



<b>Section</b>	Finance
<b>Contact</b>	Senior Capital Planner / Accountant
<b>Last Review</b>	November 2020
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<b>Approval</b>	SLT 16/06/111

### **Purpose:**

To provide clear standards and practical guidance for the financial management of Massey University's (the "University") property, plant and equipment and intangible assets.

The procedures will assist with financial planning of capital projects, by outlining:

- Activities which can be capitalised and activities that must be expensed to operating accounts.
- Depreciation rates for assets.
- Project account structure and items codes.

These procedures have been developed specifically for non-finance staff, and to ensure the University complies with its Statement of Accounting Policies (section 2 (1) refers).

### **Procedures:**

These procedures cover Property, Plant and Equipment (PP&E) and Intangible Assets and apply to the following:

- Capital PP&E where the asset purchase cost exceeds the capitalisation threshold of \$2,000;
- Capital intangible assets where the asset purchase cost exceeds the capitalisation threshold of \$20,000; and
- Non-capital PP&E and intangible assets where the purchase cost is below capitalisation thresholds (expensed as operating items).

These procedures exclude the asset classes listed below. Budget centre managers must consult with Finance on the capitalisation and operating assumptions associated with these assets classes.

- Biological Assets;
- Intellectual Property;
- Development of educational course or course materials; and
- Determination of library collection tangible and intangible assets.

The definitions on pages 8-9 in this procedure provide further explanation of the technical terms used in this document.

For additional guidance on these procedures please consult with Finance representatives.



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## Section 1 Management of Assets

### 1. Ownership

All Assets funded or otherwise acquired by the University are owned by the University and not by a specific individual, department or other operating unit. Generally, the University has sole ownership of all assets acquired regardless of source of funding or method of acquisition. This includes equipment funded from research surpluses or other income, with the following exceptions:

- a. Equipment acquired through sponsored projects where the government or other sponsor retains title to the equipment or where the sponsor provides equipment merely for the duration of the project; or
- b. Equipment on short-term loan from another institution; or
- c. Equipment aligned with an academic's research, where the equipment is owned by the supplier or other sponsor; or
- d. Leased assets.

### 2. Responsibility

- a. All University employees are responsible for protecting University assets entrusted to them and for helping to safeguard University assets in general. This responsibility includes the proper care and maintenance of assets, and guarding against loss, damage or theft, and extends to assets in the temporary care of the University.
- b. Budget centre managers are ultimately responsible for the management and safe keeping of all equipment and other assets assigned to their department, school or institute budget centre.
- c. Assets should only be used for University business purposes and in accordance with University policies.
- d. Research contract supervisors are responsible for ensuring research funded equipment is used in accordance with the research contract and as agreed by the funding agency.

### 3. Approvals to Purchase Assets

- a. All expenditure on Assets must have an approved budget before an asset is procured.
- b. Approved budgets are released through the University budget process for operating items and Request for Financial Authority (RFA) process for capital assets or by a specific memorandum from the Deputy Vice-Chancellor Finance and Technology (DVC FT).
- c. The purchase of assets must be planned and procured in accordance with the Procurement Policy, Procurement and Contracts Governance Board Terms of Reference, Capital Investment Policy, Business Case Policy, and Delegations of Authority document.
- d. Planning, budgeting and financial management for capital projects and assets will be undertaken in accordance with the Capital Planning, Approval and Management Procedures, and Project Management Policy and Framework.

### 4. Asset Transfers

#### a. Internal Transfers

- i. Internal transfers apply to capital assets recorded on the University finance asset register (the Asset Register)
- ii. Transfers between budget centres (i.e. University departments, schools and institutes) are required to ensure correct assignment of management responsibilities and depreciation.
- iii. An Asset Transfer Form must be completed and submitted to Finance. Forms are available on the Finance intranet site.



- b. External Transfers
  - i. Asset transfers from/to external organisations shall be generally treated as a purchase or sale, with the agreed purchase or sales price of the transferred item recorded by Finance on the asset register. If treated as a non-financial transfer between related agencies, it is recorded at its original historical cost at acquisition date.
- c. Loan Equipment
  - i. Loan of University owned equipment, exceeding \$5,000 in value and for periods of one month or more, to external organisations shall be notified via email to:
    - 1. Finance, for accounting purposes (FinOps-GeneralLedger@massey.ac.nz ), and
    - 2. Insurance Advisor, for insurance purposes (insurance@massey.ac.nz).

The budget centre lending the equipment must provide details of who the equipment is loaned to, its location, the equipment asset number and when the equipment is to be returned to the University.
  - ii. Equipment borrowed from external organisations must be insured by the owner of the equipment against loss, damage or theft. The budget centre manager will maintain a register of borrowed equipment indicating who owns the equipment and where it is located.
  - iii. The Procurement Office can assist in developing an appropriate loan agreement where necessary.

### 5. Disposals, Damaged and Stolen Assets

- a. Assets no longer required, not serviceable or not providing an economic benefit to the University must be disposed of in accordance with the Asset Disposal and Write Down Policy, and consistent with sound environmental management, in accordance with the Environmental Policy.
- b. Asset disposals are subject to the specific requirements under the Education Act 1989 section 192 (4) (a). Ministry of Education approval is required for the disposal of assets above a calculated Asset Disposal Limit (ADL). For additional guidance on this calculation please consult with Finance representatives
- c. Disposals, damaged or stolen assets that are recorded on the asset register must be reported to Finance who will amend the register and make subsequent adjustments to depreciation. An Asset Disposal form is available on the Finance intranet site.
- d. Information and Communication Technology (ICT) equipment eligible for disposal, damaged, stolen or no longer required, must also be returned, or if stolen, reported to Information Technology Services (ITS) in accordance with the ICT equipment disposal procedures. Refer to the ITS web page for details.
- e. Damaged assets must have their value on the asset register appropriately reduced before any remediation or replacement PP&E is capitalised to ensure the book value does not significantly exceed the asset's fair market value. Refer to Section 2 (7) and definitions.
- f. Damaged or Stolen assets must also be reported to the Insurance Advisor (insurance@massey.ac.nz).
  - i. The first \$20,000 of any insurance claim for reinstatement must be paid from budget allocations of the department, school or institute.
  - ii. Insurance reinstatement claims between \$20,000 and \$500,000 may be funded from the self-insurance cover capital budget, in consultation with the Senior Capital Planner / Accountant.
  - iii. Insurance claims exceeding \$500,000 (the deductible) will be subject to a full external insurance claim. Contact the Insurance Advisor for further information (insurance@massey.ac.nz).



- g. Proceeds from asset sales will be reported under the University Central budget centre and will only be available as additional funds with the approval of the DVC FT.
6. Physical Verification of Assets
- a. Budget centre managers must annually verify the existence of equipment and intangible assets assigned to their department, school or institute. For additional guidance on this verification please consult with Finance representatives
  - b. Finance will undertake a verification of building and infrastructure assets as part of the asset re-valuation procedure. A building and infrastructure re-valuation is typically undertaken every three years
  - c. Damaged, missing, or obsolete assets must be reported in accordance with Section 1 (5) Disposals, Damaged or Stolen Assets and Section 2 (6) Impairment.

## Section 2 Measurement and Recording of Assets

1. Statement of Accounting Policies
- a. The valuation and recording of Assets is undertaken in accordance with the University Accounting Policies and financial reporting standards.
  - b. The statement of accounting policies is included in the University Annual Reports. These policies are aligned to Public Benefit Entities International Public Sector Accounting Standards (PBE IPSAS). <http://www.massey.ac.nz/massey/about-massey/university-management/plans-reports/>
2. Capitalisation
- a. Capitalisation is the conversion of cash assets into PP&E or intangible assets with future economic value to the University. Capitalisation is applied to Assets with a useful life greater than one year and exceeding the capitalisation thresholds (Section 2(3) refers).
  - b. Accumulation of capital costs does not commence until the full business case has been approved by SLT and, if over \$1.0m, by the University Council.
  - c. Preliminary project costs (prior to business case approval) and post completion costs (after implementation of practical completion) cannot be capitalised and must be expensed when incurred (Appendices C, D and E refer).
  - d. Capitalisation occurs when practical completion is achieved and the asset is “available for use”.
  - e. Assets with diminished *useful life* resulting from delays between procurement and ‘*in use*’ operation, in particular electronic technology, will be subject to impairment due to technological obsolescence (Section 2(6) refers).
  - f. Capital costs are accumulated in individual project accounts as work in progress (WIP) until capitalisation occurs.
  - g. Project managers must capitalise a project when the asset is “available for use”. Where projects are completed in stages, each ‘available for use’ stage must be capitalised. Capitalisation forms and staff contact details are available from the Finance intranet site.



### 3. Capitalisation Thresholds

- a. The capitalisation threshold is the minimum financial value (the asset's purchase cost excluding GST) at which an asset must be added to the University asset register and recorded on the balance sheet.
- b. PP&E are capitalised when the value of an individual item or the value of an Asset Set is greater than **\$2,000**.
- c. Intangible Assets are capitalised when the value of an individual item or Asset Set is greater than **\$20,000**.
- d. Assets must have a Useful Life of greater than one year to be capitalised.
- e. Expenditure splitting to fall below the capitalisation threshold is not permitted.
- f. Operating items including low value Assets below the capitalisation thresholds defined in 3b and 3c must be expensed to an operating budget and are not recorded on the asset register.

### 4. Determining What Expenses (Costs) Can Be Capitalised

- a. In determining what costs can be capitalised the general rule is:
  - i. Do the goods or services being supplied, materially add to the fair market value of an existing asset such as increase the asset's capacity or remaining life, enhance or add additional features to the asset or establish a new asset?
  - ii. Do the goods or services exceed the capitalisation thresholds? Section 2 (3) refers
  - iii. Examples of project capital and operating expenses are provided for:
    - Building and Infrastructure Projects (Appendix C);
    - Software Projects (Appendix D); and
    - Equipment Projects (Appendix E).
- b. Projects will include both operating and capital costs, and business cases must budget for both. Business cases must clearly separate capital and operating expenditure associated with projects.
- c. Budget centre managers and project managers will consult with Finance to determine the correct allocation of capital and operating expenditure.
- d. Operating costs included in project contracts shall be identified and expensed to operating budgets in the year they are incurred (E.g. building and landscape maintenance costs, software maintenance costs which don't meet the intangible asset recognition criteria etc.).
- e. Software upgrades implemented to maintain an existing system's support and not adding significant new functionality cannot be capitalised and must be expensed in the year incurred.
- f. Software upgrades implemented that are greater than \$20,000 and that enhance the system, add new features, increase capacity, increase useful life, or form part of a contractual agreement with the vendor can be capitalised.
- g. Software purchased to operate instruments or machines, where the software is integral to the operation of the equipment should be capitalised as a part of the equipment, as PP&E (e.g. Computer operating systems should be capitalised with the computer hardware).
- h. Software purchased under licence and forming an integral part of the development and implementation of a software solution (e.g. Student Management System) shall be capitalised as part of the internally generated intangible asset.
- i. Training materials, and technical manuals developed may be capitalised as a part of the related asset.
- j. Annual licence costs for a Software as a Service (SaaS) solution cannot be capitalised, but any developmental costs incurred to bring the SaaS solution to the point it is available for service should



be capitalised. Where development occurs during the first year of the SaaS licence, the first year's licence costs may be capitalised.

### 5. Depreciation and Amortisation

- a. Depreciation is the recognition of the cost of use, wear and tear or obsolescence of an asset over its useful life. Depreciation also serves as a cash management tool whereby a portion of University's cash inflows is set aside for the renewal or replacement of assets.
- b. Depreciation is charged against PP&E recorded on the asset register, with the exception of land and artwork.
  - i. Depreciation on campus facilities and utilities infrastructure is charged centrally to Facilities Management operating budgets at each campus.
  - ii. Depreciation on Desktop Computer Fleet, National ICT infrastructure and University wide business systems is charged to the Information Technology Services budget centre.
  - iii. Depreciation on other capital assets including research equipment is charged to the budget centre with responsibility for managing the asset.
- c. Amortisation is applicable to the obsolescence of non-physical assets and is charged on all intangible capital assets.
  - i. Amortisation of software for University wide business systems is charged to Information Technology Services budget centre.
  - ii. Amortisation of software dedicated to a budget centres activity is charged to that budget centre.
- d. Managers undertaking capital projects, and business case developers preparing capital cases, must consult with the budget centre managers where the depreciation and amortisation impact.
- e. The maximum depreciation rate or amortisation rate used for any asset is 50% or a useful life of two years.
- f. Appendix A provides a summary of the asset classes, useful lives' of assets and depreciation rates.

### 6. Impairment

- a. An asset is financially impaired (reduced in value) if the depreciated value (also referred to as the carrying amount or net book value) on the asset register exceeds the recoverable amount. Recoverable amount is the greater of: the fair market value (less sale costs), or value to the University when the asset is in use.
- b. Impairment can occur if the asset is aged, damaged, obsolete, no longer providing an economic benefit or through a decline in the market value. The level of impairment will typically be determined based on the market value.
- c. Asset managers and budget centre managers must advise Finance of any known asset impairment affecting the usability of the Asset or reducing its value.
- d. University assets will be reviewed for impairments annually by Finance.

### 7. Recording and Reporting Capital Expenditure

- a. Accurate financial and project records must be maintained and retained in accordance with the Financial Monitoring and Control Policy and the Record Management Policy. These policies are aligned with legislative compliance.
- b. Asset costs must be assigned to the correct finance account and item codes, for the activity being undertaken. This ensures costs against individual assets are accurately reflected.



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- i. Account codes will be provided as either standing account codes for minor equipment purchases or specific project codes provided through the RFA process.
  - ii. 6000 series item codes shall be used for all capital project or programme costs. Appendix B provides a schedule of item codes.
  - iii. Item code 2018 should only be used for discrete capital purchases where the capital cost does not form part of a larger project or programme.
  - c. Internal staff costs charged to capital projects must be clearly attributable, by staff member, to individual projects or the costs will be expensed to operating budgets when incurred.
  - d. Financial planning, forecasting and management of projects should be completed on both an accruals basis and a cash flow basis:
    - i. An accruals basis is budgeting and forecasting expenditure in the month in which the work is undertaken. This is particularly important for year-end (31 December) where costs incurred in the current year, but not paid, must be accrued to ensure the accuracy of annual accounts.
    - ii. Projects will generally be reported on a cash flow basis i.e., forecasting expenditure in the month when payment is made to the supplier.
      - 1. When forecasting cash flows, project managers must make allowance for university purchase order approval and invoice processing times.
      - 2. Payments are made on 20<sup>th</sup> of the month following the invoice date and must be received in Accounts Payable 5 working days prior in order to be paid in the next payment run. The only exception is contract payments being paid in line with the terms and conditions of the contract.
    - iii. Project managers are required to complete monthly project cash flow reports and quarterly project status reports, or submit special reports as requested.
    - iv. Project managers must advise Finance when there are material changes, within the approved budget, to the monthly cash flow forecasts greater than \$250,000 in a calendar month. Reporting is required to optimise the management of University finances.
    - v. Project managers must advise Finance when forecasts or actual expenses exceed the approved project budget by \$50,000 or 10% whichever is less.
  - e. Financial transfers (journals) between project accounts or between project and general ledger accounts shall be fully transparent to ensure the correct allocation of capital and operating expenditure.
    - i. Journals must have an accurate description reflecting:
      - 1. the nature of the expenditure, and
      - 2. the source or destination account for each credit and debit transaction as applicable.
    - ii. Journals transactions may be:
      - 1. One-to-one account and item code transfers, or
      - 2. One account and item code, to one account and many item code transfers.
    - iii. Using journals to consolidate transactions (many to one) is not permitted.
1. Appendix A – Asset Class and Useful Life Summary
  2. Appendix B - Schedule of Capital Account Codes
  3. Appendix C – Operating vs. Capital Construction Project Examples
  4. Appendix D – Operating vs. Capital Software Project Example
  5. Appendix E – Operating vs. Capital Equipment Project Example



### Definitions:

#### Amortisation

Similar to depreciation as defined below, amortisation is the recognition of the cost of obsolescence for intangible assets.

#### Assets

Property, plant and equipment (PP&E) or intangible assets as defined in this definitions section.

#### Asset Set

A 'set' of assets is:

- a group or pool of like assets having the same useful life, and where the value of the individual items is less than \$2,000, (e.g. a class set of microscopes), or
- a group of components making up a singular system where component interdependency exists for the system to operate effectively (e.g. Instrumentation and its application software necessary to operate the instrument effectively).
- This does not include items of a consumable nature or items that can be readily destroyed in the course of normal use (e.g. survey forms or plastic pipettes).

An "Asset Set" is recorded on the asset register as a single entry with notation indicating the separable components or the number of like items (e.g. 25 desktop computers with single monitors).

#### Capital Expense

- The fixed, one-time expenses incurred on the purchase of an asset used in the production of goods or in the delivery of services, or
- The total cost needed to bring a project to a commercially operable status.

#### Capitalisation

Capitalisation is the conversion of cash assets into PP&E or intangible assets which have future value to the University and which are then recorded on the Finance asset register and on the University balance sheet.

#### Depreciation

Depreciation is the recognition of the cost of use, wear and tear or obsolescence of an asset over its useful life.

#### Development

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Development costs may be capitalised.

#### Fair Market Value

Fair market value (FMV) is the price an asset would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act and with both having reasonable knowledge of the relevant facts.

#### Fixed Asset

PP&E (property, plant and equipment) are tangible items:

- Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and having an economic useful life exceeding one year.
- That are a **capital** asset when an individual item or *Asset Set* exceeds \$2,000

#### Available for Use

The date when an asset becomes available for its intended use.

#### Intangible Asset





An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

- (a) Is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- (b) Arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations

Intangible assets are classified as computer software, websites, licenses and permits, patents, copyrights and trademarks, rights-of-way and easements, natural resources extraction rights, and other intangible assets.

Intangible assets

- Are an intangible **capital** asset when an individual item or *Asset Set* exceeds \$20,000 and is identifiable as either (a) or (b) above.

Operating item

A non-capital low value item, of property, plant or equipment or an intangible asset, used for normal business operations:

- That has an economic life of less than one year; or
- An individual asset or asset set where the purchase cost is below the capitalisation threshold; or
- An Item where the purchase cost is below the capitalisation threshold is expensed in the financial year the cost is incurred.

Operating Expense

The day to day costs of running the University including, but not limited to, salaries, consumables, travel, rentals, repairs and maintenance, utilities and depreciation.

Practical Completion

The time when the contract works or contract is complete, notwithstanding minor outstanding items.

Research

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Research is an operating expense and cannot be capitalised

Useful Life

The period over which an asset is expected to be available for use, i.e. years in service before disposal, or years in service before reinstatement or renewal is required.



## **Audience:**

Massey University and its controlled entities  
Capital Programme and Project Managers  
Budget Centre Managers  
Managers of University Assets

## **Relevant legislation:**

Finance Reporting Act 2013  
Crown Entities Act 2004  
Public Finance Act 1989  
New Zealand International Financial Reporting Standards (NZ IFRS)  
Public Benefit Entities' International Public Sector Accounting Standards (PBE IPSAS)

## **Legal compliance:**

Nil in relation to this procedure

## **Related procedures / documents:**

University Accounting Policies  
Asset Disposal and Write Down Policy  
Environmental Policy  
Capital Investment Policy  
Business Case Policy  
Delegations of Authority  
Capital Planning and Approval Process  
Procurement Policy and Procedures  
Project Management Policy and Framework  
Procurement and Contracts Governance Board Terms of Reference and Processes  
Financial Monitoring and Control Policy  
Record Management Policy

## **Document Management Control:**

Prepared by: Senior Capital Planner / Accountant for the Chief Financial Officer  
Authorised by: Deputy Vice-Chancellor Finance and Technology  
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Next review: November 2023



Appendix A - Asset Classes, Useful Life and Depreciation Summary

Asset Class: Property, Plant and Equipment	Useful Life	Depreciation Rate	Notes
Land	indefinite	N/A	<ul style="list-style-type: none"> <li>⊕ The land</li> <li>⊕ Land developments including levelling and drainage</li> <li>⊕ Grass, shrubbery and trees</li> </ul>
Reticulation	10 years to 80 years	10% to 1.25%	<ul style="list-style-type: none"> <li>⊕ Pavements, Roads, Footpaths</li> <li>⊕ Water Supply, Sewerage, Storm-water</li> <li>⊕ Gas and Electricity Supply</li> <li>⊕ Communications Supply</li> <li>⊕ Fences</li> <li>⊕ Reticulated Services between buildings</li> </ul>
Buildings Structure	10 years to 100 Years	10% to 1%	<ul style="list-style-type: none"> <li>⊕ The basic shell of the building, foundations, structural members, floor slabs, permanent walls</li> <li>⊕ Exterior Cladding, Roof and Windows</li> <li>Typically 50 to 75 years (2% to 1.5%)</li> </ul>
Buildings Fit out	10 years to 33 years	10% to 3.3%	<ul style="list-style-type: none"> <li>⊕ Interior walls and doors not part of the main structure and by nature have a shorter useful life than the main structure</li> <li>⊕ Upgradeable non-core services such as kitchens, Joinery, partitioning and suspended ceilings</li> <li>⊕ Carpets, Vinyl, wall coverings and ceiling</li> <li>⊕ Blinds, Fittings and Fixtures</li> </ul>
Buildings Services	10 years to 40 Years	10% to 2.5%	<ul style="list-style-type: none"> <li>⊕ Cabling for electrical, emergency lighting and communications in building</li> <li>⊕ Water Supply and sewer within Building</li> <li>⊕ HVAC piping, ducting</li> <li>⊕ Fire Protection</li> <li>⊕ BMS, Security and Assess Systems</li> <li>⊕ Compressed Air distribution services</li> <li>⊕ Gas and Gas Scavenge distribution services</li> </ul>
Buildings Plant	8 years to 20 years	12.5% to 5%	<p>Covers permanent pieces of plant installed into the structure of the building, specifically</p> <ul style="list-style-type: none"> <li>⊕ Air conditioning, Chillers and Freezers</li> <li>⊕ Automatic Opening Doors</li> <li>⊕ HW Cylinders, Heating Boilers and Radiators</li> <li>⊕ Elevators/Lifts</li> <li>⊕ Ventilation Systems and Automatic Windows</li> <li>⊕ Fume Cupboards and Chemical Cabinets</li> <li>⊕ Building management and Security hardware</li> <li>⊕ Emergency Lighting Units</li> <li>⊕ Compressors/ Gas Scavenge Plant/ Generators</li> </ul>
Lease Hold Improvements	10 years or less	10% or more	Fit out of leased facilities. Useful life and depreciation rates should align with the term of the lease.
Equipment	3 years to 20 years	33% to 5%	AV Systems / Instruments/Simulators / Appliances / Portable Appliances / Network Switches / Wireless Transmitters / Telephones / Cameras / Lamps / Trolleys
Computers	4 years	25%	Servers / Desktops / Laptop / Tablets



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## Asset Financial Procedure – Page 12

Asset Class: Property, Plant and Equipment	Useful Life	Depreciation Rate	Notes
Furniture	5 years to 20 years	20% to 5%	Tables / Chairs / Stools / Couches / Shelving / Cabinets / Notice Boards / White Boards / Display and File Cabinets
Motor Vehicles	4 years to 20 years	25% to 5%	Cars / Vans / General Trailers / Quad Bikes / Tractors / Trucks 20 years for tractors
Aircraft	16 years	6%	Aircraft / Spare Engines
Implements	10 Years to 20 Years	10% to 5%	Ploughs / Harrows / Injection drills / Sprayers / Mowers / Feeders / Spreaders / Tipping Trailers / etc.
Library Collection	10 years	10%	Books / Serials / e-Books / e-Serials
Artwork Collections	indefinite	N/A	Paintings / Prints / Photos / Jewellery / Porcelain / Silver Collection / Sculpture / Objet d'art
Collections	Consult Finance	Consult Finance	Other collections of significance / Herbarium, Special Teaching Artefacts and Specimens
Feasibility Studies, early concepts, Business Cases, start-up costs	N/A	N/A	Research phase / procurement / contract negotiations are <b>operating expenses</b>

Asset Class: Intangible Assets	Useful Life	Depreciation Rate	Notes
Software Licences	3 years to 5 years	33% to 20%	Purchase of Licences (including significant upgrades which are greater than \$20,000 and are an identifiable intangible asset – refer to definition), excluding annual maintenance fees and support costs. Useful life and depreciation rates should align with licence term.
Software Development	4 years to 10 years	25% to 10%	Programming / Coding of Software
Software Configuration	4 years to 10 years	25% to 10%	Setting Parameters / Configure DB / Configure Screens / Workflows / Establishing Reports
Software Implementation	4 years to 10 years	25% to 10%	Project Management / Change Management / UAT/ Quality Assurance / Development of Technical Manuals
Other Intangible assets	Consult Finance	Consult Finance	Easements
Feasibility Studies and Business Cases and start-up costs	N/A	N/A	Research phase / procurement / contract negotiations are <b>operating expenses</b>

Note: Software intangible assets are recorded under a single asset class 'Software' in the University Finance asset register.



**Appendix B – Capital Expense Item Codes for Project (PR) Accounts**

<b>Item Code</b>	<b>Item Description</b>	<b>Notes</b>
****-2018	Capital Works in Progress	
****-2998	Maintenance Write Off	
****-2999	Asset Capitalisation	
****-6101	Demolition/Site Preparation	Selected accounts need to be set up for each project
****-6102	Civil Works	
****-6103	Building Works	
****-6104	Infrastructure Services	
****-6105	Site Works	
****-6106	Internal Infrastructure	
****-6107	IT Feeder Infrastructure and connections	
****-6108	Mechanical Services	
****-6109	BMS Services	Building Management Systems (Automatic Controls)
****-6110	Electrical Services	
****-6111	Fire Services	
****-6112	Security Services	
****-6113	Landscaping	
****-6114	Directory Boards/Signage	
****-6115	Master Key System	
****-6116	Design Contingency	
****-6117	Other Separate Contract	
****-6118	Refrigeration Services	
****-6201	Consents and Statutory Charges	
****-6202	Contract Works Insurance	
****-6203	Principle Consultant Services	
****-6204	Structural Consultant Services	
****-6205	Services Consultant Services	
****-6206	Civil Works Consultant Services	
****-6207	Landscaping Consultant Services	
****-6208	Quantity Surveying Services	
****-6209	Cost Management Services	Quantity surveying and ICT estimators
****-6210	Construction Programming	
****-6211	Construction Management	
****-6212	Project Management	Includes PM, project director, programme manager, and project coordination



Item Code	Item Description	Notes
****-6213	Post Occupancy Evaluation	Opex Cost to be expensed in the year incurred
****-6214	Other Specialist Services	
****-6301	Temporary Works	Opex elements must be expensed in the year incurred
****-6302	Decanting	Only construction related costs
****-6303	Relocation Expenses	Opex Cost to be expensed in the year incurred
****-6401	Furniture and Equipment	
****-6402	Audio Visual Equipment	
****-6403	Computers and Printers	
****-6404	IT Services Infrastructure	
****-6405	IT Active Component, Telephones, etc.	
****-6406	University Infrastructure Internal Charge	Opex Costs to be expensed in the year incurred
****-6407	Specialist Equipment	
****-6408	Artworks	
****-6409	Other Items	
****-6501	Fluctuations in cost	
<b>Intangible Assets</b>		
****-6601	Software Purchase and Licences	Direct purchase of software and initial licence costs Significant software upgrades, ie > \$20,000 and are an identifiable intangible asset – refer to definition
****-6602	Solution Design	Internal and External staff, Vendor consultants, BA's directly involved in the solution design and specification
****-6603	Solution Configuration	Internal and External staff, Vendor consultants, BA's directly involved in software configuration
****-6604	Solution Development and Customisation	Internal and External staff, Vendor consultants, BA's directly involved in programming, API, customisations, interfaces
****-6605	Data Migration	Internal and External staff, Vendor consultants, BA's directly involved in data cleansing, normalisation and migration
****-6606	Solution Testing	Internal and External staff, Vendor consultants, BA's directly involved in software testing including development and UAT
****-6607	Technical Manuals	Costs associated with the development of technical manuals. (Actual staff training cannot be capitalised)
****-6608	Release Management and Deployment	Internal and External staff, Vendor consultants, BA's directly involved in the software implementation
****-6609	Quality Assurance	External Project QA and IQA
****-6610	Other External Specialists	E.g. Change Managers



Appendix C – Operating vs. Capital Expenditure: Building and Infrastructure Case Example  
 Technical: Fixed Assets – Property, Plant and Equipment

Application: Building Construction and Renovation projects, Infrastructure projects

Preliminary Project Stage and All Other Stages	Development and Implementation Stages	Post Implementation and Operating Stages
Expense to Operating Budget	Capitalise	Expense to Operating Budget
Pre-business case costs Investment logic mapping Business case preparation Costs relating to project governance	Design of the chosen path including professional fees, compliance costs Architects, engineers, QS, project manager.	
Business case review	Project quality assurance	Post completion review
Start-up costs Feasibility studies, concepts and evaluation of alternatives	Site preparation, Demolition costs only when aligned with reinstatement of the asset Initial delivery and handling costs	Costs of demolition, removal and relocation of assets generally
Final selection of alternatives Procurement Contract negotiations and legal costs	Installation and assembly costs Construction costs Landscape design and installation Signage design and installation	Staff reorganisation and relocation costs
General administration, overheads and travel costs (including budget development and monitoring)	Staff costs directly contributing to design, project management and construction (Note 2)	Marketing or promotional costs Opening a new facility Staff travel costs
Training of designers, engineers etc. Conferences and travel costs	Development of O&M manuals and training materials Costs of testing whether the asset is functioning properly	Training of users Travel and accommodation costs
Catering for project team	Waste management, cleaning and utilities associated with the construction	On-going cleaning, waste management utility costs, repairs and maintenance costs, landscape and grounds costs (Note 1)
These opex costs also apply to the development and implementation stage	Furniture, fittings and equipment (See Appendix E for details)	Equipment repairs and maintenance

**Note 1:** On-going repairs, maintenance and operating costs for buildings, infrastructure and grounds must be expensed in the year the expense is incurred, irrespective of their inclusion in a capital construction or installation contract.

**Note 2:** “The cost of an item of property, plant and equipment shall be recognised as an asset if and only if... (b) The cost or fair value of the item can be measured reliably” (PBE IPSAS 17 para 14). Therefore, internal staff costs charged to projects must be clearly attributable to individual projects or such costs will be re-expensed to operating budgets when incurred.



**Appendix D – Operating vs. Capital Expenditure: Software Case Example**

Technical: Intangible Assets - An internally generated intangible asset

Application: Business systems development projects

Preliminary Project Stage and All Other Stages	Development and Implementation Stages	Post Implementation and Operating Stages
Expense to Operating Budget	Capitalise	Expense to Operating Budget
Pre-business case costs Investment logic mapping Business case preparation Research phase	Design of the chosen path including development of detailed requirements, software configuration and interfaces. SaaS custom configuration and interfaces	Software as a Service (SaaS) annual licence costs
Business case review	Project quality assurance	Post completion review
Evaluation of alternatives	Software licenses and installation	Annual support costs (Note 4) Software maintenance costs
Final selection of alternatives Procurement Contract negotiations and associated legal costs	Software purchased or developed to migrate old information to the new system Fees to register a legal right	Data cleansing and normalisation of old data for the new system.
General administration and overheads (including budget development and monitoring) Catering for project team Stationery	Coding, programming, systems testing and UAT (wherever backfill cost is incurred) Staff costs directly contributing to design, project management and implementation (Note 3)	Application maintenance, operating, backups and DB administration. Internally generated brands, publishing titles, lists of users of a service.
Training of developers Conferences and travel costs	Development of technical manuals and training materials	Training of users Travel and accommodation costs
Start-up costs Identified inefficiencies and initial operating losses incurred before the asset achieves planned performance	Upgrades to add new modules or significant enhancements in functionality	Upgrades to maintain a supported application
Cost relating to project governance groups	Hardware/equipment to support the software (See Appendix E for details)	Equipment repairs and maintenance
Stakeholder meetings		Staff reorganising costs

Software purchased to operate instruments or machines, where the software is integral to the operation of the equipment should be capitalised as property, plant and equipment. Computer operating systems should be capitalised with the computer hardware.

**Note 3:** *If an entity cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure as if it were incurred in the research phase only (PBE IPSAS 31 para 51).* Internal staff costs charged to projects must be clearly attributable to individual projects or such costs shall be re-expensed to operating budgets when incurred.





**Appendix E – Operating vs. Capital Expenditure: Equipment Case Example**

Technical: Fixed Assets – Property, Plant and Equipment

Application: Equipment Purchases

Preliminary Project Stage and All Other Stages	Development and Implementation Stages	Post Implementation and Operating Stages
Expense to Operating Budget	Capitalise	Expense to Operating Budget
Pre-business case costs Investment logic mapping Business case preparation		
Business case review	Project quality assurance	Post completion review
Feasibility studies and Evaluation of alternatives	Site preparation, Freight and handling costs	Disposal costs generally
Final selection of alternatives Procurement Contract negotiations and legal costs	Installation and assembly costs – refer to Appendix C Commissioning Costs	Warranty Costs (Note 6) Insurance
General administration, overheads and travel costs	Staff costs directly contributing to project management and installation (Note 5)	Marketing or promotional costs Staff travel costs
Training of scientists, engineers etc. Conferences and travel costs	Development of O&M manuals and training materials	Training of users Travel and accommodation costs
These opex costs also apply to the development and implementation stage	Costs of testing whether the asset is functioning properly	Cleaning, operating materials, waste management, utility costs, repairs and maintenance costs for the equipment, replacement of parts under \$1,000 in value.

Assets with diminished *useful life* resulting from delays between procurement and ‘*in use*’ operation, in particular electronic technology, will be subject to impairment due to technological obsolescence (Section 2(6) refers). The time between equipment supply and ‘*in use*’ operation should be minimised. Programmes of work should consider an appropriate procurement strategy with staged supply and payment of equipment.

On-going repairs, maintenance and operating costs for equipment must be expensed in the years the expense is incurred, irrespective of their inclusion in a procurement or installation contract.

**Note 5:** “The cost of an item of property, plant and equipment shall be recognised as an asset if and only if... (b) The cost or fair value of the item can be measured reliably” (PBE IPSAS 17 para 14). Therefore, internal staff costs charged to projects must be clearly attributable to individual projects or such costs will be re-expensed to operating budgets when incurred.

**Note 6:** Warranties and other operating costs paid in advance at the time of purchase shall be treated as prepayments. Contact Financial Reporting for treatment of prepayments.