use the specific fund class and funding source outlined below:

**General Ledger Funding:** When updating the billing account information on the purchase requisition, the preparer must use Fund Class (750) and Fund Source (730001) if using any general ledger account funding (i.e., unrestricted, designated, foundation account, etc.). If these segments are not updated to this combination, the purchase requisition will be rejected by Asset Management.

For multiple funding sources: the entity, organization and expense class segments can be updated, but the Fund Class and Fund Source should remain using the 750 Fund Class and 730001 Fund Source. This will provide consistency and route to the appropriate cost center approvers.

The below chart provides a sample of what fields can/cannot be updated/selected when updating the billing account information on the requisition when using any general ledger account funding:

Entity	Natural Account	Fund Class	Fund Source	Org	Expense Class	Program	Activity	Future
Any Entity	Default based on the Requisition Category	750 (Plant Fund)	730001 (Plant Fund)	Any Org	Any Expense Class	Any Program	Any Activity	0

**Project Funding:** If project funds are to be applied against the capital asset purchase, simply enter the POETA information (Project Number and Project Costing Details) or use the split funding option to apply multiple projects. The Fund Class and Fund Source segments do not need to be updated because each project is mapped to a specific general ledger account. The Accounting Office will complete journal entries on the general ledger side of the project to move the entry to natural account 77404 to be consistent with other transactions and allowing the asset to remain as a debit on the project. Users will not see a change on the project within PPM.

- Preparers must also complete all of the Asset Fields on the purchase requisition including: Asset Owner, Asset Building, Asset Room Location, Asset Funding Account String.
- The Asset Funding String field will be the funding string that is paying for the asset purchase and will provide the Accounting Office with the information needed to complete the journal entry transfer below.

**Delivery**

\* Requester: Greenawalt, Kaylyn

Urgent: No

Requested Delivery Date: 7/15/2020

\* Deliver-to Location: Merica Hall

Deliver-to Address: 16 & Gibbon, Merica Hall, LARAMIE, WY 82071, UNITED STATES

Asset Owner: Laura Shevling

Asset Building: Merica Hall

Asset Room/Location: 213

Instructions for Funding Strings: Complete the asset funding string fields for asset purchases so transfers can be completed. For more information see the Business Process Guide.

Asset Funding String 1: 10-77404-105-000001-21003-001-0000-0000-0

Percent for String 1: 100

Asset Funding String 2:

Percent for String 2:

Asset Funding String 3:

Percent for String 3:

**Transfer and Accounting of Capitalized Asset in Account Analysis Report**

- Prior to the closing of each month, Asset Management and the Accounting Office will review capital asset purchases and the funding sources indicated on the requisition(s).
- For each capital asset purchase that has been **fully capitalized (received/receipted, invoiced, and paid)**, the Accounting Office will complete the journal entry for the transfer.
- A journal entry will be completed to transfer funds out of the account that is funding the transfer using natural account 77404.
- Departments will then see a debit (a reduction in spending authority) that will be trackable on the Account Analysis report. The department will see the debit in the natural account 77404 within their funding source.

*An example of a transfer is below:*

Entity	Natural Account	Fund Class	Fund Source	Org	Expense Class	Program	Activity	Future	Debit	Credit
10	77404	105	000001	21003	001	0000	0000	0	\$6,500	
10	77404	750	730001	00001	001	0000	0000	0		\$6,500

- The asset will appear as an expense on both the AASummary and the BudgetSummary tab of the Account Analysis report under the funding source covering the cost of the asset, within natural account 77404 (Transfers for replacements and depreciation)

*An example of the Account Analysis report BudgetSummary tab:*

FUND						
ORGANIZATION	SOURCE	NATURAL ACCOUNT-DESC	ACCOUNTED DR	ACCOUNTED CR	TOTAL	
21003	000001	60101-Staff Salary Expense FT	\$ 502,525.49		\$ 502,525.49	
		60501-Other Salary Expense PT	\$ 7,765.82	\$ 982.50	\$ 6,783.32	
		60816-Flat Fringe Rate Employer	\$ 247,477.69	\$ 38.34	\$ 247,439.35	
		60816-Flat Fringe Rate Employer Share			\$ -	
		62001-Professional Services Exp	\$ 33.62		\$ 33.62	
		62011-Catering Expense			\$ -	
		63001-Travel Domestic Expense	\$ 8,344.63	\$ 695.54	\$ 7,649.09	
		63003-Hosting Expense	\$ 215.03		\$ 215.03	
		64001-Lab Supplies	\$ 24.75	\$ 19.80	\$ 4.95	
		64002-Office Supplies	\$ 1,589.64	\$ 915.58	\$ 674.06	
		64005-Non capital Equipment Com	\$ 5,781.30	\$ 3,854.20	\$ 1,927.10	
		64005-Non capital Equipment Computer Expense			\$ -	
		64006-Non capital Equipment Oth	\$ 27,122.22	\$ 25,011.48	\$ 2,110.74	
		64007-Books Subscriptions & Med	\$ 1,849.65	\$ 1,233.10	\$ 616.55	
		64008-Computer Software & Licen	\$ 3,594.00	\$ 2,995.00	\$ 599.00	
		64008-Computer Software & License Expense			\$ -	
		66509-Training/Professional Dev	\$ 2,416.45		\$ 2,416.45	
		66509-Training/Professional Development Expense			\$ -	
		67001-Research & Development Su	\$ 1.00		\$ 1.00	
		76002-Internal Service Allocati	\$ 4,464.69		\$ 4,464.69	
		76002-Internal Service Allocation: Info Tech			\$ -	
		77404-Transfers for Replacement and Depreciation o	\$ 6,500.00		\$ 6,500.00	
	000001 Total		\$ 819,705.98	\$ 35,745.54	\$ 783,960.44	
21003 Total			\$ 819,705.98	\$ 35,745.54	\$ 783,960.44	
Grand Total			\$ 819,705.98	\$ 35,745.54	\$ 783,960.44	

- Under the new process, depreciation on any asset purchased will now be charged to organization 00000, General University Default. Thus, depreciation will now be tracked and accounted for centrally and it will not be charged against a unit's remaining spending authority. Units will no longer see depreciation related to these purchases appear on their Account Analysis report by their organization, as all depreciation charges are now going to organization 00000.

If you have any questions relating to the new business process, please reach out to Financial Affairs by emailing [financialaffairs@uwyo.edu](mailto:financialaffairs@uwyo.edu).

### Contact Information

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