Plant, Property and Equipment Procedure
Acquisitions: Manual Journal Entries to Clearing Accounts, Returns, Cash Refunds and Trade-ins
Effective: March 2008

Overview

This procedure describes the process for review of manual journal entries and BEN Deposit entries made into the clearing accounts in the General Ledger and creation or adjustment of assets resulting from these journals.

Responsibilities:

Schools/Centers

Business Administrator (BA)
The BA who creates the journal is responsible for informing PMG when the journal is created and for providing PMG with the information necessary to create the asset, including descriptions, location (building, floor and room), responsible ORG, category code, Tagging Contact, Custodian, in-service date, PO and invoice information, etc. If the entry adjusts the cost of an existing asset, the BA should provide the number of the asset to be adjusted as well as the PO and invoice information.

Property Management Group

The Property Management Group (PMG) is responsible for reviewing the clearing accounts on an on-going basis for any manual journal entries or Ben Deposits journal entries to determine whether an asset needs to be created or adjusted and for creating or adjusting the asset in BEN Assets.

Business Procedure

Manual Journal Entries – Assets Originally Recorded as Expense

1. On occasion the School/Centers may create a manual journal to transfer costs from an expense object code to the asset object code. This will occur in instances when an asset which should have been capitalized was booked as an expense, and the entry is made by the School/Center to correct this error by crediting the expense account and debiting the asset clearing account (object codes 1870, 1871, 1872, 1874 or 1877).

2. When the School/Center creates this entry, it should also forward to PMG the information needed to create the asset in BEN Assets, including:

    - PO #
    - Supplier Name
    - Supplier Number

- Invoice #
- Clearing account debited in journal entry (xxx-xxxx-x-xxxxxx-187x-xxxx-xxxx)
- Description
- Location – Building, Floor and Room
- Category Code
- Responsible ORG
- Tagging Contact
- Tagging Contact Phone Number
- Custodian
- Custodian Phone Number
- Date asset was placed in service
- Component, Y/N
- Primary asset number, if the asset is a component of an existing asset
- Batch name of correcting journal

The School/Center may provide this information using the "Equipment Information Form" available on the Comptroller's web site. http://www.finance.upenn.edu/comptroller/forms/index.shtml#PropMan

3. Using the information provided by the School/Center, PMG will create the asset in BEN Assets.

4. PMG will also periodically, but at least once a month, review the activity in the clearing accounts for manual entries. For any manual journals created for which PMG has not received the information necessary to create the asset in BEN Assets, PMG will contact the creator of the journal to obtain this information.

5. BEN Assets will create journals to transfer the acquisition cost for assets created from the Clearing Account (187x) to the Cost Account (1821). These entries will be posted to the G/L at the end of each month when depreciation is run and the current period in BEN Assets is closed.

6. If upon review of the manual journal, PMG determines that a new asset should not be created or an existing asset adjusted, PMG will notify the School/Center that the transaction does not qualify as a capital asset and the School/Center will reverse or otherwise correct the entry to the clearing account.

Manual Journal Entries – Cost Adjustments following the Return of an Asset

1. On occasion the School/Centers may return assets for either **credit** or a **refund**. See additional below for information specifically regarding a 'credit' or 'refund'.

Please note: In instances where an asset is returned and the **credit or refund is less than the acquisition cost of the asset**, the School/Center must prepare a manual journal entry to charge (debit) expense (5224 Non-Capitalized Computer Equipment & Peripherals or 5225 Other Non-Capitalized Furniture/Removable Fixtures/Equipment) and reduce (credit) the asset clearing account (1870,1871, 1872, 1874 or 1877) for the difference between the acquisition cost of the asset and the amount of the refund or credit.

2. The School/Center should also notify PMG in writing of the return and the asset or assets to which the cost adjustment applies so that PMG can apply the credit against the proper asset(s) in BEN Assets.

3. Upon recording of the cost adjustment to the asset clearing account and upon notification by the School/Center of the cost adjustment, PMG will adjust the asset cost in BEN Assets. PMG will also maintain documentation of the cost adjustment, including authorization by the School/Center for the cost adjustment.

4. BEN Assets will create journals to transfer the credit for any asset whose cost is adjusted from the Clearing Account (187x) to the Cost Account (1821), reducing the asset cost. These entries will be posted to the G/L at the end of each month when depreciation is run and the current period in BEN Assets is closed.

5. PMG will also periodically, but at least once a month, review the activity in the clearing accounts for manual credit entries. For any manual journals created for which PMG has not received the information necessary to adjust the cost of the asset in BEN Assets, PMG will contact the creator of the journal to obtain this information.

Returns of Assets for Credit

1. When an asset is returned to the vendor, a credit memo may be issued by the vendor. This credit is processed by Accounts Payable (A/P) and applied to the asset clearing account (1870, 1871, 1872, 1874 or 1877) which incurred the original charge.

2. Once the credit from the vendor has been processed by A/P, the credit will be posted to the G/L by A/P. For any transactions posted by A/P to the asset clearing accounts (object codes 187x), A/P will also transfer the P.O. and invoice information, including the information from the property form in the original requisition, to BEN Assets. Once this information transfer is made, the equipment acquisition information is available to be viewed by PMG in BEN Assets in the Mass Additions Workbench.

3. On a daily basis PMG will review the items in the Mass Additions Workbench of BEN Assets. PMG will review the “FA – Purchase Orders Existing in BEN Assets”

Business Objects standard query to identify credits that need to be applied to existing assets. PMG will review of the purchase order/invoice to determine if the credit needs to be merged with another invoice/credit; to determine if the credit needs to be split among multiple assets; and/or to determine if the credit was related to costs that did not qualify for capitalization. PMG will then add these credits to existing assets using the "Add to Asset" button, as appropriate. See PP&E Procedure "Acquisitions: Assets Purchased via BEN Buys" for more details.

4. BEN Assets will create journals to transfer the credit for any asset whose cost is adjusted from the Clearing Account (187x) to the Cost Account (1821), reducing the asset cost. These entries will be posted to the G/L at the end of each month when depreciation is run and the current period in BEN Assets is closed.

5. On occasion, the amount of the refund may be less than the acquisition cost of the asset. In these instances, the School/Center that owned the asset should prepare a manual journal entry to charge (debit) expense (5224 Non-Capitalized Computer Equipment & Peripherals or 5225 Other Non-Capitalized Furniture/Removable Fixtures/Equipment) and reduce (credit) the asset clearing account (1871 Moveable Equipment Clearing Account) for the difference between the acquisition cost of the asset and the amount of the refund. PMG will then make an additional cost adjustment to reduce the acquisition cost of the asset to zero since the University no longer owns the asset. PMG will also maintain documentation of the cost adjustment, including authorization for the cost adjustment. See section "Manual Journal Entries – Cost Adjustments following Returns" for more details.

<u>Returns of Assets for Cash Refunds</u>

1. When an asset is returned to the vendor in exchange for a cash refund, the refund should be deposited via BEN Deposits to the asset clearing account (1870, 1871, 872, 1874 or 1877) which incurred the original charge. The BEN Assets number(s) of the asset(s) returned should be included in the description of the deposit. The BEN Deposits feeder will post the deposit to the asset clearing account on a daily basis.

2. Upon deposit of the refund to the asset clearing account and upon notification by the School/Center of the refund, PMG will adjust the asset cost in BEN Assets. PMG will also maintain documentation of the cost adjustment, including authorization by the School/Center for the cost adjustment.

3. BEN Assets will create journals to transfer the credit (deposit) for any asset whose cost is adjusted from the Clearing Account (187x) to the Cost Account (1821), reducing the asset cost. These entries will be posted to the G/L at the end of each month when depreciation is run and the current period in BEN Assets is closed.

4. On occasion, the refund may be less than the acquisition cost of the asset. In these instances, the School/Center that owned the asset should prepare a manual journal entry to charge (debit) expense (5224 Non-Capitalized Computer Equipment & Peripherals or 5225 Other Non-Capitalized Furniture/Removable Fixtures/Equipment) and reduce (credit) the asset clearing account (1871 Moveable Equipment Clearing Account) for the difference between the acquisition cost of the asset and the amount of the refund. PMG will then make an additional cost adjustment to reduce the acquisition cost of the asset to zero since the University no longer owns the asset. PMG will also maintain documentation of the cost adjustment, including authorization for the cost adjustment. See section "Manual Journal Entries – Cost Adjustments following Returns" for more details.

5. PMG will also periodically, but at least once a month, review the activity in the clearing accounts for cash deposit entries. For any BEN Deposits entries created for which PMG has not received the information necessary to adjust the asset in BEN Assets, PMG will contact the creator of the deposit to obtain this information.

Returns of New Equipment for Replacement Equipment

1. When a new asset is returned to the vendor in exchange for a replacement asset (for example, if it is damaged upon receipt), the School/Center must tag the replacement asset, if the equipment is taggable, and update the tag number and the tagging date for the tag affixed to the replacement asset. The School/Center must also update the descriptive information in BEN Assets (serial number, model number, etc.), as appropriate.

Trade-in of Existing Equipment

1. When an existing piece of equipment is being traded-in as part of the acquisition of a new piece of equipment, the disposal of the item being traded-in should be approved in accordance with Policy #1106.3 Plant Assets: Retirements using the "Authorization for Retirement of Equipment" form. Once the asset has been traded-in, the Asset Administrator should retire the asset in BEN Assets. See also PP&E Procedures: Retirements for more details