

PLANT ACCOUNTING: COSTING AND RECONCILING  
INVENTORIAL EQUIPMENT ACQUISITIONSContents

	<u>Page</u>
I. Introduction	1
II. Accounting Policy	1
A. Recording Cost of Equipment	1
B. Accounting for Capitalized Lease Purchases	1
C. Accounting for Late Costs	2
D. Reconciling Cost of Equipment	2
III. Procedures	2
A. Equipment Management Department	2
B. Costing Equipment	3
C. Reconciling Equipment Acquisitions	3
IV. Special Hospital Capitalized Assets	6
A. Standard Office Furniture	6
B. Capitalization of Non-Inventorial Items	7
V. Responsibilities	8
VI. References	8

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PLANT ACCOUNTING: COSTING AND RECONCILING  
INVENTORIAL EQUIPMENT ACQUISITIONS

"University Inventorial Equipment -  
Nonexpendable, tangible, personal property  
which has an acquisition cost of \$500 or more,  
is free-standing, and has a normal life  
expectancy of two years or more."

Business and Finance Bulletin [BUS-29](#)

I. INTRODUCTION

This chapter establishes the policy and procedures for recording acquisition costs and reconciling such costs to inventorial equipment purchased from vendors, acquired from storehouses, or constructed by physical plant departments. The chapter also contains the special reporting requirements established for capitalizing University hospital non-inventorial items and standard office furniture. Titles of reports and forms referred to in the chapter are generic.

II. ACCOUNTING POLICY

A. RECORDING COST OF EQUIPMENT

The accounting office must establish the cost of newly acquired inventorial equipment on a monthly basis, following notification by the Equipment Management Department that the equipment was received in good condition. The cost of each item is based on the invoice price (see Section III.B., Costing Equipment). Under no circumstances should the cost be established any later than the 25th day of the second month following receipt of the equipment. The only exception allowed is for equipment purchase orders fully or partially on hand at June 30 which, for fiscal closing purposes, should be included in the annual equipment inventory register for the fiscal year in which the equipment was received.

B. ACCOUNTING FOR CAPITALIZED LEASE PURCHASES

The accounting officer determines the basis of capitalized lease purchases, based on the procedures set forth in Accounting Manual chapter [L-217-11](#), Accounting and Reporting for Leases and Installment Purchase Contracts, and reports the amount to the Equipment Management Department.

II. ACCOUNTING POLICY (Cont.)

C. ACCOUNTING FOR LATE COSTS

If additional costs are incurred subsequent to the recording of the initial acquisition costs for items of inventorial equipment, such costs must be added to the initial cost of those items.

D. RECONCILING COST OF EQUIPMENT

For each item of inventorial equipment, the costs recorded in the Inventorial Equipment Register are reconciled, on a monthly basis, with the amounts paid for the equipment as reflected in the General Ledger. In addition, the cost of equipment acquired from the storehouse or constructed by the physical plant department is listed and reconciled to the expenditures reported in the General Ledger. At fiscal year-end, the amounts reported on the University's financial reports for each item of inventorial equipment must equal the amounts reported in the Annual Equipment Inventory Register.

If there is a discrepancy between the cost recorded in the Inventorial Equipment Register and the cost recorded in the General Ledger, the amount reported in the Inventorial Equipment Register may be adjusted to agree with the amount in the General Ledger, provided the discrepancy is significant in the judgement of the accounting officer.

III. PROCEDURES

Procedures to implement the above policies may vary from campus to campus, depending on the extent to which the equipment inventory system is integrated with the purchasing, receiving, and disbursement systems of the campus.

A. EQUIPMENT MANAGEMENT DEPARTMENT

Upon receipt of an Interdepartmental Order and Charge form from the storehouse or a Construction and Repair Requisition form (for fabricated items) from the physical plant department, or upon notification by the receiving department that a certain piece of equipment

was received, the Equipment Management Department determines whether the equipment listed is inventorial. If so, the equipment inventory system should be updated.

B. COSTING EQUIPMENT

The unit cost entered into the equipment inventory system consists of costs for the following:

1. Major items of equipment (less any discounts taken);
2. Accessories needed to make the equipment usable;
3. Installation, excluding costs for reassembling equipment dismantled for shipment;
4. Freight, provided the amount was included in the invoice for major items of equipment. Also, freight charges may be included as a cost element where the charges represent a significant cost factor in the acquisition of the equipment, even if the charges are billed separately from that equipment.
5. Taxes (sales, excise, use, duty); and
6. Insurance costs to cover the equipment while in transit.

C. RECONCILING EQUIPMENT ACQUISITIONS

The monthly Reconciliation of Value Recorded and Amount Paid for Equipment report (EQ 080) is used to reconcile equipment acquisitions. The report is a comparative listing, in purchase order sequence, of all object-coded 9XXX entries recorded in the General Ledger and the corresponding equipment cost data recorded in the Equipment Register. Under certain circumstances, a contract requisition number is used instead of a purchase order number to identify transactions. These contract requisition numbers are defined as follows:

- 1) Regents' contract purchase items (items of equipment over a specified amount that require Regents' approval);

III. PROCEDURES (Cont.)

C. RECONCILING EQUIPMENT ACQUISITIONS (Cont.)

- 2) Adjustments to Regents' contract items via financial journals; and
- 3) Regents' contract purchase items transferred from one department to another or revisions to the equipment inventory master file.

When using the EQ 080 report to reconcile the data in the Equipment Register to the data in the General Ledger, the following points should be considered:

1. If all input entries to the Equipment Register and to the General Ledger have been made properly, the amounts listed under purchase order acquisition codes should be equal to the amounts listed under object code 9XXX for the same purchase order. This reconciled condition is indicated on the report by a zero balance. Equipment records with either a zero balance or a  
\* balance amount of \$300 or less can be dropped from the report for the following month. Otherwise,  
\* equipment record data is carried forward until the cumulative balance (difference)  
\* decreases to \$300 or less, or until the accounting office submits a correction. In the case of items recorded under an installment purchase or a capitalized lease purchase, the cumulated balance will not be zero until the final payment is made.

On the other hand, if there is a discrepancy on  
\* the EQ 080 report which is greater than \$300 and  
\*\*\* which, in the judgement of the accounting officer is deemed insignificant, the discrepancy may be removed from the report.

2. Object-Code 9XXX series amounts listed in the General Ledger may occasionally appear without a corresponding acquisition code number for the same purchase order. A discrepancy of this nature may occur when the equipment in question is partially received and paid for without notification to the Equipment Management Department. Discrepancies may also occur when payments are made to the vendor; when equipment, accessories, tax, etc. recorded on a purchase order number are different from those recorded in the inventory records; or

because there is a time lag in the normal processing of forms.

3. Acquisition codes 30, 31 or 43 may occasionally appear without a corresponding object code 9XXX amount for the same purchase order number. In this case, the difference is caused by recording the cost of the equipment in question prior to recording the payment for the same equipment in the General Ledger. The delay in the payment of the invoice may be due either to the refusal of the ordering department to authorize such payment because of discrepancies on the invoice, or because the vendor is late in processing the invoice. Both situations may result from the processing of partial orders as described above. In addition, the situation described in the initial sentence of this paragraph may result from a difference in purchase order numbers, i.e., between the number used on inventory records and the one used in recording object code 9XXX expenditures.
4. Items resulting from the processing of partial payments are reconciled as follows: If the order is complete and no invoice is received within six months, the accounting officer initiates an inquiry to the vendor regarding the invoice. If no response to the inquiry is received within twelve months after completion of the order, the item is considered a gift and the acquisition code number is changed from 31 to 34. Subsequently, the Development Office is notified and requested to initiate a Gift/Private Grant Acceptance Report. The donor is reported on the form as "anonymous."
5. If any of the items in the EQ 080 report are dropped and are subsequently deemed to be material, or if the requirements of a funding agency (for example, requirements contained in a Federal contract or grant) will not permit an adjustment, the amount dropped may be reinstated.

IV. SPECIAL HOSPITAL CAPITALIZED ASSETS

An exception to the policies and procedures for capitalizing assets is provided to permit the University's teaching hospitals to capitalize non-capitalizable costs for standard office furniture and non-inventorial equipment. This exception allows the hospitals to maximize Medicare reimbursements by recovering part of the cost of these items.

A. STANDARD OFFICE FURNITURE

The hospitals may capitalize standard office furniture in accordance with the following guidelines:

1. Standard office furniture may be capitalized when a project or a purchase order, consisting of several pieces of standard office furniture, can be bundled and treated as a single unit which is equal to or greater than \$25,000.
2. Standard office furniture shall be depreciated over a minimum of five years.
3. Furniture installation costs can be capitalized if installation is provided by an outside contractor.
4. There is no requirement to affix a property tag on each piece of furniture purchased as part of a bundle.
5. Property numbers and CALCODES will not be assigned to standard office furniture purchased as a bundle.
6. The hospitals must maintain a hospital capital asset register for all standard office furniture purchased and capitalized as a bundle. The register should include the following: the name of each individual asset item, the purchase price, and the date of acquisition.
7. Object code 9213 is used to record capitalized standard office furniture.
8. Account number 101815, Non Inventoried Hospital Standard Furniture, is used to record these assets. This account must agree to the hospital's capital asset register.

9. Standard office furniture can be disposed of on a unit basis or the total bundle of furniture can be removed from the hospital's capital asset register and from the General Ledger once it has reached the end of its depreciable life.
10. Any disposal (or physical/casualty loss) which may materially impact the value (e.g., a sale amounting to 10% or more of the original cost) of a depreciable furniture bundle, should be reported and the bundle's value adjusted on a first-in, first-out (FIFO) basis.

B. CAPITALIZATION OF NON-INVENTORIAL ITEMS

The hospital may utilize group capitalization of non-inventorial items under the following circumstances:

1. Non-inventorial items of like nature (e.g., bedframes, mattresses, etc.) can be bundled and treated as a single unit, if that bundled group of items is equal to or greater than \$10,000, and has an expected useful life of two or more years.
2. Once group capitalization is elected for a class of like items, all similar transactions shall be treated consistently in the future.
3. There is no requirement to affix a property tag on each item that is capitalized but not inventoried.
4. Property numbers and CALCODES will not be assigned to items capitalized but not inventoried.
5. The hospital must maintain a hospital capital asset register for all items capitalized but not inventoried. The register should include the following: the name of each individual asset item or bundle that is treated as a single unit, the purchase price, and the date of acquisition.
6. Object code 9214 is used to record non-inventorial capitalized items.
7. Account number 101816, Non Inventoried Capitalized Items - Hospital, will be used to record these assets. This account must agree to the hospital's capital asset register.

IV. SPECIAL HOSPITAL CAPITALIZED ASSETS (Cont.)

B. CAPITALIZATION OF NON-INVENTORIAL ITEMS (Cont.)

8. Non-inventorial capitalized items can be disposed of on a unit basis or the total bundle of like items can be removed from the hospital's capital asset register and from the General Ledger once it has reached the end of its depreciable life.
9. Any disposal (or physical/casualty loss) which may materially impact the value (e.g., a sale amounting to 10% or more of the original cost) of a depreciable non-inventorial asset bundle, should be reported and the bundle's value adjusted based on FIFO.

V. RESPONSIBILITIES

It is the responsibility of the accounting officer or his/her designee to cost inventorial equipment acquisitions and to reconcile equipment inventory records to all appropriate object code 9XXX transactions recorded in the General Ledger, in conformance with the procedures contained in this chapter.

VI. REFERENCES

Business and Finance Bulletin:

[BUS-29](#) Management and Control of University Equipment

Accounting Manual Chapter:

[L-217-11](#), Accounting and Reporting For Leases and  
Installment Purchase Contracts.

Coordinator John G. Turek, Jr., letter to Hospital Finance Directors on Capitalization of Standard Office Furniture for the U.C. Teaching Hospitals, June 8, 1992.

Coordinator John G. Turek, Jr., letter to Hospital Finance Directors on Capitalization of Non-Inventorial Items, September 3, 1993.

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