

Plant, Property and Equipment Procedure
Acquisitions: Land and Building
Effective: March 2008

Overview

This procedure describes the process for the manual addition of acquisitions of land and buildings into BEN Assets.

Responsibilities:

Facilities and Real Estate Services (FRES)

FRES is responsible for transacting real estate acquisitions on behalf of the University. As such, FRES is responsible for the proper accounting of such real estate transactions, which may require consulting with PMG in advance of closing. FRES is also responsible for notifying PMG of such transactions upon settlement and to provide the necessary information to create the asset in BEN Assets.

Property Management Group (PMG)

PMG is responsible for adding the acquisitions of land and buildings into BEN Assets, as well as reconciling such additions and balances in BEN Assets to the General Ledger (G/L).

Business Procedure

1. The cost to be capitalized as land includes all costs connected with the acquisition of the land. These costs include but are not limited to the cost of the land, appraisals, professional services, title insurance and other miscellaneous fees and costs associated with the acquisition.
2. The cost to be capitalized as a building includes associated costs related to the acquisition or construction of the building. Acquisition costs include but are not limited to the cost of the building, professional services, appraisals, title insurance and other miscellaneous fees and costs associated with the acquisition.
3. FRES is required to notify PMG of any acquisitions of land or buildings by the University. Advance notice to PMG is recommended so that the accounting, especially related to complex real estate transactions, can be reviewed and if necessary, discussed with and approved by the University's external auditors.
4. When purchasing land and/or buildings, FRES or the acquiring department should charge on the C-Form object code **1878 Land Clearing Account** for the amount attributable to land and object code and **1879 Building and Fixed Clearing Account** for the amount attributable to building and fixed equipment. Additionally, any moveable equipment acquired as part of the purchase should be charged on the C-Form

Plant, Property and Equipment Procedure
Acquisitions: Land and Building
Effective: March 2008

to the appropriate equipment object code: **1870 Furniture and Fixtures Clearing Account, 1871 Computer Equipment Clearing Account, or 1872 Other Capitalized Equipment Clearing Account.**

Land and Building Acquisitions

1. Upon closing of the transaction, FRES should forward to PMG the settlement sheet for the acquisition. FRES should also provide PMG with all documentation to support the allocation of the acquisition costs between building and land, such as an appraisal, if available to verify the amounts allocated to land and to building. If such documentation is not available, PMG shall verify that the allocation is 15% of the acquisition cost to land and 85% of the acquisition cost to building.
2. In addition, FRES should provide the following property information for the land and building. This information is not captured on the C-Form.
 - Description of the Property
 - Location (FRES should set up a location code in Space for both the land and building. The building location should be building only, floor and room is not required; land location should include building/floor/room)
 - Custodian
 - Custodian Phone Number
 - Responsible ORG
3. Upon notification of the acquisition, PMG will create the assets in BEN Assets.
 - a. The description for the building should be the same as the description of the building in Space. The description for the land should be the same as the description of the land in Space.
 - b. The acquisition cost will be split between land and building as directed by FRES. The allocation will be verified by PMG.
 - c. PMG will enter the Category:
 - Land-Land for Land, and
 - Building-Building for Building

Note: PMG should verify that after the category Land-Land is selected the Depreciate box is unchecked.
 - d. PMG will enter "N" in the Government Retains Title field in the Asset Key
 - e. PMG will add the property information provided by FRES as above.
 - f. PMG will enter "N" in the Component Y/N field.
 - g. PMG will change the Tagging Status to "Untaggable" for both the building and the land.
 - h. PMG will change the Tagging Date to the current date.
4. PMG should monitor the activity in the 1878 and 1879 clearing accounts to identify any transactions that need to be cleared. PMG should investigate any transactions for which it has not received information to record an asset.

Plant, Property and Equipment Procedure
Acquisitions: Land and Building
Effective: March 2008

Moveable Equipment acquired with the purchase of Land and Building

1. For moveable equipment FRES should obtain a list of the moveable equipment from the seller along with the value of the items acquired and their remaining useful life. For any moveable equipment assets that meet the University's capitalization threshold, the School/Center should provide to PMG the property information for each asset to add the asset to BEN Assets. This property information includes:

- Category Code
- Location
- Description
- Custodian
- Custodian Phone #
- Tagging Contact
- Tagging Contact Phone #
- Responsible ORG

The School/Center may provide this information using the "Equipment Information Form}" form available on the Comptroller's web site.

http://www.finance.upenn.edu/comptroller/forms/#General_Accounting

2. Upon notification of the acquisition, PMG will create the equipment assets in BEN Assets.
- a. PMG will add the property information provided by the School/Center as above.
 - b. PMG will change the "Bought" field to "Used" from the default of "New"
3. For any assets that do not meet the capitalization threshold, the School/Center will prepare a manual journal entry to expense these items.

Reconciliations

1. On a monthly basis, PMG will reconcile the assets in the balances in the 1878 and 1879 clearing accounts in the G/L. Any reconciling items must be reviewed and addressed promptly. Reconciling items should be aged and should be cleared within 90 days.
2. On a monthly basis, PMG will reconcile the new assets created in BEN Assets with the activity in the G/L. Reconciling items should be aged and should be appropriately addressed and cleared within 90 days.
3. At the end of each month PMG will reconcile the acquisition cost of land in BEN Assets with the balance in the 1810 Land account in the G/L. Reconciling items should be aged and should be appropriately addressed and cleared within 90 days.

Plant, Property and Equipment Procedure
Acquisitions: Land and Building
Effective: March 2008

4. At the end of each month PMG will reconcile the acquisition cost of buildings in BEN Assets with the balance in the 1820 Building & Fixed Equipment account in the G/L. Reconciling items should be aged and should be appropriately addressed and cleared within 90 days.

5. At the end of each month PMG will reconcile the acquisition cost of moveable equipment in BEN Assets with the balance in the 1821 Prior FY Moveable Equipment account in the G/L. Reconciling items should be aged and should be appropriately addressed and cleared within 90 days