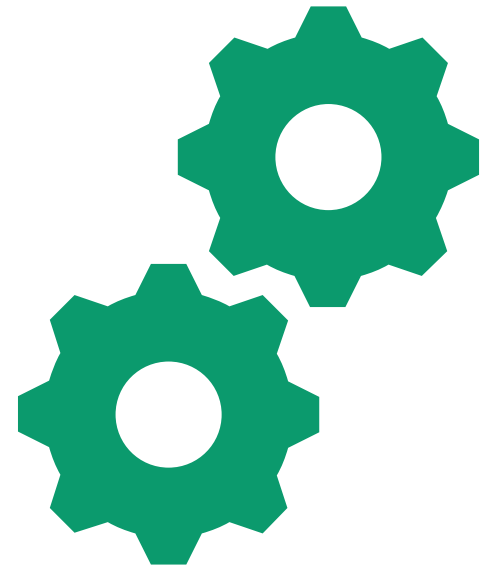


# Capital Asset Management

## Training Session One

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### What is a Capital Asset at MSU?



# Learning goals

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- Definition of a capital asset at MSU
- Costs that should (and should not) be capitalized
- How asset records are created
- Capital equipment object codes



# Know your terms

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## Capital asset, capital moveable equipment

Meets the three criteria of a capital asset (next slide) and is managed by the CAM department.



## Moveable vs. non-moveable assets

Moveable: stand-alone equipment

Non-moveable: permanent fixtures, such as buildings



## Asset system

Pieces that function together as a stand-alone capital asset unit

# What is a capital asset at MSU?

- To qualify as a capital asset, equipment must meet three criteria:

**1** Acquisition cost of \$5,000 or more per unit

**2** Useful life of one year or greater

**3** Can function as a stand-alone unit

- Follow CAM's decision tree to help you determine what is or is not considered a capital asset:

[upl.msu.edu/common/documents/22tut01.pdf](https://upl.msu.edu/common/documents/22tut01.pdf)



# Capitalizing costs

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MSU follows generally accepted accounting principles (GAAP)

- Allows for the capitalization of costs that are “normal and necessary for the asset to be used for its intended purpose”

## CAPITALIZED



Freight and customs charges



Installation, setup costs,  
including site prep and cables

## NOT CAPITALIZED

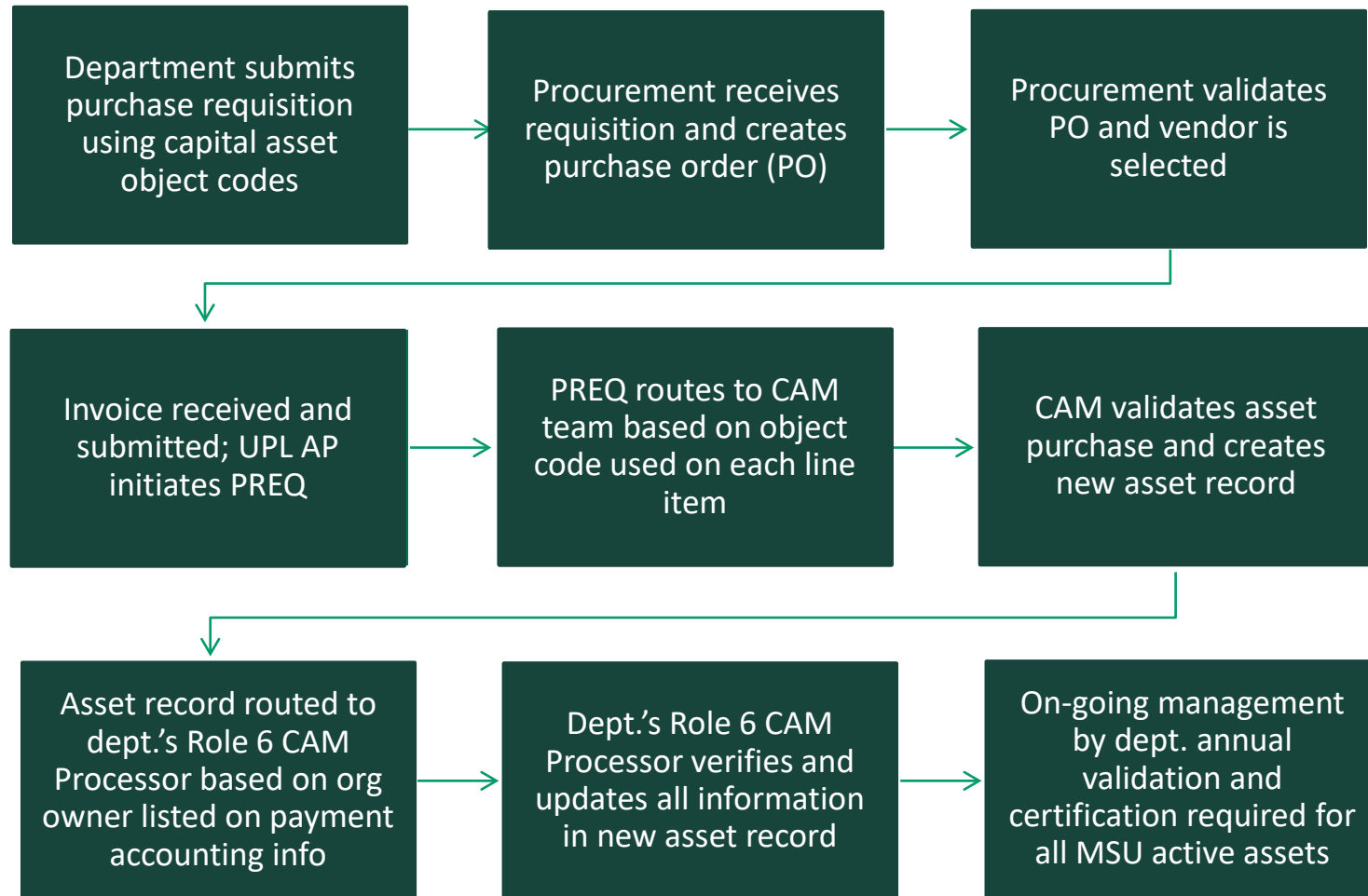


Maintenance plans, training  
costs, warranties, software  
licenses



Operating supplies, personnel  
salaries, consumables

# Creating an asset record



# Assigning capital asset object codes



MAY INCLUDE ESSENTIAL  
ITEMS NEEDED TO MAKE  
THE CAPITAL ASSET USABLE

This could be multiple  
components, which  
create an asset system

ENTIRE PURCHASE IF  
COMBINING INTO A SYSTEM  
MAY BE CAPITALIZED

Appropriate line items  
and capitalization tab must  
be completed

ITEMS PURCHASED AFTER  
INITIAL ORDER WILL NOT BE  
CLASSIFIED AS CAPITAL ASSET

Exception: upgrades of  
\$5,000+ to an existing capital  
asset can be added to the  
asset record by CAM

# Capital asset object codes

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## Object codes specific to items owned by MSU (most common)

- 6492 - Non-federally funded, MSU-owned equipment (active status, new purchase)
- 6497 - Federally funded, MSU-owned equipment (active status, new purchase)
- 6494 - Non-federally funded, MSU-owned fabricated equipment (under fabrication status)
- 6493 - Federally funded, MSU owned fabricated equipment (under fabrication status)

## Object codes specific to items owned by external entity, NON-MSU

- 6498 - Federally OWNED equipment, title is with non-MSU entity (loaned equipment)
- 6499 - Agency OWNED equipment, title is with non-MSU entity (loaned equipment)
- 6500 - Fabrication, federally OWNED equipment (e.g., building something for a non-msu entity)

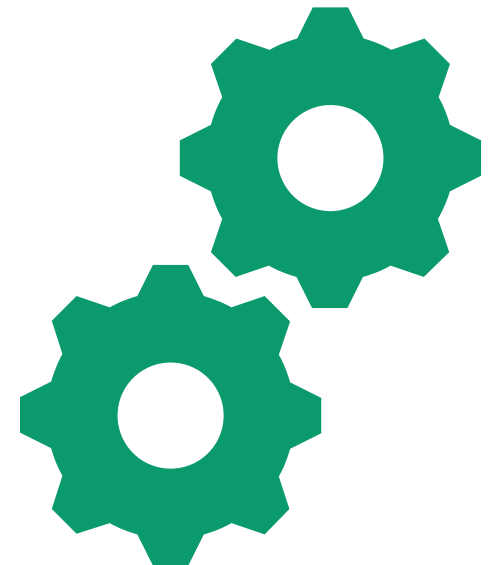


# Thank you!

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Please send questions or suggestions for future tutorials to [camhelp@msu.edu](mailto:camhelp@msu.edu)

Visit our website for more resources at [upl.msu.edu](http://upl.msu.edu)



# Definitions

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**Requisition:** used to place an order for goods or services. Grants Procurement authority to create a purchase order using funds from the accounts specified.

**PO (purchase order):** a legally binding contract between MSU and a supplier to ship goods or provide services based on specified terms and conditions.

**PREQ (payment request):** created in response to receiving an invoice for goods or services purchased using a PO.

**Object Code:** a four-character code assigned to transactions to classify the transaction as a specific income, expense, asset, liability, or fund balance transaction.

**UPL:** University Procurement and Logistics

**Procurement:** a subunit of UPL

**AP:** Accounts Payable, a department within UPL

**CAM:** Capital Asset Management, a department within UPL