

UNSW Accounting Procedure	
Linked UNSW Policy	Property, Plant & Equipment
Responsible Officer	Director, Corporate Finance and Advisory Services
Contact Officer	Senior Manager, Capital Asset Management Reporting, Corporate Finance and Advisory Services (CFAS)
Review	Every year
Effective Date	31 December 2013

1. Objective

This procedure outlines the process to account for capital (i.e. construction) project costs, determined in accordance with AIFRS, at a departmental level (i.e. Faculties, Schools & Divisions) in NS Financials.

2. Basis of Accrual

2.1 Categories of Capital Projects: The University's capital projects are categorised as follow:

- Minor Capital Projects or Stay in Business Property Capital Works (i.e. project expenditure less than \$ 5m)
- Major Capital Works (i.e. project expenditure of \$ 5m or more)

2.2 Capitalisation methodology: Capital projects are transferred from 'Work-in-progress (WIP)' to 'Buildings' on the practical completion date. The asset is initially recognised at costs that include all directly attributable costs of bringing the asset to the location and condition necessary for it to be operating in the manner intended by the management. Subsequently, the asset is carried at a revalued amount based on the annual valuations.

3. Accounting Procedure

3.1 Expenditure on capital projects: Capital projects are managed by Facilities Management.

In line with the PPE policy, capitalisation assessments and component analyses are carried out by Facilities Management, in consultation with Capital Asset Management Reporting, CFAS.

	Area responsible	Timing of Procedure	Procedure	Capitalisation in AMS :
1	Facilities Management (FM)	Project initiation	Project Manager (PM)/ FM Accountant engages the consultants, sets up the PS code, and raises the PO.	N/a
2	Facilities Management (FM)	Project initiation	PM and cost planners complete the 'Cost Analysis' workbook, which includes a capital assessment, cash flow projection and capital analysis (split by component), based on the capitalisation guidelines	N/a

3	Facilities Management (FM)	Construction phase	PM assigns the relevant PS code and expense accounts on the invoices (based on the capital assessment), and forwards to Accounts Payable for payment.	Account codes: Accounts 5614 & 5616 hold the operating expenditure, while A/c 5106 holds expenditure of a capital nature Timing of capitalisation: Monthly Value: Cost of construction
4	Facilities Management (FM)	Monthly	PM maintains 'Cost Analysis' for each project, which lists by invoice, the nature of service/supply, and the component break down for the costs incurred.	N/a
5	Facilities Management (FM)	Monthly	The FM Accountant distributes the monthly 'Project Expenditure Summary Report' with comments on any open issues and deviations from plan and any projects whose PC date has been extended.	N/a
6	Capital Asset Management Reporting, CFAS	Monthly	The FA Accountant checks that capitalisation levels are in line with expectations and obtains any responses for queries from the FM Accountant. The FA Accountant enters the capital value in the AMS by the close of the reporting period.	Account codes: Account 2203 (Work in Progress) holds the capital expenditure Timing of capitalisation: Monthly Value: Capital expenditure incurred on the project
7	Facilities Management	Monthly	The FM Accountant reconciles the ledger (GL) to the project cost summary, on a monthly basis.	N/a
8	Facilities Management	Project completion date i.e. the day the facility is available for use (practical completion).	Once all construction invoices have been processed, the PM forwards the 'Project Completion' form to the FM Accountant. Details of expected billing, for work already performed on the completed projects are also forwarded to FM Accountant, for the purpose of recording the 'accruals' at the year end.	N/a
9	Capital Asset Management Reporting, CFAS	Project completion date	Once the 'Project Completion' form is reconciled to the GL, the FA Accountant creates the Asset ID in the AMS and transfers the WIP balance to the relevant asset account.	Account codes: Balance in account 2203 (Work in Progress) is transferred to asset accounts listed below. Timing of capitalisation: Monthly (+1) Value: Capital expenditure incurred on the project
10	Capital Asset Management Reporting, CFAS	Monthly	Costs may be incurred during the defects liability period, which is usually 12 months. These invoices are processed in the same manner as the construction invoices and included in the component allocation. If the additional expenditure represents work done that was not considered by the valuers during the last revaluation, the FA Accountant adds the additional expenditure to the asset. Otherwise, it is treated as a revaluation loss.	Account codes: Capital expenditure is transferred to asset accounts and adjusted against the Revaluation reserves in case of revaluation loss. Timing of capitalisation: Monthly Value: Capital expenditure incurred on the project
11	Capital Asset Management Reporting, CFAS	Monthly	Financial Control spot audits significant invoices, and reviews the capital assessment performed by FM.	N/a
12	Capital Asset Management Reporting, CFAS	Yearly	As a part of the annual valuation process, the list of completed projects for the year, along with the component split is provided to the valuers.	N/a

Expenditure incurred on capital projects are coded to one of the following classes, depending on the outcome of the capital assessment:

Classes of PPE	Profile ID in the AMS	Accounts used in PeopleSoft	
		For capital expenditure (Asset accounts)	For non-capital expenditure (P&L accounts)
Capital Work –in- progress (Buildings under Construction)	WIP_BUILD	2203 (Buildings Work In Progress) 5106 (BUILDINGS WORK IN PROGRESS)	5616 (Equip Contactors No P/Tax) & 5614(Equip Misc Chargeable Works)
Buildings (on completion of capital project)	BUILDINGS	2202 (Buildings at Cost)	5100 (Equip Buildings)
Student Accommodation (on completion of capital project)	BLDG_SA&RP	2030 (Property - Domestic)	5103 (Student Accom & Residential)
Leasehold Improvements (on completion of capital project)	TBA	2220 (Leasehold Improvements)	5616 (Equip Contactors No P/Tax) & 5614(Equip Misc Chargeable Works)

3.2 Capital assessment criteria

3.2.1 Construction of New Building and Infrastructure:

All planning and construction costs related to the creation of a new asset can be capitalised.

Buildings: Project costs are capitalised to buildings under six major components. The treatments for each component differs as each component has a different useful life.

- Structure
- Roof Membrane
- Fit-out (includes finishes & fitments)
- Electrical (includes security and telecom)
- Mechanical (includes air conditioning, lifts & hydraulics)
- Fire infrastructure

The purchase of equipment as part of a project is separated from the value of the building and accounted for in line with the PPE procedure.

Infrastructure: The University recognises infrastructure assets that are not part of a building, for example paving, landscaping, sub-stations, pipe work etc. As with buildings the value of the asset equals its total cost of construction.

Costs incurred on construction projects are assessed as follows (as being capital or operating in nature), in accordance with the PPE policy:

Operating expenditure	Capital expenditure
<ul style="list-style-type: none"> • Non-fitted items of furniture • Relocation costs • Minor or isolated refurbishments / additions / improvements • Aesthetic improvements • Preventative maintenance, assessments, repairs and services 	<ul style="list-style-type: none"> • All planning costs and construction costs • Preliminary costs • Consultant and legal fees • Surveys and drawings • Permits, licences • Costs of site preparation

Operating expenditure	Capital expenditure
<ul style="list-style-type: none"> • Demolitions where there is no intention to reconstruct in the near future 	<ul style="list-style-type: none"> • Site clearance including demolition costs where there is an intention to reconstruct in the near future • All construction materials and labour charges • Removal of hazardous materials • Landscaping and road works • Emergency and security system installation • Costs (including labour) associated with testing that the asset is functioning properly or where testing is required as a condition of the continued operation of the asset. • Furniture that is fitted is capitalised as it is considered part of the fit-out, for example a workstation fixed on the ceiling or a fitted cupboard.

3.2.2 Improvements on existing Buildings and Infrastructure:

Project costs are capitalised if the project materially increases any of the following aspects of an existing asset:

- service capacity
- service quality
- useful life

3.2.3 Replacement of components of existing Buildings and Infrastructure:

Project costs are capitalised if the expenditure is incurred to replace (in full or in part) one or more components of an existing asset, and

- (a) the total cost of the replacement (individually or in aggregate) is more than \$250,000, *or*
- (b) the cost of replacement (individually or in aggregate) is greater than 50% of the existing component's current book value

4. Operational aspects

4.1 Treatment of existing 'Cost & valuation' and 'Accumulated depreciation' balances at 'Central' level:

The existing balance in the 'Work-in-Progress' and 'Building' asset accounts as well as the 'Building Accumulated Depreciation' (provision) account, will not be pushed down to the business units.

4.2 Business Units/ Cost centres (i.e. Faculties, Schools & Divisions):

Capital project costs relating to Buildings, Student accommodation and leasehold improvements are managed by Facilities Management (FM), and charged at a 'Central' level.