ASSET FINANCIAL MANAGEMENT PROCEDURES 2019

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Signature:	
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1 Purpose and application

(1) These procedures apply to:

(a) the financial management of assets; and

(b) all staff, students and affiliates.

(2) These procedures should be read together with the *Procurement Policy 2019*.

2 Commencement

These procedures commence on 19 February 2019.

3 Interpretation

accountability area has the meaning provided in the *University of Sydney (Delegations of Authority) Rule 2020*. At the date of this policy, that is:

> means the organisational unit (e.g. a faculty, School, responsibility centre, administrative unit) for which a delegate is responsible or carries fiscal responsibility

asset means a thing that can produce future benefit. An asset is a complete item, not a component.

Library assets are generally grouped into collections for asset management purposes, instead of referring to individual items.

asset register means a management system used to record capitalised assets, expensed equipment and other asset information.

capitalised asset means an asset which:

- cost $20,000 or over (GST exclusive); and
- is recorded as such in the asset register.

expensed asset means equipment, excluding personal computing devices which:

- cost between $1,000 and $19,999 (GST exclusive); and
- is recorded as such in the asset register.

FCT means Financial Control and Treasury unit.

heritage asset means a physical item that is intended to be preserved because of the cultural, historic or environmental associations. This includes:

- works of art;
- museums;
- rare books;
- monuments; and
- other equipment.

ICT means Information and Communications Technology unit.

independent valuer	means a third party expert in the field and can include specialist university staff.
non-financial gift	means a gift of real or personal property other than a gift of cash or its equivalent.
personal computing device	means a computing device: • used by an individual; • which cost up to $20,000 (GST exclusive); and • which is recorded as such in the asset register. This includes: • mobile phones; • tablet computers; • desktop computers; and • laptop computers
plant and equipment	includes: • computer equipment; • office equipment, such as photocopiers; • specialist equipment; • motor vehicles; • embedded building equipment; and • any other plant or equipment.
UI	means University Infrastructure unit.

Note: Refer also to the asset identification and classification terms.

4 General principles

(1) **Asset recognition criteria**

(a) In accordance with Australian Accounting Standard AASB 116, an item is recognised in the University's Annual Report Statement of Financial Position as an asset when:

(i) it has a life of more than 12 months;

(ii) it is probable that the service potential or future economic benefits embodied in it will eventuate; and

(iii) its cost or other value can be measured reliably.

Note: An asset can be newly acquired or a rejuvenated asset.

(2) **Capitalisation threshold tests**

(a) These tests:

(i) apply to heritage assets; but

(ii) do not apply to library assets.

(b) **Assets $20,000 and above must be capitalised and recorded in the University's asset register.**

(i) Non-current assets with a cost of acquisition of $20,000 or above (GST exclusive) must be capitalised and recorded in the University's fixed asset register as capitalised asset equipment.

Note: Items that do not meet the capitalisation threshold tests are recorded in the expensed equipment register.

(c) **Newly acquired or rejuvenated buildings and infrastructure with a project cost of $100,000 and above (GST exclusive) must be capitalised and recorded in the University's asset register.**

(i) Refer to Schedule 1 for additional details on identifying new and rejuvenation capital costs of buildings and infrastructure.

(d) **Newly acquired or rejuvenated information technology systems with a project cost of $100,000 and above (GST exclusive) must be capitalised and recorded in the University's asset register.**

(i) Refer to Schedule 2 for additional details on identifying new and rejuvenation capital costs of information technology systems.

5 Asset acquisition and transfer

(1) All asset purchases must be accounted for:

(a) on the basis of the GST exclusive purchase price, plus freight and installation costs;

(b) in the appropriate asset account classification in the general ledger.

(2) Asset purchases must not be accounted for on the basis of the net changeover (trade-in) cost.

(a) Asset trade-in proceeds are credited as income and an asset disposal form must be submitted to FCT.

(3) When an asset is received:

(a) the following details must be entered by the recipient of the goods in the accounts payable finance system:

(i) location code;

(ii) custodian name;

(iii) serial ID number;

(iv) asset tag number.

(b) asset tags, available from FCT, must be attached to the equipment.

(4) **Donated assets: non-financial gifts**

(a) Accountability areas must provide FCT monthly with a list of all non-financial gifts received, including:

(i) valuation at fair value;

(ii) location code;

(iii) custodian name;

(iv) serial ID number; and

(v) asset tag number.

(b) FCT is responsible for recording the donated assets in the general ledger and asset register.

(5) **Assets transferred within the University**

(a) Each of the transferring area and the receiving area must complete an asset transfer notification form.

(b) The receiving area is responsible for recording the asset in the asset register.

(c) The receiving area will organise the physical removal of the item.

(d) The value of the transferred asset will be its net written down value (cost less accumulated depreciation) as recorded in the asset register.

(6) **Assets acquired for research activities**

(a) Generally, assets acquired for research activities using external research grant funding belong to the University.

(i) Each research grant will have terms and conditions regarding ownership of assets acquired during the research project using grant funds.

(b) Chief Investigators who transfer to another Australian university during the course of their research project may apply for the administration of the research project to be transferred to their new university, including assets acquired for the research project.

(i) Approval to transfer assets will be subject to the terms and conditions of the research grant and usually requires agreement by the relevant Head of School.

(ii) Accountability areas must advise FCT of any assets transferred and provide supporting documentation. An asset disposal form must be completed and submitted to FCT to record these transfers.

6 Depreciation

(1) Depreciation is charged centrally (no charge to accountability areas) on all assets with a purchase price (GST exclusive) of $20,000 and over.

(2) Depreciation rates for assets are based on a rate reflecting the estimated economic life of the asset classification.

(3) Depreciation is calculated from the first day of the next month after the month of delivery of the asset or from the date of installation ready for use (eg, major projects such as buildings or large equipment programs such as the fit-out of laboratories).

(4) Annual depreciation rates for asset classifications are provided in the following table.

Asset classification	Annual Depreciation rate
Buildings and infrastructure	2%
Capital works in progress (UI + ICT)	Nil

Asset classification	Annual Depreciation rate
Computer equipment	25%
Computer software	14.29%
Heritage assets	Nil
Land	Nil
Leasehold improvements	2% or more depending on lease contract
Library print collection, excluding digital collection	Depreciate over 10 years with 10% residual value, from 1 January 2020.
Library digital collection	Amortise over 10 years with 10% residual value, from 1 January 2019.
Livestock	Nil
Motor vehicles	12.5%
Plant and equipment: Including laboratory equipment and office furniture	10%, from 1 January 2019.
Plant and equipment embedded in buildings: including embedded furniture, fixture, cupboards, AV equipment, floor covering, lifts and other mechanical and electrical installation	10% - 12%

7 Asset register and stocktaking

(1) The **asset register** is used to:

(a) record, track and manage the University's assets, including;

(i) capitalised assets;

(ii) personal computing devices; and

(iii) expensed equipment.

(b) provide complete, accurate and timely data and information for internal management and external financial reporting purposes.

(2) **Stocktakes** are undertaken to verify the existence of assets recorded in the asset register and to confirm their location and custodian.

(a) Accountability areas, excluding museum collections, library rare books and special collections, must complete a full stocktake every three years and a partial stocktake annually for assets in the plant and equipment category.

(b) The annual partial stocktake must include:

(i) verification of assets acquired after the previous stocktake;

(ii) assets not verified at the previous stocktake; and

(iii) a risk-based sample of assets verified in the previous stocktake.

Note: Risk-based samples include a random selection of assets irrespective of the age, location, cost and custodian.

(c) Stocktake schedules for museum collections are specified in clause 9(3).

(d) Stocktake schedules for library rare books and special collections are specified in clause 10(2).

(3) **Asset register details**

(a) The main sources of information for the asset register are obtained from:

(i) purchase orders and subsequent payment through the accounts payable system; and

(ii) invoices processed through the accounts payable system.

(b) Other sources of information for the asset register are:

(i) notification of assets manufactured or constructed by University organisational units;

(ii) Internal Audit advice of insurance replacement; and

(iii) notification of grants, bequests and donations of physical assets.

(4) **Asset verification report**

(a) Annually prior to the end of the financial year, FCT will send a copy of the asset verification report to accountability areas for review and verification.

(b) The asset verification report details:

(i) asset ID number and tag number;

(ii) description of the asset;

(iii) value;

(iv) location;

(v) date of purchase;

(vi) serial number;

(vii) custodian;

(viii) manufacturer and model.

(c) Accountability areas are responsible for:

(i) recording on the asset verification report that the asset has been sighted;

(ii) recording on the asset verification report whether the asset has been sold, lost, stolen, destroyed, made obsolete or otherwise disposed of;

(iii) recording on the asset verification report the approval of the relevant delegate for writing off the value of assets sold, lost, stolen, destroyed, made obsolete or otherwise disposed of;

Note: Refer to clause 6.10 in the *University of Sydney (Delegations of Authority) Rule 2020*

(iv) updating information on the asset verification report (e.g. serial numbers);

(v) recording on the asset verification report additional assets located at the stocktake that are not recorded on the report and completing an asset acquisition/adjustment form;

(vi) recording on the asset verification report that they have reviewed fully depreciated assets (nil value items) and whether the asset is still being used or not. Those assets which are no longer in use should be disposed of and removed from the asset register;

(vii) updating the asset register with all the corrections arising from the stocktake verification of assets; and

(viii) completing an asset verification report certification form and returning the form to the Asset Controller, Financial Control and Treasury.

(d) Accountability areas should submit an asset disposal form to FCT for the disposal of an asset in the asset register as soon as they become aware of the situation and not wait for the issue of the next asset verification report.

(e) Accountability areas should submit an asset transfer notification form to FCT for assets transferred to other accountability areas in the asset register.

(f) The person verifying the asset verification report information must not be either of:

(i) the person authorising the asset verification report; or

(ii) the person approving the asset disposal form.

(5) **Location of Assets**

(a) The asset stocktake must include verifying the location of assets even when they are in other areas or at a staff member's home.

(i) Prior approval must be obtained from the relevant head of organisation unit for staff to take assets home.

(b) Where assets are on loan to staff a register must be maintained recording:

(i) date loaned;

(ii) asset details;

(iii) name of staff member;

(iv) reason for loan;

(v) date returned; and

(vi) signature for returns.

8 Asset disposal

(1) This clause applies to the disposal of surplus or obsolete:

(a) furniture;

(b) personal computing equipment;

(c) office equipment (e.g. photocopiers, fridges, microwaves, cameras); and

(d) specialist equipment.

(2) This clause does not apply to:

(a) motor vehicles managed by UI;

(b) investments managed by Investment and Capital Management;

(c) patents managed by the Research portfolio;

(d) library materials managed by University library;

(e) University museum collections and art collections managed by External Relations;

(f) leased equipment managed by Finance; or

(g) land and buildings managed by UI.

(3) **Approval to dispose of the asset**

(a) The accountability area must identify and confirm the reason for the disposal of the item as:

(i) no longer required (excess to needs);

(ii) surplus to current or immediately foreseeable needs;

(iii) part of an asset replacement program;

(iv) unserviceable or beyond economical repair; or

(v) technologically obsolete and operationally inefficient.

(b) The accountability area must identify the proposed method of disposal as:

(i) sold through staff intranet;

(ii) donation;

(iii) transfer to another organisation under research grant conditions; or

(iv) destruction.

(c) The written down value of the item is used in determining the level of approval needed to dispose of the asset. Approval is required even when the written down value has reached zero in the asset register.

(d) All assets to be disposed of require prior written approval from as appropriate:

(i) the Head of School;

(ii) School General Manager;

(iii) School Manager;

(iv) Faculty General Manager;

(v) Head of Clinical School; or

(vi) Head of Administrative Unit.

Note: For items above $20,000 written down value, additional approval must be obtained from a delegated officer see the *University of Sydney (Delegations of Authority) Rule 2020.*

(vii) There must be an arm's length transaction between the buyer, the seller and the approver. The buyer cannot be either the contact officer or the delegate approving the sale.

(viii) Surplus items **cannot** be given to staff or students free of charge.

(e) Accountability areas must ensure that all items being disposed of do not contain:

(i) software;

(ii) University information;

(iii) University branding; or

(iv) personal information of any individual.

Note: Refer to the *Privacy Policy 2017*.

(4) **Historical, cultural and scientific items**

(a) Assets being disposed of that may have historical, cultural or scientific significance must be offered by accountability areas to the University's museums or collections.

(5) **Obsolete, unserviceable or beyond economical repair assets that cannot be sold**

(a) Items that are obsolete, unserviceable or beyond economical repair and cannot be sold must be written off. Written approval must be obtained from a delegated officer: see the *University of Sydney (Delegations of Authority) Rule 2020*.

(b) Administrative units must destroy or dispose of the item in an appropriate manner, considering the nature of the goods and potential environmental impacts. Refer to Sustainability on Campus.

(6) **Trade-in of assets**

(a) Where trade-in of an existing item is included in the acquisition of a new item, the purchase order must separately show details of:

(i) the item being acquired and its cost;

(ii) the item being traded in;

(iii) the trade-in value; and

(iv) the net amount of the order.

(b) The cost of the item being purchased should be charged to the appropriate expenditure account class and the proceeds from the trade-in should be credited to the appropriate income account class.

(c) An asset disposal form must be submitted to FCT with details of the item traded in, for the asset register to be updated.

(d) Details of the asset purchased including the pre-printed asset tag number, serial number, location and custodian must be forwarded with the invoice for payment to Accounts Payable team.

(7) **Sale of assets costing up to and including $20,000 (GST exclusive)**

(a) Assets where the original purchase cost was up to and including $20,000 (GST exclusive) can be disposed of by sale.

(i) The accountability area must establish the estimated market value based on previous sales, from advertisements or other sources such as newspapers and internet auctions.

(ii) The process whereby the market value is estimated must be properly documented, including keeping copies of relevant advertisements.

(b) The item for sale should be advertised for a minimum period of four weeks.

(c) The advertisement should include:

(i) sellers contact details;

(ii) item description;

(iii) item location; and

(iv) reserve price (estimated market value).

(d) Items are available to Australian buyers, with transportation costs to be met by the buyer and purchase at the buyer's risk.

(e) A furniture reuse store is available for advertising and disposing of surplus furniture.

(f) The buyer must complete an asset disposal terms and conditions of sale form before the item is released.

(i) The original of the form should be retained by the selling accountability area and attached to their copy of the asset disposal form.

(g) For external sales, payment must be through the University Cashier by electronic funds transfer or bank cheque and a University receipt issued to the purchaser.

(i) Upon production of the original University receipt the accountability area can then release the item to the purchaser.

(ii) For external sales, the sale is subject to GST.

(iii) If the buyer requests a tax invoice, it must be issued within 28 days for items greater than $75 (GST exclusive).

(iv) External sales must be paid for before the goods are released – the issue of a tax invoice is not payment.

(h) Accountability areas must submit an asset disposal form to FCT and attach:

(i) the list of bids received; and

(ii) a copy of the asset disposal terms and conditions of sale form.

(i) FCT will record the disposal in the asset register.

(j) These documents must be retained for seven years.

(8) **Sale of assets costing more than $20,000 (GST exclusive) or specialised equipment**

(a) Specialised items or other items for which the original purchase cost was more than $20,000 (GST exclusive) can be disposed of by auction or sale.

(b) FCT should be contacted to provide advice on the appropriate method of disposal.

9 Museum collections valuation and stocktaking

(1) The conservation and management of museum collection heritage assets must take into consideration the *Heritage Management Policy 2014* and *Heritage Asset Management Strategy*.

(2) Regular **valuation of museum collections** is required for insurance purposes and to satisfy auditing and accounting reporting requirements.

(a) The University will value museum collections at fair or market value.

(b) Valuations of museum collections will be undertaken by independent valuers in accordance with Schedule 3:

(i) for collection items valued at $250,000 and above, every three years;

(ii) for collection items valued below $250,000, every five years; and

(iii) for new acquisitions valued at $250,000 and above, during the calendar year of acquisition.

(c) The Director, Museums and Cultural Engagement is responsible for:

(i) scheduling and overseeing the valuation and stocktaking program;

(ii) maintaining accurate records of valuations, object location and movement; and

(iii) submitting the annual certificate of verification of museum collections to the Director, FCT.

(3) **Stocktaking of museum collections** is required for security purposes, to check the condition of the assets and to maintain accurate location records.

(a) Stocktaking of museum collections will be managed by the Collections Manager, University Museums in accordance with Schedule 3 and will be undertaken:

(i) for collection items valued over $50,000, every year;

(ii) for all collection items on long term loan, every year; and

(iii) for collection items valued at or below $50,000, every five years.

(4) Valuation and stocktaking of museum collections includes registered museum collection items of Sydney University Museums and items on long term loan to Sydney University Museums.

(5) Information on museum collections is maintained by Sydney University museum staff on a specialised database.

(6) Refer to the *University of Sydney (Delegations of Authority) Rule 2020* for the sale or other disposal, and loan, of heritage assets.

10 Library rare books and special collections

(1) Regular **valuation of library rare books and special collections** is required for insurance purposes and to satisfy auditing and accounting reporting requirements.

(a) The University will value library rare books and special collections at fair or market value.

(b) Valuations of library rare books and special collections will be undertaken by independent valuers:

(i) for collections valued at $250,000 and above, every three years;

(ii) for collections valued below $250,000, every five years; and

(iii) for new acquisitions valued at $250,000 and above, during the calendar year of acquisition.

(c) The Director, University Libraries is responsible for:

(i) scheduling and overseeing the valuation and stocktaking program;

(ii) maintaining accurate records of valuations, object location and movement; and

(iii) submitting the annual certificate of verification of library rare books and special collections to the Chief Financial Officer.

(2) **Stocktaking of library rare books and special collections** is required for security purposes, to check the condition of the assets and to maintain accurate location records.

(a) Stocktaking of library rare books and special collections will be managed by the Director Academic Services, University Library and will be undertaken:

(i) for collections valued over $50,000, every year;

(ii) for all collections on long term loan, every year; and

(iii) for collections valued at or below $50,000, every five years.

(3) Information on catalogued library rare books and special collections is maintained on a specialised database.

(4) Refer to the *University of Sydney (Delegations of Authority) Rule 2020* for the sale or other disposal and loan of heritage assets.

11 Rescissions and replacements

This document replaces the following, which are rescinded as from the date of commencement of this document:

(1) Asset Identification and Classification Guidelines, which commenced on 25 September 2012;

(2) Asset Acquisition, Transfer and Depreciation Procedures, which commenced on 1 January 2011;

(3) Asset Stocktaking and Asset Management Procedures, which commenced on 1 January 2011;

(4) Asset Disposal Procedures – Plant and Equipment, which commenced on 1 January 2011;

(5) Heritage Assets: Valuation and Stocktaking Policy, which commenced on 16 November 2007.

NOTES

Asset Financial Management Procedures 2019

Date adopted:	19 February 2019
Date commenced:	19 February 2019
Date amended:	23 June 2020
	18 October 2022 (administrative amendment only)
	18 August 2023 (commencing 1 January 2023)
Administrator:	Director, Financial Control and Treasury
Review date:	19 February 2024
Rescinded documents:	

Asset Identification and Classification Guidelines;

Asset Acquisition, Transfer and Depreciation Procedures;

Asset Stocktaking and Asset Management Procedures;

Asset Disposal Procedures – Plant and Equipment;

Heritage Assets: Valuation and Stocktaking Policy

Related documents:

University of Sydney (Delegations of Authority) Rule 2020

Heritage Management Policy 2014

Procurement Policy 2019

Heritage Asset Management Strategy

AMENDMENT HISTORY

Provision	Amendment	Commencing
Schedule 3	Administrative amendment – change ‘Medieval’ collection to ‘Post Classical and Early Modern’	30 September 2019
6(4)	Depreciation rates amended for plant and equipment, library print collection and library digital collection	3 February 2020
8(7)(g)(iii)	Administration amendment for delegation change	23 June 2020
5(5)	Administrative amendment to update link to asset transfer notification form	18 October 2022
3; 4(2)(b); 6(1); 8(3)(d); 8(7)(a); 8(8)	Capitalised asset value increased from $10K to $20K and over	1 January 2023
3; related documents	amending internal policy references	18 August 2023
8(7)(e)	replace ‘furniture reuse website’ with ‘furniture reuse store’	18 August 2023

SCHEDULE 1: NEW AND REJUVENATED BUILDINGS AND INFRASTRUCTURE

1 Building and infrastructure improvements

(1) Building and infrastructure improvements are significant additions, alterations, renovations and structural changes, including:

- (a) interior or exterior construction of a building or building systems, such as electrical or plumbing systems; and
- (b) the completion of interior or exterior appointments or finishes as part of a significant alteration or renovation.

2 Capitalisation guidelines

(1) For project costs to be capitalised, the project must first meet both the asset criteria and the $100,000 project cost capitalisation threshold.

(2) **Asset criteria:**

- (a) To qualify as an asset, at least one of the following aspects of an existing asset must increase:
  - (i) service capacity;
  - (ii) service quality; or
  - (iii) useful life.

3 Costs which may be capitalised

(1) For capitalisation purposes, new and rejuvenated buildings and infrastructure projects involve three stages:

- (a) **Preliminary stage**: Activities in the initial investigation, scoping and feasibility phases of the University occur before the project is approved to proceed.
  - (i) Includes relocation of existing tenants and related decanting costs. These costs are expensed as incurred.
  - (ii) Preliminary costs incurred after the feasibility stage has been completed should be capitalised. These costs include site preparation, site selection and professional fees for the successful tenderer (i.e., architect and development application fees).
- (b) **Construction stage**: Activities in the construction phase include design, documentation, site preparation, demolition of old construction, new construction and fit out. These costs are capitalised and require project and funding approval.
- (c) **Post construction stage**: The post construction phase is the time after the asset is ready for its intended use. Activities include recurring maintenance and infrastructure support, further decanting and operational readiness. These costs are expensed as incurred.

(2) Capitalisation of costs should begin when the project and funding has been approved and the intent is that the project will be completed.

(a) Only labour costs (internal or external) that are directly attributable to the time spent by employees on constructing or acquiring the specific asset should be capitalised. Project costs for internal resources not exclusive to that project will be expensed.

(b) For example, if a site engineer spends 30% of his time on a particular development project, then only 30% of his employee costs should be capitalised as part of the asset's cost.

(c) Projects that cost under $100,000 which significantly enhance the functionality of the asset or life of the asset will be capitalised. A review of the expensed project costs will be conducted quarterly by FCT with assistance from UI.

(d) There must be regular reporting of the capital project against planned deliverables, time lines and approved project budget by UI.

(3) All variations to project budgets must be approved by the appropriate authority that originally approved the project budget and identified in the various project reports.

(4) 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, and all significant project costs have been finalised.

4 Details of costs capitalised and expensed

(1) 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)	**Feasibility project scoping** tasks including: • conceptual formulation of alternatives, • evaluation of alternatives feasibility study; • design and documentation (including tender drawings and documentations); • developing standards and architectural designs; • 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; • site selection costs for unsuccessful sites; and • professional fees for unsuccessful projects.	Expense (OPEX)
	Once the project has passed the feasibility stage and a successful site has been chosen: **Early Works:** • Site preparation; • Site selection costs for the successful site, including stamp duty, legal fees, agent fee, broker fee; and	Capitalise (CAPEX)

Project Stage/Phase	Activity/Cost Item Description	Expenditure Type
	• site development one the decision is made to create the asset. **Professional fees:** • professional fees for the successful site, where they relate directly to the acquisition or construction of the asset; and • development application fees.	
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 that are directly attributable to the time spent by employees on constructing or acquiring the specific asset; • fit out costs; and • remedial work up to end of warranty period.	Capitalise (CAPEX)
Post Construction phase (Recurring maintenance and Infrastructure support)	All costs after the project has reached the stage where it is ready for its intended use: • removalist costs to relocate tenants back to the building; and • on-going maintenance costs.	Expense (OPEX)

Example	Criteria	Classification	Explanation
Roof repair or replacement	Cost above $100,000	Expense	The repair or replacement does not extend the life of the building, therefore project costs are expensed. Repair cost is less than 50% of the total roof.
		Capitalise	The repair/replacement extends the useful life of the building. Roof repair/ replacement is greater than 50% of the total roof and the old roof asset is separately identifiable and able to be written off – the old roof costs are expensed and the new roof costs are capitalised.
Professional fees	Development application	Capitalise	If the project creates an asset and meets the $100,000 threshold, the

Example	Criteria	Classification	Explanation
			development application fee must be capitalised.
	Architect fees for the successful bid	Capitalise	Costs for the architect chosen for the project must be capitalised.
	Architect fees for unsuccessful bids	Expense	All professional fees as part of the preliminary phase feasibility study must be expensed. All unsuccessful architect and related professional fees must be expensed.

5 Non-current assets with multiple components

(1) **Separate non-current asset**

(a) 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.

(2) **Segments of non-current assets**

(a) Despite 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.

(b) Componentisation occurs when:

(i) 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;

(ii) the component is material enough to justify the effort in separately tracking it both physically and in accounting terms; and

(iii) the component is capable of having a reliable value attributed to it either separately or by apportioning the value of the non-current asset.

(c) The recording method for the component varies from the non-current asset.

(d) 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 UI.

(e) On project completion UI will provide finalised details of the components to FCT for capitalisation.

6 Accounting process for property and building costs

(1) For the purpose of capturing property and building costs for both capital costs (CAPEX) and expenses (OPEX), two specific responsibility centres (Project CAPEX and Project OPEX) will be maintained within the UI account structure.

(2) Project codes relating to the property and building projects are linked to both the CAPEX responsibility centre and OPEX responsibility centre.

(3) Total project cost (CAPEX and OPEX) for a building project can be obtained from the project code.

(4) Costs recorded in the CAPEX responsibility centre plus project code account (combination) will be transferred to work in progress (WIP) at the end of each month.

(5) A review of WIP projects will be completed quarterly and costs related to unsuccessful projects or costs that cannot be capitalised will be expensed to the OPEX responsibility centre + project code.

SCHEDULE 2: PURCHASE AND REJUVENATION OF COMPUTER SOFTWARE SYSTEMS

(1) Computer software is divided into either:

  (a) **application programs:** programs that users directly interact with to do a particular job.

  (b) **operating systems:** programs required to support application software.

(2) Application software includes software that the University actively develops, including new or existing software, that is modified with or without contractor assistance.

(3) The software costs can include the purchase of new software or enhancement or modification of existing software.

(4) Computer software that is rented (i.e., software as a service item) is not an asset and is expensed (not capitalised). This includes costs of enhancements or modifications to the rented software.

1 Capitalisation guidelines

(1) For project costs to be capitalised, the project must first meet both the asset criteria and the $100,000 project cost capitalisation threshold.

(2) **Asset Criteria:**

  (a) To qualify as an asset, at least one of the following aspects of an existing asset must increase:

    (i) service capacity;

    (ii) service quality; or

    (iii) useful life.

2 Costs which may be capitalised

(1) For capitalisation purposes, software projects involve three stages:

  (a) **Preliminary project stage**:

    (i) 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**:

    (i) activities in the application development and implementation phases. These costs are capitalised subject to project and funding approval.

  (c) **Post-implementation or operation stage**:

    (i) activities in the post implementation phase and ongoing training and application maintenance. These costs are expensed as incurred.

(2) Capitalisation of costs should begin when the project and funding has been approved, with the intent it will be completed to perform the planned functions.

(a) Only labour costs (internal or external) that are directly attributable to the time spent by employees on developing or acquiring the specific asset should be capitalised. Project costs for internal resources not exclusive for that project will be expensed.

(b) Projects that cost under $100,000 which 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 FCT with assistance from ICT.

(c) There will be regular reporting of the capital project against planned deliverables, time lines and approved project budget.

(3) All variations to project budgets must be approved by the appropriate authority that originally approved the project budget and identified in the various project reports.

(4) Capitalisation should cease when the Project Sponsor has signed off that:

(a) project objectives have been met;

(b) the project is complete and ready for its intended use; and

(c) all significant project costs have been finalised.

(5) 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.

3 Details of costs capitalised and expensed

(1) 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)	**Feasibility project scoping** tasks including: • feasibility studies: 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 a request for procurement issued); • selection of alternatives; • business case analysis and the management and planning functions for the project; • professional fees for unsuccessful projects; and • developing standards and designs.	Expense (OPEX)
	Once the project has passed the feasibility stage: **Professional fees:** Professional fees, where they relate directly to the acquisition and the construction of the asset;	Capitalise (CAPEX)

Project Stage/Phase	**Activity/Cost Item Description**	**Expenditure Type**
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 or 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; and • staff costs that are directly attributable to the time spent by employees on constructing or acquiring the specific asset should be capitalised.	Capitalise (CAPEX)
Post implementation/ operation (recurring maintenance and Infrastructure support)	All costs after the project has reached the stage where it is ready for its intended use: • 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; and • maintenance costs.	Expense (OPEX)

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4 Non-current asset with multiple components

(1) **Separate non-current assets**

(a) 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 be classified as a separate non-current asset.

(b) 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.

(c) 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 asset is recorded as a separate non-current asset.

(2) **Segments of non-current assets**

(a) Despite 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.

(b) Componentisation occurs when:

(i) 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;

(ii) the component is material enough to justify the effort in separately tracking it both physically and in accounting terms; and

(iii) the component is capable of having a reliable value attributed to it either separately or by apportioning the value of the non-current asset.

(c) The recording method for the component varies from the non-current asset.

(d) At start of the project a budgeted componentisation schedule (by %) is prepared by ICT.

(e) On project completion ICT will provide finalised details of the components to FCT for capitalisation.

5 Accounting Process for Software Costs

(1) For the purpose of capturing information technology project costs both capital costs (CAPEX) and operating costs (OPEX), two specific responsibility centres (Project CAPEX and Project OPEX) will be maintained within the ICT account structure.

(2) Project codes relating to the information technology IT projects are linked to both the CAPEX responsibility centre and OPEX responsibility centre.

(3) Total project cost (CAPEX and OPEX) for an information technology project can be obtained from the project code.

(4) Costs recorded in the CAPEX responsibility centre plus project code account (combination) will be transferred to work in progress (WIP) at the end of each month.

(5) A review of WIP projects will be completed quarterly and costs related to unsuccessful projects or costs that cannot be capitalised will be expensed to the OPEX responsibility centre plus project code.

SCHEDULE 3: MUSEUM COLLECTIONS: VALUATION AND STOCKTAKING PROCESS

(1) **Valuation timetable**

Year	Item valued $250,000 and above (valued every 3 years)	Item valued below $250,000 (valued every 5 years)	
		Collection	**Location**
2018		Numismatics Scientific Instruments	ET, NM, SC, XC ET, HP, NH, SC
2019	All items valued $250,000 and above	Antiquities Decorative Arts, Design and Furniture Post Classical to Early Modern Reproductions/Casts/Fakes/Forgeries	NM ET, NM, SC, XC NM NM, UA
2020		Ethnography – Indigenous Australian & Pacific & Other Rare Books and Maps	ET ET, HP, NM, SC, XC
2021		Art – Asian Art – Indigenous Australian Art - Western	ET, NM, PW, UA ET, PW, UA NM, PW, UA
2022	All items valued $250,0000 and above	Geology Historic Photography Natural History	ET, NH, NM, SC HP, NM, SC NH, EN
2023		Numismatics Scientific Instruments	ET, NM, SC, XC ET, HP, NH, SC
2024		Antiquities Decorative Arts, Design and Furniture Post Classical to Early Modern Reproductions/Casts/Fakes/Forgeries	NM ET, NM, SC, XC NM NM, UA

(2) **Valuation process:**

(a) The Collections Manager, University Museums, is responsible for scheduling and supervising the valuation program and maintaining accurate valuation records.

(b) The Collections Manager, in consultation with the Director, Sydney University Museums and External Relations and the Senior Curator, will select the valuers to be used for each collection and the scope of the valuation.

(i) The valuation process will align with the principles provided under AASB 116.

(c) The valuer will provide a report which will include:

(i) methodology used;

(ii) individual certificates for all items over $250,000:

(iii) explanations of any variance greater than 20%; and

(iv) an itemised list of the collection and new dated valuation.

(d) The valuer’s report will be included in the annual certificate of verification of museum collections submitted by the Director, Sydney University Museums and External Relations to the Chief Financial Officer, specified in clause 10(2)(c).

(i) A copy of the valuation of new donations will be provided to Advancement Services.

(3) **Stocktake timetable**

Year	Items valued over $50,000 and all loans (sighted every year)	Items valued at or below $50,000 (sighted every 5 years)	
2018	All items valued over $50,000 and all loans	Entomology # Nicholson Museum	EN NM
2019	All items valued over $50,000 and all loans	Entomology # Ethnography, Macleay Museum	EN ET
2020	All items valued over $50,000 and all loans	Entomology # Historic Photography, Macleay Museum # Power Art Collection University Art Collections	EN HP PW UA
2021	All items valued over $50,000 and all loans	Entomology # Historic Photography, Macleay Museum # Natural History, Macleay Museum	EN HP NH
2022	All items valued over $50000 and all loans	Entomology # General Collections Scientific Instruments, Macleay Museum	EN XC SC
2023	All items valued over $50,000 and all loans	Entomology # Nicholson Museum	EN NM
2024	All items valued over $50,000 and all loans	Entomology # Ethnography, Macleay Museum	EN ET

(4) **Abbreviations**

Partial rolling stocktake due to the size of the collection.

EN: Entomology
ET: Ethnography
HP: Historic Photography
NH: Natural History
NM: Nicholson Museum
PW: Power
SC: Scientific Instruments
UA: University Art Collections
XC: General Collections

(5) **Stocktake process:**

(a) The Collections Manager, University Museums is responsible for scheduling and supervising the stocktake program and maintaining accurate records of item location and movement.

(b) Two staff members will work together, checking off or amending the current locations of listed items. During the stocktake, they must:

(i) ensure labels or tags are attached to the item;

(ii) update the system for item location and change the location date to the stocktake date;

(iii) undertake a wider search for unlocated items, including discussions with staff;

(c) Unlocated items valued over $5,000 must be immediately reported to the Director, Sydney University Museums and External Relations.

(i) After 2 stocktakes, unlocated items may be considered for deaccessioning and writing off in accordance with the *University of Sydney (Delegations of Authority) Rule 2020*.

(d) Unlocated items in a collection will be included in the annual certificate of verification of museum collections submitted by the Director, Sydney University Museums and External Relations to the Chief Financial Officer, specified in clause 9(2)(c).