

RX

Exempt

COFRS ACCOUNTING MODEL
Acquisition and Capitalization of
Non-Constructed Assets

Used throughout the year to record the acquisition and capitalization of assets other than those acquired by construction. Refer to Accounting Model O for capitalization of constructed assets. This presentation must be achieved at fiscal year-end.

*Authoritative Source(s): The Higher Education Financial Advisory Committee (FAC)
 GASB Statements No. 34 and 35
 AICPA College Audit Guide
 NACUBO Farm Manual*

Examples of Acquisitions

| Straight purchase - no trade in | | | | | | | |
|--|-------------|---------|-----------|----------|-------------|-----------|-----------|
| New Asset | | | | | | | |
| Purchase Price | \$ | 150,000 | | | | | |
| Description | Fund/Agency | APPR | Program | AcctType | BSA/RSC/OBJ | Debit | Credit |
| Asset Purchases | 320/Gxx | NAP | 11XX/19XX | 22 | 6xxx/23xx | \$150,000 | |
| Cash | 320/Gxx | | | 01 | 1100 | | \$150,000 |
| To record an asset acquisition with no exchange of assets (no trade in) in the operating fund. | | | | | | | |
| New Asset Purchase | 320/Gxx | | | 01 | 18xx | \$150,000 | |
| HE Capitalization Clearing | 320/Gxx | NAP | 19XX | 22 | 6610 | | \$150,000 |
| To capitalize asset purchase in plant fund. | | | | | | | |
| HE Capitalization Clearing | 399/Gxx | NAP | 19XX | 22 | 6610 | \$150,000 | |
| New Asset Purchase | 399/Gxx | NAP | 11XX/19XX | 22 | 6xxx/23xx | | \$150,000 |
| To eliminate asset purchase in operating fund and HE capitalization clearing expense code. | | | | | | | |

| Similar Asset Exchange Purchase - gain situation | | | | | | | |
|---|-------------|------|-----------|------------------------------------|-------------|-----------|-----------|
| Old (trade in) asset | | | | New asset | | | |
| Original Cost | \$100,000 | | | Fair Market Value (purchase price) | | \$150,000 | |
| Accumulated Depreciation | \$70,000 | | | Acquisition (book) cost* | | \$145,000 | |
| Book Value | \$30,000 | | | Cash needed for purchase | | \$115,000 | |
| Trade in amount | \$35,000 | | | | | | |
| Deferred gain* | \$5,000 | | | | | | |
| * When similar assets are exchanged and a gain results, the acquisition cost of the new asset is adjusted for the gain. The gain is deferred because "the earning process has not been completed". The institution remains in the same economic position. | | | | | | | |
| Description | Fund/Agency | APPR | Program | AcctType | BSA/RSC/OBJ | Debit | Credit |
| New Asset Purchase | 320/Gxx | NAP | 11XX/19XX | 22 | 6xxx/23xx | \$115,000 | |
| Cash | 320/Gxx | | | 01 | 1100 | | \$115,000 |
| To record an asset acquisition to operating fund for amount equal to cash paid. | | | | | | | |
| New Asset Purchase | 320/Gxx | | | 01 | 18xx | \$30,000 | |
| Accumulated Depreciation | 320/Gxx | | | 01 | 18xx | \$70,000 | |
| Old Asset (asset traded in) | 320/Gxx | | | 01 | 18xx | | \$100,000 |
| To record an asset acquisition to plant fund when a gain results on the trade in, and to remove old (traded in) asset. | | | | | | | |
| New Asset Purchase | 320/Gxx | | | 01 | 18xx | \$115,000 | |
| HE Capitalization Clearing | 320/Gxx | NAP | 19XX | 22 | 6610 | | \$115,000 |
| To capitalize asset purchase in plant fund. | | | | | | | |
| HE Capitalization Clearing | 399/Gxx | NAP | 19XX | 22 | 6610 | \$115,000 | |
| New Asset Purchase | 399/Gxx | NAP | 11XX/19XX | 22 | 6xxx/23xx | | \$115,000 |
| To eliminate asset purchase in operating fund and HE capitalization clearing expense code. | | | | | | | |

Similar Asset Exchange Purchase - loss situation

| <u>Old (trade in) asset</u> | | <u>New asset</u> | |
|-----------------------------|-----------------|------------------------------------|-----------|
| Original Cost | \$100,000 | Fair Market Value (purchase price) | \$150,000 |
| Accumulated Depreciation | <u>\$70,000</u> | Acquisition (book) cost** | \$150,000 |
| Book Value | \$30,000 | Cash needed for purchase | \$125,000 |
| Trade in amount | \$25,000 | | |
| Loss on trade in** | (\$5,000) | | |

** When similar assets are exchanged and a loss results, the loss should be recognized immediately.

| Description | Fund/Agency | APPR | Program | AcctType | BSA/RSC/OBJ | Debit | Credit |
|--|-------------|------|-----------|----------|-------------|-----------|-----------|
| New Asset Purchase | 320/Gxx | NAP | 11XX/19XX | 22 | 6xxx/23xx | \$125,000 | |
| Cash | 320/Gxx | | | 01 | 1100 | | \$125,000 |
| To record an asset acquisition to operating fund for amount equal to cash paid. | | | | | | | |
| New Asset Purchase | 320/Gxx | | | 01 | 18xx | \$25,000 | |
| Gain/Loss on Disposal of Assets | 320/Gxx | NAP | 11XX/19XX | 31 | 6501 | \$5,000 | |
| Accumulated Depreciation | 320/Gxx | | | 01 | 18xx | \$70,000 | |
| Old Asset (asset traded in) | 320/Gxx | | | 01 | 18xx | | \$100,000 |
| To record an asset acquisition to plant fund when a loss results on the trade in, and to remove old (traded in) asset. | | | | | | | |
| New Asset Purchase | 320/Gxx | | | 01 | 18xx | \$125,000 | |
| HE Capitalization Clearing | 320/Gxx | NAP | 19XX | 22 | 6610 | | \$125,000 |
| To capitalize asset purchase in plant fund. | | | | | | | |
| HE Capitalization Clearing | 399/Gxx | NAP | 19XX | 22 | 6610 | \$125,000 | |
| New Asset Purchase | 399/Gxx | NAP | 11XX/19XX | 22 | 6xxx/23xx | | \$125,000 |
| To eliminate asset purchase in operating fund and HE capitalization clearing expense code. | | | | | | | |

NOTE: When dissimilar assets are exchanged, such as equipment for land, always recognize any gain or loss at acquisition.

NOTE: Accumulated depreciation taken off the books upon disposal needs to include current year depreciation expense.

NOTE: When boot (cash) is received in an exchange transaction, the amount of gain recognized is based on a percentage calculation. See appropriate accounting guidance on how to account for exchange transactions when boot (cash) is received.