

University of Massachusetts
Capitalization and Inventory Control Policy
CAPITALIZATION GUIDELINES

The value for capitalization of plant and related assets is shown in each section below. A campus must include all assets at or above the capitalization level. Only those assets that meet the capitalization criteria will be included in the University's financial statements. The University does not capitalize works of art or historical treasures. Donated assets will be brought on at fair value and depreciated over what is determined to be their remaining useful life.

Land

Capitalization: All costs related to acquisition

Land includes the amount paid for the land itself and all related acquisition costs.

Buildings

Capitalization: All costs related to acquisition

Buildings include all permanent structures and all fixtures, machinery, and other appurtenances that cannot be readily moved without disrupting the basic building structure or services to the buildings. This would include costs to ready the site for construction.

Building Improvements

Capitalization: \$25,000 non-medical, \$15,000 medical

Building improvements or betterments are significant alterations or structural changes to plant assets, which increase the usefulness, enhance the efficiency, or prolong the life of property. For projects requiring pollution remediation, the remediation costs should be expensed if they total \$1.0 million or more.

Land Improvements

Capitalization: \$25,000 non-medical, \$15,000 medical

Land improvements include streets, pavements, landscaping, utility distribution systems, and parking lots. For projects requiring pollution remediation, the remediation costs should be expensed if they total \$1.0 million or more.

Construction in Progress

Capitalization: \$25,000 non-medical, \$15,000 medical

Construction in progress includes all projects for buildings or land improvement construction that are not complete by the end of the fiscal year. For projects requiring pollution remediation, the remediation costs should be expensed if they total \$1.0 million or more.

Leased Equipment

Capitalization: \$50,000

Leased equipment includes all equipment that is not permanently affixed to buildings, has a useful life greater than two years, and has a unit cost of \$50,000 or more and is acquired through a leasing arrangement. Leased equipment that is predominantly composed of glass, rubber, cloth and equipment held for resale is excluded.

Capital Equipment

Capitalization: \$5,000

Capital equipment includes all equipment that is not permanently affixed to buildings, has a useful life greater than two years, and has a unit cost of \$5,000 or more except for items predominantly composed of glass, rubber, cloth and equipment held for resale.

Non-Capital Equipment

Capitalization: None

Non-capital equipment includes equipment that does not meet capital equipment specifications because its unit cost is less than \$5,000 or because it is predominantly glass, rubber, or cloth is not reported for financial reporting purposes.

Library Books

Capitalization: None effective 2012 (prior years will be written off over 15 years of costs)

Library books include monographs, bound periodicals, microfilm, microfiche, or other library items that are part of a formal catalogued library (excludes electronic subscriptions).

Software

Capitalization: \$100,000

Software includes large administrative systems. This also includes significant upgrades of existing software.