



ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 8 – Capital Assets 1.1	EFFECTIVE DATE: 10/31/1983
TITLE: Use of Capital Account Codes	REVISION DATE: 05/21/2018
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

BACKGROUND

Appropriate capital account codes should be used to encumber and record expenses. Amounts should be included in the capital asset records for purchases that meet the criteria given below.

The State of Wisconsin's Uniform GAAP Conversion Policies and Procedures Manual (GAAP Manual) indicates that a unit purchase price of \$5,000 or more and a useful life of more than one year are the determining factors for coding an expense to a capital account code rather than to supplies.

The following criteria is taken from the GAAP Manual, are provided to further assist in the identification of those items that should be classified as capital assets.

1. The asset is *tangible or intangible* in nature, complete in itself, and is not a component of a system. (Refer to the discussion on component items under Procedures-3.b. below for clarification.)
2. The asset is used in the operation of the State's activities.
3. The asset has a useful life of more than one year and provides a benefit throughout that period.
4. It is a tangible asset with a unit cost of \$5,000 or an intangible asset with a unit cost of \$1.0 million or more (except for purchased software installed without modification which is capitalized if it costs \$5,000 or more).

PROCEDURES

1. Items that meet criteria 1, 2, 3, and 4 above should be coded to the appropriate capital account code and included on the capital asset records as additions.
Computer software and software site licenses, meeting the criteria above, should be included on the capital asset records as additions. Annual software maintenance contracts should **not** be accounted for as capital assets.
2. Items which meet criteria 1, 2, and 3 above, have a unit cost of less than \$5,000 and do not meet the system criteria in 3.b. below should **not** be included in the capital asset records.
3. A capital account code should be used, and the cost capitalized, for items that have a unit cost of less than \$5,000 if:
 - a. The item is an ancillary cost, such as freight, installation or other costs incurred to acquire a capital item and prepare it for use. These expenses should be recorded in a capital account and on the capital asset records as part of the related purchase.
 - b. The item will be used with and become an essential part of a system with a total value of \$5,000 or more.

- 1) Systems, such as video conferencing equipment, may consist of a number of individual items, often referred to as components. For example, a video conferencing system consisting of a main unit and a monitor should be considered a “system” asset. Typically, the main unit is valued at more than \$5,000 and the monitor is valued at less than \$5,000. Neither the monitor nor the main unit could be used for the intended purpose separately, but together they form a usable asset. All interacting, interrelated, or interdependent components should be included.
- 2) Any components subsequently added to a system should be capitalized as part of the entire system.
- 3) Upgrades, enhancements, and modifications, of internally generated software that was previously capitalized should be capitalized if they extend the life or service of the software by more than 1 year.

CONTACTS

[Capital Asset Accountant](#)