

Asset Procedure - Asset Purchase and Asset Under Construction

Section 1 - Background and Purpose

(1) This Procedure relates to the purchase and construction of University assets to ensure the University operates in accordance with statutes, regulation and government policies with regard to these activities.

Section 2 - Scope

(2) Refer to the [Asset Management Policy](#).

Section 3 - Policy Statement

(3) Refer to the [Asset Management Policy](#).

Section 4 - Procedures

Part A - Introduction

(4) Where an item being purchased by University staff meets the definition of an asset for University purposes (refer Asset Definition / Asset Class Procedure), an asset record will need to be established on the University's Fixed Asset Register (held on the University's financial system). This asset record is required to be established prior to the purchase order being raised for the asset, and is used in the purchase order requisition.

(5) Where a project is being executed, which is expected to result in the production of one or several assets (for example a building refurbishment or a new website), a Work Breakdown Structure (WBS) in the Project System with a WBS element settling to an 'Asset Under Construction' must be established. The Asset Under Construction (commonly referred to as an AUC) holds a collection of transactions relating to the construction of the asset, until the asset is ready for its final intended use. When the Assets are ready for their intended use (usually project practical completion) the WBS the Asset Under Construction is linked to then needs to be 'settled' and the transactions transferred to the relevant asset classes as new records on the Fixed Asset Register.

Part B - Purchasing University Assets

(6) All purchases must adhere to the [Procurement Policy](#).

(7) If an item being purchased is identified as an asset for University purposes (refer [Asset Procedure - Asset Definition and Asset Class](#)), an 'New Purchase Request' must be completed and submitted via ASK Finance.

(8) It is expected that the Asset Shell Request will be requested well in advance of when the purchase order needs to be raised. Details required in the Asset Shell Request include (but are not limited to):

- a. Cost Centre or the WBS, responsible for the asset (this will dictate who is responsible for the management and safekeeping of the asset, verification for stock take purposes, review for impairment, and where depreciation will be charged for the asset)
- b. Description and cost of the asset
- c. Location of the asset, including campus, building, floor and room (or as much detail as possible if all of these are not yet decided)
- d. Contact person
- e. Whether the asset is to be purchased from Research Grant funds.

(9) Once the asset record has been created, the Finance Representative will advise the requestor of the Asset number, which is then used on the purchase order request. A purchase order request for an asset requires the use of Account Assignment Category 'A' in the requisition.

(10) Once an asset is received, it must be 'goods receipted' against the asset record (done via the P/O 'good receipt' process). It is at this point that the University recognises the asset on its Fixed Asset Register and begins to depreciate the asset over the useful life (refer to Financial Accounting Procedures for depreciation rates).

(11) Where possible and practical, assets require a barcode sticker to be attached (this is available from Corporate Finance). Once receipted, Corporate Finance must be informed via the 'Arrival of Asset on Campus' form of the barcode allocated to the asset and the serial number if relevant to complete the asset record on the Fixed Asset Register.

(12) Please contact your finance representative for assistance if required.

Purchasing Research Equipment

(13) Part A and B of this document also relates to the purchase of Research Equipment. This Part outlines special considerations in addition to the parts above.

(14) The cost of the research equipment includes the purchase cost plus any costs incidental to the purchase, delivery and installation.

Research Equipment Purchased with University Funds

(15) Where Research Equipment is purchased with internal University funds, and is considered an asset for University Purposes (refer asset definition/asset class procedures), it will be classified in the relevant asset class and depreciated over the applicable useful life (refer [Accounting \(Financial\) procedures](#)).

Research Equipment Purchased with Research Grant Funds

(16) Where research equipment is purchased with external research grant funds, and is considered an asset for University Purposes (refer [Asset Procedure - Asset Definition and Asset Class](#)), it will be classified in the relevant asset class and depreciated in the year it is purchased (effective date: 1st January 2012)/or over the life of the grant. The staff member raising the 'Asset Shell Request' (refer Part B) should indicate on the request that the asset is to be purchased from research grant WBS and the period in which the asset is to be depreciated over.

(17) For Research WBSs Purchase requests account assignment category "R".

Part C - Assets Under Construction (AUC)

(18) An Asset Under Construction (AUC) is an asset the University is currently 'constructing', which is not yet being used for its final intended purpose. An AUC allows the university to compile multiple individual transactions, all of which individually may not meet the definition of an asset, but once combined are likely to result in an asset. An AUC

is usually only required for projects that are budgeted and managed as part of the University's Capital Plan.

(19) The AUCs are automatically established as a result of the Project Creation process being completed. As part of this process a Project Manager submits a New Project Creation Form and a Work Breakdown Structure (WBS) is created in the Project System. If the project is 'capitalisable' the structure will be set up so that WBS elements has a settlement rule established settling to an AUC.

(20) A WBS element set up to settle to an AUC for any project that is 'anticipated' to meet the definition of an asset (refer [Asset Procedure - Asset Definition and Asset Class](#)). This decision is based on information contained in the New Project Creation Form provided by a Project Manager submitted to the Finance Representative via the Capital Project Request email. The Project Manager will be notified of the WBS number, prior to project commencement.

(21) All purchase requisitions raised on projects will be coded to the applicable WBS element which will settle to the associated AUC. The purchase request requires the use of account assignment category "P" for Capital Project WBS. In the rare instance where a staff member may identify the need for an AUC to be established outside of projects on the Capital Plan, they should contact their Finance representative for advice. If an AUC is required the following is required:

- a. WBS responsible for the asset (this will dictate who is responsible for the management of the asset)
- b. Description and estimated cost of the asset
- c. Location of the asset, including campus, building, floor and room (or as much detail as possible if all of these are not yet decided)
- d. Contact person - who will be required to provide the settlement information
- e. Whether the asset is to be purchased from Research Grant funds.

(22) An AUC does not depreciate until it is settled to another asset class (at which time it is added to the Fixed Asset Register).

(23) The 'lifecycle' requirements of an AUC is shown in the Asset Under Construction (AUC) Flowchart.

Assets Under Construction During Project Execution

(24) All transactions relating to a project for which a WBS Structure (settling to an Asset Under Construction (AUC)) has been established must be processed against the WBS element. There is not a requirement for the individual transaction to meet the definition of an asset (refer [Asset Procedure - Asset Definition and Asset Class](#)) to be coded to an AUC. It is the responsibility of Finance to determine which transactions (if any) are required to be expensed and transferred to the operating result either in the period they incurred, in a subsequent review, or at the time of project settlement.

(25) Where there are staff (either permanent or fixed term) who are working directly on a project that has an WBS/AUC established, the salary and on-costs associated with the staff member may be able to be transferred to the WBS/AUC as part of the project cost, with the following considerations/conditions:

- a. That the staff costs were budgeted as part of the project budget (or the project budget has been subsequently amended to include these costs); and
- b. That the staff member is directly involved in the project in either a project management or other role that is necessary in the construction/configuration of the asset; and
- c. That the staff member in question is not in an administrative role for example financial support, general supervision or general management; and
- d. Where software and web design are concerned, that the test for 'intangible assets' has been determined (refer [Asset Procedure - Asset Definition and Asset Class](#)) to ensure the time spent was not on the 'Research and

Development' stage of the project and meets other requirements for intangible asset recognition.

(26) Where the above conditions are met, the staff member in question needs to complete a time sheet, which indicates the kind of tasks undertaken. This will also consider time spent on administrative tasks, which will not be capitalised against the project. The time sheet requires authorisation from the staff member's supervisor before being sent to the Finance team monthly to raise an internal journal allocating the salary costs to the project. Please refer to your Finance representative for a timesheet template and process.

(27) During the execution of the Project, the Project Managers responsibilities are:

- a. To monitor their Project WBS during the life of the project via BI reporting to ensure:
 - i. the transactions relate to the project;
 - ii. transactions are reasonable according to the project brief;
 - iii. the project remains within budget; and
- b. to advise Finance of any transactions that do not relate to the project or are in error (so they can be investigated and corrected); and
- c. to keep the Finance team informed of the project program, particularly in relation to when the project is expected to reach its 'final intended in use' date; and
- d. to keep the Finance team informed of changes in the forecasted total cash outflow associated with the project by financial period.

(28) During the execution of the Project , Finance's responsibilities are:

- a. to monitor the WBS/AUC during the life of the project for any transactions that are required to be expensed, and transfer them to the operating result when identified; and
- b. to liaise with Project Managers on the project budget, actual spend and forecast;
- c. to utilize the information provided to estimate the financial implications of the project on the University's accounts post completion; and
- d. to provide on-going financial advice and support to all stake-holders before, during and after project execution.

Assets Under Construction Settlement

(29) A Project/Asset Under Construction (AUC) settlement involves summarising all transactions held in the WBS elements/AUC into the assets created/established as a result of the project. The settlement therefore involves creating new asset shells to 'settle' the transactions to. There also may be some transactions within the project WBS/AUC that are identified as 'expense' transactions (refer [Asset Procedure - Asset Definition and Asset Class](#)). These will be settled to the University's Operating result in the Project Cost Centre.

(30) An example of an Project settlement is shown in the settlement diagram in the Asset Under Construction (AUC) Flowchart (this example is an Infrastructure and Operations Asset, however an ICT asset will look similar except the new assets will be 'software', 'hardware' etc.).

(31) A Project is settled when the item/installation/room/building/network etc. is 'available for its final intended use'. This does not necessarily mean the item is being used, and it may be during the defects/warranty period after construction works.

(32) When Project is due for settlement, the components of that asset (as outlined in the Asset Definition/Asset Class Procedure) must be summarised by the project manager (or consultant) and provided to finance to settle the asset, along with the 'in service' date (or the date when the asset is ready for its final intended use), description, location, cost centre and any other relevant details.

(33) A Settlement of Project WBS Element can be found on the Finance Website.

(34) An Project WBS/AUC can be partially settled if only part of the asset is in service. For example, an WBS element/AUC may be used to capture all the components for standard audio visual installation, and then each room settled as the installation takes place. In order to do this, there must be a reasonable basis of measurement for the value of each partial settlement. For example, AVS has a range of standardised room installations, each with a specific equipment list. Equipment and overhead costs can be calculated on the basis of a room installation type.

(35) Once a Project is fully settled, the expenditure in the AUC will be reduced to zero and is deactivated in the financial system.

Section 5 - Definitions

(36) Nil.

Status and Details

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