1. **What is a capital asset?**

A capital asset is defined as real or personal property that has a value equal to or greater than the capitalization threshold for the particular classification of asset. It is an item that is permanent in nature having a life of greater than one year, is tangible, and is held for purposes other than investment or resale.

There are six major classes of capital assets: land/land improvements, buildings/building improvements, improvements other than buildings, leasehold improvements, personal property, and computer software.

*For additional information see Administrative Practice Letter Section I – G.2, “Capital Assets.”*

2. **When should I contact the System office?**

University personnel are welcome to contact the System’s Director of Facilities or the System’s Capital Asset Accountant any time they have questions or need assistance related to capital or maintenance expenses. However, University personnel MUST contact the System Office when one of the following occurs:

- Real estate is being purchased or received as a donation.
- A capital leasehold improvement is placed in service.
- To report an annual inventory of works of art and historical treasures for insurance purposes or to report acquisitions or disposals of such assets as they occur.
- Capital assets (including real estate) is disposed of or transferred to another location.
- The University enters into a capital lease.
- To request an internal loan.

*For information on who to contact in the above situations, see Administrative Practice Letter Section I – G.2, “Capital Assets.”*

3. **Where do I record Capital Assets in PeopleSoft General Ledger?**
Capital asset acquisitions should be recorded in PeopleSoft GL as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Recording Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and building purchases</td>
<td>Should be set up as a project in PeopleSoft GL – see Business Process Document, “Requesting a Project – Completing the Project Create Form”</td>
</tr>
<tr>
<td>Capital construction or maintenance project</td>
<td>Should be set up as a project in PeopleSoft GL – see Business Process Document, “Requesting a Project – Completing the Project Create Form”</td>
</tr>
<tr>
<td>Donated assets</td>
<td>These will be posted to the general ledger by the System Accounting Department using the appropriate asset account and gift revenue account. See Business Process Document “Accounting for Gifts and Endowments”</td>
</tr>
<tr>
<td>Fabricated equipment</td>
<td>Should be set up as a project in PeopleSoft GL – see Business Process Document, “Requesting a Project – Completing the Project Create Form”</td>
</tr>
<tr>
<td>Internally developed software or purchased software that is being modified</td>
<td>Should be set up as a project in PeopleSoft GL – see Business Process Document, “Requesting a Project – Completing the Project Create Form”</td>
</tr>
<tr>
<td>Library materials and museum acquisitions</td>
<td>Use account codes: 62008, 62208 &amp; 62508</td>
</tr>
</tbody>
</table>
| Purchased equipment not part of a construction project – costs that do not qualify for capitalization | Use account codes: 62000 - 62007  
62209 - 62216                                                              |
| Purchased equipment not part of a construction project – costs that qualify for capitalization | Use account codes: 62500 - 62707  
62709 - 62716                                                              |

4. **Is an item considered capital if it costs less than $5,000 before installation and/or freight costs?**

It depends. If the invoice price is less than $5,000 after installation cost and/or freight, the item is not a capital purchase. However, if the item’s useful life is greater than one year and with the addition of installation and/or freight costs the total costs equals or exceeds $5,000 the item is a capital purchase.
5. Can I capitalize window, roof or HVAC replacements as a building improvement?

It depends on the project and the cost. Generally, if the replacement costs are over $50,000 and related to one component of the building such as a roof, the improvement can be capitalized provided the improvement increases the usefulness of the asset, enhances its efficiency, or prolongs its useful life by more than one year. If the improvement is less than $50,000 it is maintenance.

6. Can I capitalize a bulk purchase of equipment or furniture even though no individual item costs $5,000 or more?

Generally, the answer is no. However, if equipment or furniture is purchased in bulk as part of a building acquisition or the construction of a new building or building addition you may be able to capitalize the purchase. To do so, the aggregate cost of the items must be $50,000 or more and the items must have a useful life of more than one year.

Bulk purchases related to the construction of a new building are tagged as one unit separate from the building.

7. Should a complete system such as a smart classroom or telephone system be capitalized?

Construction of a system such as a technology room, smart classroom or telephone system is considered capital if the total value of the components making up the system is $50,000 or more. Systems are tagged as one unit.

Also see fabricated equipment in Administrative Practice Letter Section I – G.2, “Capital Assets.”

8. What kinds of employee labor can be charge to a capital project?

Trade shop and professional employees who are working directly on the capital project may charge their time to the capital project. These charges should be based on actual time spent on a project. Benefits are based on the current year Federal benefit rate. Classified employees should not be charged to the capital project.

9. Can I set-up one maintenance project if it involves several buildings? What if it is a capital project?

One maintenance project can be set up for several buildings; however, if bond monies are used, a separate project must be set up for each building. In addition, separate projects must be set-up for each facility if the work is actually a capitalizable improvement (see #5).
10. At what point should I request that a project be created in PeopleSoft General Ledger?

A project should be requested when:

- The project has been approved in accordance with System policy,
- Funding has been identified, and
- The project is likely to occur.

By creating the project when all of the above has occurred, the project can be considered in cash flow reports and in projecting depreciation expense for future years.

For additional information on project approvals and management see the System Facilities website. The web address is:


11. What steps should be taken if project expenses exceed revenues?

The project manager should monitor project account activity continually. Project managers are responsible for resolving a deficit balance, excluding encumbrances, on any capital construction or maintenance project within 30 days. Campus management should be contacted about funding options. In some situations an internal loan from the System Office may be obtained to remedy the deficit.

For additional information on project budgets and project management please refer to the University of Maine System-wide Services Facilities Management website located at:


For information related to Internal Loans see the following documents:

- APL Section III – C System Internal Loans at:

- Business Process Document – Accounting for Internal Loans: