Finance and Accounting Manual

Asset Identification and Classification Guidelines

Approved by the Chief Financial Officer on 15 March 2011
Date of effect: 1 January 2011. Updated: 25 September 2012.

1. Overview

1.1 Purpose

The purpose of the asset management system is to record the costs, depreciation, transfers, disposals and locations of all non financial assets used by the University.

The correct identification and use of appropriate classifications ensure that the University's assets are accurately recorded in the Asset Register system and asset transactions recorded in the General Ledger, both within the Finance System. This procedure provides detailed descriptions to assist staff to identify and use the correct classifications for Assets.

1.2 Coverage

These procedures apply to all staff involved in the acquisition, management, custody, maintenance and disposal of the University's Assets.

2. Procedures and Guidelines

2.1 Definitions

2.1.1 Assets

Under Australian Accounting standard AASB 116, the objective is to prescribe the accounting treatment for property, plant and equipment so that users of the financial report can discern information about an entity's investment in its property, plant and equipment, and the changes in such investment. AASB 138 is the relevant accounting standard describing intangible assets. Refer to 2.2.13 below for detailed description of intangible assets.

2.1.2 Current Asset

Means an asset that is expected to be realised in, or is held for sale or consumption in, the normal course of the entity's operating cycle or held primarily for trading purposes or for the short term and is expected to be realised within twelve months of the reporting date.

2.1.3 Non-current Asset

If an item meets the Recognition Criteria and Capitalisation Threshold Tests referred to below in 2.1.4 and is not convertible to cash or not expected to within twelve months of the reporting date, then it is treated by the University as a non-current asset for accounting purposes. Non-current assets are recorded at cost unless mentioned below for specific categories under 2.2.

2.1.4 Recognition Criteria for Assets

An asset is recognised in the University's Statement of Financial Position as an asset when and only when:-

(i) The Asset has a life of more than 12 months
(ii) It is probable that the service potential or future economic benefits embodied in the asset will eventuate, and deny or regulate the access of others to the benefits.
(iii) The asset possesses a cost or other value that can be measured reliably.
(iv) The asset can be newly acquired or be a rejuvenated asset.
(v) Work-In-Progress assets are where one is awaiting completion of the project prior to classification of an asset in use.
(vi) The Project sponsor of that asset will on acceptance, sign off on the completion of the Work-In-Progress asset prior to classification of the asset in use.

2.1.5 Capitalisation Threshold Tests

(i) Assets ≥ $10,000 are Capitalised

Non-current assets with a cost of acquisition of $10,000 or greater (GST exclusive) are capitalised and recorded in the University's Fixed Asset Register as CAPAS Equipment.

(ii) Capitalisation threshold for Rejuvenation of existing buildings and infrastructure.

Rejuvenation of an existing building or infrastructure with a cost equal or greater than $200,000 per project (GST exclusive) are capitalised and recorded in the University's Asset System. Project costs for internal resources used or internal resources not exclusive for that project will be expensed. The exception will be external costs associated with backfilling staff allocated to that project. The threshold limit excludes preliminary and post implementation costs. However projects that cost under $200,000 which are deemed to significantly enhance the functionality of the assets or life of the asset will be capitalised. A review of the expensed project costs will be conducted quarterly by the Financial Control and Treasury Unit with assistance from Campus Infrastructure and Services (CIS). Additional details on identifying capitalisable rejuvenation costs of existing buildings and infrastructure are in Appendix 1.

(iii) Capitalisation threshold for New and Rejuvenation of Computer Software systems.

New and Rejuvenation of existing IT systems with a cost equal or greater than $100,000 per project (GST exclusive) are capitalised and recorded in the University's Asset System. Costs for internal resources used or internal resources not exclusive to the project will be expensed with the exception of external costs associated with backfilling staff allocated to that project. The threshold limit excludes preliminary and post implementation costs which are expensed. However projects that cost under $100,000 which are deemed to significantly enhance the functionality of the assets or life of the asset will be capitalised. A review of the expensed project costs will be conducted quarterly by the Financial Control and Treasury Unit with assistance from ICT. Additional details on identifying capitalisable new and rejuvenation costs of existing IT systems are in Appendix 2.

(iv) All asset purchases are accounted for on the purchase price (GST exclusive) basis, not the net changeover (trade-in) cost, in the appropriate asset account classification in the General Ledger.

(v) Items that do not meet the "capitalisation threshold test" are recorded in the University's Fixed Asset Register as expensed assets, EXPAS Equipment.

2.1.6 Non-current Assets with Multiple Components

(i) Separate Non-current Asset

Most non-current assets consist of a number of components. In principle, each component may be capable of providing service potential or future economic benefit, and could therefore be classified as a separate non-current asset. In practice, the key criterion for creating a separate non-current asset is that it is an independent operating item whose components function as a cohesive whole to provide a common service. For example, a computer network operates as a cohesive whole yet it may contain individual File Servers and personal computers which also operate independently. If this is so, then each component that meets the above Definition of Non-Current Assets is recorded as a separate non-current asset.

(ii) Segments of Non-Current Assets

Notwithstanding the above, a non-current asset may be broken down into segments (or components) and separate assets created even if the segments or components are not independent operating units.

Componentisation occurs when:

- There are segments which have useful lives significantly different from that of the non-current asset and, therefore, require separate replacement during the life of the non-current asset. Different depreciation rates can be attributable to each component;
- The component is material enough to justify the effort in separately tracking it both physically and in accounting terms, and
- The component is capable of having a reliable value attributed to it either separately or by apportioning the value of the non-current asset.
- The recording method for the component varies from the non-current asset.

Additional details on componentisation are in Appendix 3.

2.2 Categories of Assets Used by the University

2.2.1 Plant, Equipment, and Office Furniture

Includes specialised and general items that satisfy the University's capitalisation threshold e.g.

- Microscopes, Spectrometers, Photocopiers, Binding Machines, Printing Equipment, Cameras, X-Ray Equipment, Motors, Dryers, Counters, Cabinets, etc.
- Non Road usage and unregistered vehicles such as Experimental cars and trucks, Tractors, Motor Bikes and Trailers.

Purchases that meet the threshold during the year are charged to class 5350 (Plant and Equipment).

2.2.2 Computer Equipment

Includes Software, Desktop and Server type Computing equipment together with peripheral equipment such as Printers, Scanners and Modems that satisfy the University's capitalisation threshold. PCs and Laptops in general are to be leased. For leased assets please refer to 2.2.16.

Purchases that meet the threshold during the year are charged to the class 5352 (Computer Equipment).

For one-off purchases of large value software (not annual licences) >$10,000, class 5351 must be used.

2.2.3 Motor Vehicles

This includes all Road Registered vehicles such as Cars, Utilities, Trucks, Tractors, Motor Bikes and Trailers.

Purchases that meet the threshold during the year are charged to class 5353 (Motor Vehicles).

2.2.4 Non-Commercial Teaching and Research Land

Includes Crown Land or other land owned or controlled by the University which are subject to specific restrictions as to use. Purchases during the year are charged to class 5355 (Non-Commercial Teaching and Research Land).

2.2.5 Non-Commercial Teaching and Research Buildings

Includes all physical structures together with any alterations or additions and building infrastructure that are integral to a building. (Building infrastructure includes building air conditioning, PABXs and Internal Reticulation Systems - Water, Sewerage, Gas, Electricity and Communications [voice and data]). These buildings and subsequent alterations and additions are subject to specific restrictions as to use. Purchases during the year are charged to class 5354 (Non-Commercial Teaching and Research Buildings). Note the requirement to componentise costs of a building program.

CIS will charge purchases and expenses (project costs) during the month to specific responsibility centre/project codes using various expense classifications. Each month the Asset Accountant in Financial Control and Treasury will review and transfer these expenses to Capital Works in Progress. Once the project is completed, CIS will inform the Asset Accountant who will review and transfer the total costs from Capital Works in Progress to the asset classification for Buildings.

2.2.6 Non-Commercial Teaching and Research Infrastructure

All costs incurred external to buildings in order to facilitate the transfer of resources and to enable mobility within the University grounds. Includes – Roadways, Parking facilities, Paving, ramps and pathways, Power generation plants, Reservoirs/dams, Landscaping (Trees, Earth works, Watering systems), Fencing (Perimeter and farm – wire/electric/post and rail), Bridges and External Reticulation Systems (Water, Sewerage, Gas, Electricity and Communications [voice and data]).

Infrastructure is analysed according to the following categories:

- Roads, Pathways, Bridges, Gates, Fences
- Water Reticulation
- Sewerage Reticulation
- Storm Water Reticulation
- Gas Reticulation
- Electrical Reticulation
- Landscaping
- Telecommunications
- Data communications

Purchases and expenses during the year are charged by CIS to specific responsibility centre/project codes using various expense classifications. Each month a review of the expenses incurred is undertaken and all costs transferred to Capital Works in Progress. Once the project is completed the costs are transferred from Capital Works in Progress to the asset class for infrastructure.

2.2.7 Commercial Teaching and Research Land, Buildings and Infrastructure

These assets are used for teaching and research purposes (and do not form part of investments) but are not subject to the same restrictions as the non-commercial teaching and research assets. These assets are more readily available for disposal. Purchases during the year are charged to the class 5364 (Commercial Teaching and Research Land, Buildings and Infrastructure). These assets are recorded at market value.

2.2.8 Library Research

Includes all material relating to the Research collection, including: books, manuscripts, theses, and subscriptions. Please refer to Section 2.2.13 for the accounting treatment of digitised library collection. The capitalisation threshold does not apply to Library assets
Purchases during the year are charged to classes in the range 7000 to 7040.

2.2.9 Library Undergraduate

Includes all materials relating to the Undergraduate collection, including books, manuscripts, theses, and subscriptions.
Purchases during the year are charged to classes in the range 7000 to 7040.

2.2.10 Heritage Assets

These assets refer to physical items that are intended to be preserved because of the item's cultural, historic or environmental associations. These assets include Works of Art, Museums, Rare Books, Monuments and other Equipment considered worthy of preservation. Purchases during the year are charged to class 5356.

At year-end on advice from custodians or curators of collections the Asset Accountant transfers these to the appropriate asset class in the range 0550 to 0552. These assets are recorded at market value.

2.2.11 Leasehold Improvements

Includes all integral costs incurred in improving or altering leased land and buildings for the University's (as the lessee) benefit over the period of the lease. Normally, such improvements or alterations will not be readily removable or transferable upon termination of the lease period. For example, the installation of integrated air conditioners, fibre-optical cabling or altering building structure. (Room air conditioners are classified as Plant and Equipment).

Expenses during the year are charged to Class 5363.

2.2.12 Livestock

Livestock relates to those animals kept by the University for use or for profit. Livestock can include Sheep, Goats and Cattle together with other animals the University deems appropriate to hold for breeding or other purposes. Purchases in the year are charged to Class 5362.

A stocktake and valuation is undertaken each year to determine the value to be brought into the asset register into Class 0725. These assets are recorded at market value.

2.2.13 Intangibles

Intangible assets are defined as non monetary assets without physical substance, but can be identified by their separability or because they arise from contractual or other legal rights.

Intangible assets can be acquired or developed internally. Accounting standard AASB 138 *Intangible Assets* has details of the rules and criteria applicable before such

expenditure is deemed to be an intangible asset. For internally developed intangible assets development costs can be capitalised if certain criteria are met, including:

- the technical feasibility of completing the intangible asset so that it will be available for sale or use;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to measure reliability the expenditure attributable to the intangible asset during development.

The University capitalises purchased/developed and/or implemented major IT computer projects, and which are used by the University to carry on its activities.

Perpetual rights relating to Digitised Library Research Collection is capitalised and treated as part of intangible assets. Purchases during the year are charged to Class 7032.

Similarly, access rights to specific equipment is also capitalised as an intangible asset.

2.2.14 Capital Works in Progress (CWIP)

CWIP refers to capitalisable expenditure incurred in relation to the construction, rehabilitation or rejuvenation of assets that have yet to be commissioned or are not yet ready for use. In addition to building works it includes costs incurred in major Information Technology projects.

When the construction work or the software system development is complete the costs in Capital Work in Progress will be transferred to the relevant asset classification. Projects are considered complete when they have been approved by the project sponsor as being ready for use

2.2.15 Donated Assets

A not-for-profit organisation such as the University receives donated assets. All such assets received, at no cost or nominal cost, are to be initially recognised at fair value at date of acquisition, provided all recognition tests in the Accounting Standards have been satisfied. This is not a revaluation**.** Accountability Areas receiving donated assets must send details relating to such assets together with fair value of that asset to the Asset Accountant on a monthly basis. The Financial Control and Treasury Unit will credit class 2400 and debit the appropriate asset class for those assets.

2.2.16 Leased Assets

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a series of payments the right to use an asset for an agreed period of time.

The University leases some assets (e.g. computer equipment), under *operating leases.*
The University encourages the acquisition of computers via leasing rather than purchasing them.

An operating lease is where the ownership and substantially all the risks and rewards incidental to ownership are retained by the lessor. Leased assets acquired under operating leases are not University owned assets. All lease payments under an operating lease shall be expensed over the lease period.

Any other type of lease other than an operating lease is not to be undertaken without due authorisation. Financial Control and Treasury Unit must be consulted for advice in such cases before an asset is leased.

3. Internal Controls

3.1 Responsibilities/Accountability

Officers	*Responsibilities*
University staff	• Purchase the most appropriate asset on the basis of cost and quality. • Prepare external requisitions for asset purchases. • Approve external requisition invoices and forms within delegated authority. • Allocate the correct asset classification on all requisitions, invoices and forms.
Purchasing Teams	• Examine the external requisition to ensure correctness and appropriateness. • Ensure that all external requisitions and orders have the correct classifications.
Financial Control and Treasury Unit	• Ensure that the asset classification is correct when the details appear on the New Items Report. • Use the New Item Report to collate and examine all purchases using asset classifications for loading into the Asset Register.

4. Related Information

4.2 **University procedures superseded or replaced by this procedure**:

(i) Finance and Accounting Manual

- Asset Identification and Classification Guidelines: 16 November 2010

5. Contact and Review

5.1 Contact

Unit: Financial Control and Treasury Unit

Phone: 9351-3592

Fax: 9351-5861

5.2 Review

The Chief Financial Officer will approve changes to financial procedures and guidelines and will co-ordinate changes to financial policy, with the Vice-Chancellor delegated to approve University financial and infrastructure policy.

Amendments to forms, schedules and weblinks will be processed by Financial Services.

Amendments to the Finance and Accounting Manual procedures and forms are listed on the Financial Services website under:-

- FAM Amendments
- Amendments to Forms

Please forward suggestions and comments on the Finance and Accounting Manual via the Feedback Form.

Appendix 1

REJUVENATION OF EXISTING BUILDINGS AND INFRASTRUCTURE

Building and Infrastructure Improvements

Building and infrastructure improvements are significant additions, alterations, renovations and structural changes that increase the usefulness of the building or infrastructure or extend its useful life, or enhance the quality and the value of the building or infrastructure.

Building improvements may include interior or exterior construction of a building or building systems, such as electrical or plumbing systems. They may also include the completion of interior or exterior appointments or finishes, so long as they are done as part of a significant alteration or renovation.

1. Capitalisable Costs

1.1 For capitalisation purposes, rejuvenation of existing buildings and infrastructure projects involve three stages.

a) **Preliminary Project Stage**: Activities in the initial investigation, scoping and feasibility phases of the University occur before the project is approved to proceed. Includes relocation of existing tenants and related decanting costs. These costs are expensed as incurred.

b) **Construction Stage:** Requires project and funding approval**.** Activities in the Construction phase include design, documentation, site preparation including site preparation and demolition of old construction, new construction and fit out. These costs are capitalised.

c) **Post Construction Stage**: Activities include recurring maintenance and infrastructure support. These costs are expensed as incurred.

1.2 Capitalisation of costs should begin when the Project has been approved along with its funding, with the intent it will be completed.

1.3 There shall be a regular reporting of the capital project against planned deliverables, time lines and approved project budget.

1.4 To ensure integrity of project budgets all transfers of funds between projects must be approved by the CIS Project Board or the Director, Campus Infrastructure and Services and identified as such in the various project reports.

1.5 Capitalisation should cease when the Project Sponsor has signed off that project objectives have been met and that the Project is complete and ready for its intended use.

2. Details of Costs capitalised and expensed

Details of costs to be capitalised (subject to the capitalisation threshold) and expensed are given in the table below.

Project Stage/Phase	Activity/Cost Item Description	Expenditure Type

Preliminary (initial investigation, scoping and feasibility)	Project scoping tasks including:
	• Conceptual formulation of alternatives, evaluation of alternatives feasibility study.
	• Design and documentation. Includes tender drawings and documentations
	  • All Decanting and relocation costs of existing tenants
	  • Tender evaluation and awarding related expenses
	• Business case analysis and the management and planning functions for the project; and
	• Developing standards and architectural designs.
		Expense

Construction Stage (through formal signoff by the Project Sponsor confirming that project objectives have been met)	• Demolition of old construction • Detailed design and specification • Obtaining planning and building permits • Construction • Out of pocket Project management costs directly attributable to that project. • Staff costs being capitalised will be restricted to backfilled costs as a result of the project. • Fit out costs • Remedial work unto end of warranty period.	Capitalise
Post Construction phase (Recurring maintenance and Infrastructure support)	• Removalist costs to relocate tenants back to the building • On going maintenance costs	Expense

3. Accounting Process for Property and Building Costs

3.1 For the purpose of capturing Property and Building Costs both CAPEX and OPEX, two specific Responsibility Centres (Project CAPEX and Project OPEX) will be maintained within the CIS account structure. Project codes relating to the property and building projects are linked to both the CAPEX RC and OPEX RC. Total Project cost (CAPEX and OPEX) for a building project can be obtained from the project code.

3.2 Project Capital Costs will be coded and posted to the CAPEX RC + Project Code account (combination) and the Project Operating Costs will be coded and posted to the OPEX RC + Project Code account.

3.3 Capital Costs above the threshold of $200,000 will be capitalised using the CAPEX RC + project Code combination whereas Capital Costs below the threshold of $200,000 will be expensed in the OPEX RC + Project Code (this project code will be linked only to the OPEX Project Costs RC). Projects that will not be continued and abandoned will be expensed using an account similar to the ones with costs below the capitalisation threshold.

APPENDIX 2

Purchase and Rejuvenation of Computer Software systems.

Computer Software is divided into application programs – programs that users directly interact with to do a particular job, and operating systems – programs required to support application software.

Application software includes both externally purchased software and internally developed software (software which the University will actively develop including new software and existing or purchased software that is being modified with or without a contractor assistance).

The software costs can be for new software or enhancement/modification of existing software.

1. Capitalisable Costs

1.1 For capitalisation purposes, software projects involve three stages.

a) Preliminary Project Stage: Activities in the Start-up and Initial investigation phases of the University's ICT project management methodology, which occur before the project is approved to proceed. These costs are expensed as incurred.

b) Application Development Stage: Requires project and funding approval**.** Activities in the Application Development and Implementation phases. These costs are capitalised.

c) Post-implementation/Operation Stage: Activities in the Post implementation phase, and ongoing training and application maintenance. These costs are expensed as incurred.

1.2 Capitalisation of costs should begin when the Project has been approved along with its funding, with the intent it will be completed to perform the planned functions.

1.3 There shall be a regular reporting of the capital project against planned deliverables, time lines and approved project budget.

1.4 To ensure integrity of project budgets all transfers of funds between projects must be approved by the ICT Projects Board or the CIO and identified as such in the various project reports.

1.5 Capitalisation should cease when the Project Sponsor has signed off that project objectives have been met and that the Project is complete and the software is ready for its intended purpose (production).

1.6 The costs of future upgrades and enhancements should be capitalised only if that project meets the capitalisation criteria in its own rights and it reaches completion.

2. Details of Costs capitalised and expensed

Details of costs to be capitalised (subject to the capitalisation threshold) and expensed are given in the table below.

Project Stage/Phase	Activity/Cost Item Description	Expenditure Type
Preliminary (scoping, evaluation and Business case)	Project scoping tasks including: • Conceptual formulation of alternatives, evaluation of alternatives, determination of the existence of the necessary technology; • Technology evaluation/technical feasibility (feasibility established, management approval to proceed obtained and an RFP has been issued) • Selection of alternatives; • Business case analysis and the management and planning functions for the project; and • Developing standards and designs.	Expense
Application Development Stage (Analysis, Design and Development and Testing production and Implementation and close through formal signoff by the Project Sponsor confirming that project objectives have been met)	• Detailed analysis of user requirements • Detailed design and specification • Software development configuration and interfaces (including total staff costs and contractor / consultant fees) • Coding • Installation of software • Data cleansing costs to ensure the new host system can correctly read the data • Software licences acquired to be configured for the New system • Software licences acquired specifically to develop system, if this software is not expected to be used for any other system development. • Work related travel costs directly related to the development and implementation of the system • Development of system specific training material that would be considered part of the asset to be developed and delivered for ongoing business use • Testing including parallel processing phase up to the point where the system is live at the first site only if implementation at subsequent sites does not enhance the software functionality • Implementation of the software • Initial training costs for staff in the use of the system and training for the implementation team incurred during the software implementation period. • Staff costs being capitalised will be restricted to backfilled costs as a result of the project	Capitalise
Post Implementation /Operation (Recurring maintenance and Infrastructure support)	• Post implementation review • Post initial and ongoing training • Ongoing support and system administration • Applications maintenance, including maintenance for software licences which includes provision for delivery of software upgrades • Management of infrastructure resources and cost of infrastructure support • Ongoing programming support to correct defects or cater for changes in legislation or modified business rules that do not constitute a significant enhancement to the software • Maintenance costs	Expense

3. Accounting Process for Software Costs

3.1 For the purpose of capturing IT project costs both Capex and Opex, two specific Responsibility Centres (Project CAPEX and Project OPEX) will be maintained within the ICT account structure. Project codes relating to the IT projects are linked to both the CAPEX RC and OPEX RC. Total Project cost (CAPEX and OPEX) for an IT project can be obtained from the project code.

3.2 Project Capital Costs will be coded and posted to the CAPEX RC + Project Code account (combination) and the Project Operating Costs will be coded and posted to the OPEX RC + Project Code account.

3.3 Capital Costs above the threshold of $100,000 will be capitalised using the CAPEX RC + project Code combination whereas Capital Costs below the threshold of $100,000 will be expensed in the OPEX RC + Project Code (this project code will be linked only to the OPEX Project Costs RC). Projects that will not be continued and abandoned will be expenses using an account similar to the ones with costs below the capitalisation threshold.

APPENDIX 3

Componentisation

An example of an asset for componentisation would be a new building or a major refurbishment made up of the building, air conditioning, lift, joinery, furniture etc. This one project includes individual major components having unique attributes and replacement cycles. At start of the project a budgeted componentisation schedule (by %) is prepared by Campus Infrastructure and Services.

On project completion CIS will provide finalised details of the components to the Financial Control and Treasury Unit for capitalisation.

The asset categories including the depreciation rate for the componentised item are:-

Asset Categories.	**Depreciation Period**
1 Embedded Mechanical and Electrical	15 Years
2 Embedded Furniture, Fittings and Equipment	10 Years
3 Buildings (Total cost less cost of the above categories)	50 Years