

Purpose: Guidelines for Auxiliary Enterprises and Service Enterprises' year-end transfer of funds from Operations to an Asset Acquisition or Reserve Fund per Campus Policies 300-66 and 300-66B.

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Reviewed by: Steve Wilson

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I. Definitions

- A. Capital Equipment - Nonexpendable, tangible personal property having a useful life of greater than one year and an acquisition value of \$5,000 or more.

To determine what should be included in the Unit Cost, please refer to "Costing Equipment" on page three of Accounting Manual P-415-2 Costing and Reconciling Inventorial Equipment Acquisitions available at

<http://www.ucop.edu/ucophome/policies/acctman/p-415-2.pdf>

- B. Operating Equipment - . Tangible personal property having an acquisition value of less than \$5,000 regardless of useful life.

C. AAF – Asset Acquisition Fund

D. AES – Auxiliary and Enterprise Services Fund

- II. Capital Equipment acquired from AES sources must be acquired from a separate Asset Acquisition Fund (AAF).

III. Operating equipment.

- A. Charged directly to the AES operations fund or

- B. Charged to a separate Activity Code reporting to the AES's operations fund. This method must be requested and approved by COSSA and is solely for operating equipment with useful lives greater than one year and are material to that specific AES's operations.

Operating equipment materiality thresholds for individual AES operations will be reviewed and approved by COSSA.

The AES will make an annual transfer from the AES's operating Activity Code to this separate Activity Code to cover its operating equipment expenses.

IV. Software

- A. Software **purchased** with a unit cost of greater than \$5,000, but less than \$5,000,000. Unit costs include associated external costs, such as external consultant costs.
 - 1. Record the acquisition in AES's AAF using account number 803141.
 - 2. It is recommended that a unique Project Code for specific identification and tracking of the acquired software be established.
 - 3. In lieu of a Project Code, expenses can be tracked by Purchase Order number.
 - 4. Depreciate over 36 months or
 - 5. A period that COSSA specifically approves.

- B. Internal UCR development and modification costs to purchased software and elated training costs are to be charged to the AES operations fund.

V. Fabricated Equipment

- A. All costs associated with an equipment fabrication process is be accounted for in a separate AES Asset Acquisition Fund. Please review the Accounting Manual P-415-32, Fabricated Property, for appropriate costs to include.
<http://www.ucop.edu/ucophome/policies/acctman/p-415-32.pdf>.

- B. The AES unit must request from Equipment Management a Fabrication Number
http://purchasing.ucr.edu/equipment/forms/FABRICATION%20REQUEST_Rev2.doc.

- C. A decision point must be established for determining when an identifiable and working piece of equipment exists.

- D. The completion of the fabrication is reported to Equipment Management and a UCR property tag is requested. This event will start the depreciation process for the completed fabricated equipment.

- E. In the event the fabrication is not successful;
 - 1. Report to EM that the fabrication is completed
 - 2. Request an expenditure transfer from the Asset Acquisition Fund to the Operating fund to close out the fabrication.

VI. Provision for Annual Transfers from AES Operations Fund

- A. Annual transfer from operations to the Asset Acquisition Fund.
 - 1. Annual depreciation of AES capital equipment as listed in the May 31 EMS inventory and **purchased** software with a unit cost of \$5,000 or more. May 31 is suggested to ensure the transfer is made on/before June 30.
 - 2. Useful life values are provided in the Equipment Management System (EMS) which is based on UC's useful life criteria at <http://eulid.ucop.edu/index.php>.
 - 3. Salvage value will not be considered.

4. Forms have been developed for requesting the transfer. The forms listed below are available at www.accounting.ucr.edu under "Forms".
 - a. Service & Auxiliary Enterprise YE transfer of funds for Capital Equipment v2.xlsx
 - b. Service & Auxiliary Enterprise YE transfer of funds for Software.xlsx
- B. Provision for Major Facility Improvement/Renovation transfer to AES Reserve Fund. This provision is available only upon specific AES request and approval of COSSA.

VII. Accounting Services Contact

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VIII. References

- A. UC Business and Finance Bulletin A-59 Costing and Working Capital for Auxiliary and Service Enterprise <http://www.ucop.edu/ucophome/policies/bfb/a59.pdf>
- B. UC Accounting Manual – Costing and Reconciling Inventorial Equipment Acquisitions [P-415-2](#)
- C. UC Accounting Manual – Fabricated Property [P-415-32](#)