Definitions associated with Capital Equipment

**Acquisition Cost** – A monetary cost in which the UW pays to acquire a piece of equipment.

**Assets** – Includes items that the institution has decided must be secured and tracked. This includes capital equipment with a single piece acquisition cost of $5,000 or more, as well as other assets that the institution considers high risk or wishes to track for management purposes. Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.

**Asset Disposition** - The set of asset retirement reasons and prescribed campus exit paths for the physical capital equipment asset.

**Asset Loan** - A UW-Madison capital equipment asset that will temporarily reside for 30 days or more at a location not directly part of UW-Madison.

**Asset Retirement** - Declaring an asset is no longer in service and deactivating its record. There is a limited set of authorized retirement dispositions that are outlined in policy.

**Asset Tag** – An unique, bar-coded tag that is affixed to an asset signifying that the item is a capital equipment asset and is color-coded whether it is titled to UW-Madison or a Federal Government agency.

**Asset Trade-In** - An active asset is relinquished to a vendor in exchange for the reduction in price towards the purchase of new similar asset.

**Cannibalization** - An asset is removed from active service (retired), but remains on campus for the purpose of supplying spare parts for another (same or similar) piece of equipment that's still in service.

**Capital Equipment Asset** - A capital equipment asset is tangible, moveable property that is not permanently affixed to a building. An asset has a useful life expectancy of one or more years, and has a per-unit acquisition cost of $5,000.00 or more before any applicable trade-in allowance, or qualifies as a fabrication with a cost of $5,000 or more. It is used in performing a task such as work related to research, grounds-keeping, farming, transportation, etc. Items such as artwork, livestock, and most software are not considered capital equipment.

**Custody change** - An asset remains within UW-Madison, but is re-assigned to a different department. It may also involve relocation of the asset.

**Depreciation** – A systematic method of allocating the acquisition cost of an asset (equipment, building, parking lot, etc.) over the estimated useful life of the asset, usually measured in years, but sometimes based on volume of usage.

**Department Property Administrator (DPA)** - is an individual in a department or division who serves as the liaison between their department/division and Property Control for all matters regarding capital equipment.

**Division Chief Financial Officer (CFO)** – the top individual within the Division who is primarily responsible for oversight and management of the Division’s financial activities.
**Definitions**

**Expense** – An accounting entry recognizing the consumption of resources. Examples of expenses include: salaries, wages, fringe benefits, operating expense, office supplies, travel, and cost of goods sold, depreciation, amortization of prepaid or deferred expenses, etc.

**Fabrication** - Purchases of component parts and direct labor that are custom joined to create an asset of value greater than $5,000 having a useful life greater than one year and is capitalized together as one asset. To meet this definition, component parts must work together to perform one function. Each component part must be necessary for the asset to function. Removal of any part would result in the asset not operating at capacity or for its intended purpose. Software can be considered a fabrication component only if the software is integral to the control and operation of the fabricated asset (e.g. without the software the fabricated asset will not function for its intended use).

**Fair Market Value** – A selling price for an item or property at which a buyer and seller agree to conduct business.

**Gift in Kind** - The gift of equipment/services or other assets other than cash.

**Impairment** – A sudden decline in usability of a fixed asset. The impairment could be triggered by such issues as asset damage, obsolescence, or legal restrictions on asset use.

**Net Book Value** – The value of an asset, by calculating the acquisition cost minus accumulated depreciation.

**Principal Investigator (PI)** - Individual responsible for a sponsored research project (e.g. grant, contract, or cooperative agreement). This individual, designated by the university, is responsible for the scientific or technical aspects of the grant and the day-to-day financial and administrative management of the grant.

**Purchase Order** – A document issued by the University to a seller, indicating types, quantities and agreed prices for products or services the seller will provide to the University.

**Reactivation** - The term “reactivation” applies to capital asset records that Property Control discovers to have been deactivated in error.

**Relocation** - An asset moves to a different room, building or responsible party, but custody remains within the same UW-Madison Department.

**Requisition** – A document that contains a request for purchase and is used for routing approvals prior to the creation of a purchase order.

**Sale of capital equipment** - For purposes of this policy, a sale is defined as a transaction in which title to equipment, possession and accountability is relinquished in exchange for a sale price. At UW-Madison, direct sales by departments can only be done in cases when a qualified University employee (qualification criteria are listed in Procedure 110.11) is departing for a new academic institution and equipment is sold to that new institution. In any other situation, unwanted equipment must be declared as surplus.

**Surplus** - Surplus is defined as items which: (1) do not function anymore; (2) are obsolete; (3) are not useful; or (4) are not needed in the foreseeable future.

**Surplus With A Purpose (SWAP)** - is a UW-Madison organization with delegated authority to dispose of surplus university property.
**Transfers-In** - “Transfers-in” refers to capital equipment received from an incoming employee’s prior institution (usually from another university). This used equipment may transfer-in without purchase to UW-Madison, or could have an exchange of funds under limited circumstances.

**Transfer-out** – “Transfer-out” is defined as a transfer of title and accountability for equipment to a new institution. At UW-Madison, transfers can only be done in cases when a researcher is departing for a new institution with an ongoing sponsored project that will be moved there, and the sponsored project paid for the capital equipment asset.

**Untaggable Asset** - A capital equipment asset that is not compatible with being tagged due to special circumstances (e.g. asset too small for the tag, would adversely impact asset performance, etc.).

**Upgrade** - The term upgrade refers to substantial improvements costing $5,000.00 or more to an existing piece of capital equipment. Upgrades may be applied to fabrications or an individual capital asset. To be considered a capital equipment upgrade (not ordinary repair and maintenance), the upgrade must result in one or more of the following:

1. A substantial increase in the functionality of equipment which allows it to function or perform tasks that it was previously incapable of performing.
2. A substantial increase in the efficiency of the equipment, that is, an increase in the level of service provided by the equipment without the ability to perform additional tasks.

**UW System Chart of Accounts** - The Chart of Accounts is a financial organization tool that lists every account in the financial system. An account is a unique record for each type of asset, liability, revenue, or expense.

**Vested** – Fully and unconditionally guaranteed as a legal right, benefit or privilege. If a contract vested the title of capital equipment with the UW, the UW has legal ownership of the equipment.