
1106.3 PLANT ASSETS – RETIREMENTS

Effective: December 1986
Revised: September 2015
Last Reviewed: April 2017
Responsible Office: Comptroller
Approval: Comptroller

PURPOSE

To properly account for plant asset retirements.

POLICY

1. Responsibility:

The Office of the Comptroller is responsible for ensuring that all retirements of plant assets are properly recorded at the time of disposal in accordance with applicable financial accounting pronouncements.

Schools and Centers are responsible for ensuring that the appropriate authorizations are obtained for asset retirements; for recording the asset retirement in the fixed asset system; and for maintaining documentation supporting asset retirements

2. Authorization Requirement for Retirements:

All retirements require the prior approval of the Business Administrator, Department Chair or Director.

- a. All disposals of plant assets with original acquisition cost less than \$500,000 require the prior approval of the Senior Business Administrator or Center equivalent.
- b. All disposals of plant assets with original acquisition cost in excess of \$500,000 require the prior approval of the Vice Dean or Center equivalent.

If the assets were originally externally funded in whole or in part, the Office of Research Services (ORS) should be notified of the disposal before the asset is disposed to determine if there are any external requirements related to the disposal of the equipment.

It is the responsibility of the Asset Administrator to properly prepare an Authorization for Retirement of Equipment form and obtain the required approvals before the disposition of equipment. After completion of the form and disposal of the equipment, the Senior Asset Administrator should record the retirement in the fixed asset system.

3. Externally Funded Assets:

In the case of externally funded assets, ORS must conduct a post-retirement review which follows the guidelines described in OMB Part 200 for equipment financed by federally funded grants or similar guidelines of any other organization that externally funded the acquisition of equipment. Paperwork regarding disposition of externally funded assets must be sent to ORS to ensure compliance with sponsor requirements before the asset is disposed of. Retirements also include equipment externally funded, taken by a faculty member to another institution.

4. Sale of Assets:

If the asset is to be sold, the Asset Administrator should review the asset information in the fixed asset system to determine the appropriate book value.

If selling the equipment - establish the fair market value:

a. Find current sale listings for the comparable equipment on an auction site, such as eBay.com, or by using other sources used for equipment valuation, such as Kelly Bluebook for vehicle values. Refer to Policy #1106.31 Plant Assets-Disposal of Computing Equipment, for more detailed information on computers.

b. Calculate the average cost based on the equipment in the last hours/stage of the auction. Document this information.

c. Sale proceeds for any University of Pennsylvania property belong to the University.

i. Checks should be payable to the "Trustees of the University of Pennsylvania".

ii. State sales tax must be collected and remitted on these purchases. The tax may be included in the sales price. See Example for calculation of tax amount:

Sales price = \$100.00.

Tax Rate = 8% (PA=6% + Phila=2%) Effective October 8, 2009 [for sales prior to that date the sales tax is 7% (PA=6% + Phila.=1%)]

Sales Revenue = \$92.59 (100/1.08)

Tax Amount = \$7.41

iii. Deposits should record the sale to object code 4501 Gain/Loss on Sale of Assets.

Sales tax collected should be recorded to object code 2111 A/P Sales Tax. The Sales & Use Tax worksheet should be completed and forwarded to Corporate Tax Office (see Sales & Use Tax Guidelines).