

PROPERTY MANAGEMENT GUIDELINES

ADDING COST TO EQUIPMENT

When department purchases non-maintenance, non-consumable items that enhance the functionality of existing equipment and increase the capital value, the purchase price of the item(s) is considered an "added cost" and capitalized. The modifications, attachments and/or accessories should be permanently installed with a combined value of the original equipment and added cost exceeding \$5,000 to qualify for added cost capitalization. If the combined value of the original item and the added cost do not exceed \$5,000, the added cost should not be capitalized.

It is possible that the original equipment did not qualify for capitalization when first purchased. When the modification causes the value to exceed \$5,000, the entire value (original and added cost) should be capitalized. If a department has any questions concerning capitalization of equipment, use of capital equipment accounts or the purchase of added cost items, please contact Property Management Department if you are adding cost to equipment so that Property Management can assist you in determining if the betterment to the equipment constitutes a capital event or materially increases the value or estimated useful life of the equipment.