



Responsible Department	General Accounting Office (GAO)	Effective Date	01/30/2008
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132.01 Statement

This policy outlines the process to be used to capitalize Construction in Progress (CIP) and Software in Progress (SIP) Projects.

132.02 Applicability

132.03 Roles and Responsibility

The Plant Fund Accountant is directly responsible for capitalization of the CIP and SIP projects. In general, this involves analyzing costs charged to projects, determining if they should be expensed or capitalized and making the appropriate entries. The Plant Fund Accountant is also responsible for communicating with the Sr. Financial & Accounting Analyst when a project is capitalized to ensure that appropriate project costs are entered into the fixed asset management system for tracking and depreciation.

132.04 Enforcement and Accountability

If department fails to send over CIP or SIP close-out documents, the project expenses will not get capitalized and Georgetown University’s depreciation expense will be understated.



132.05 Administration

132.06 Approval

Director, General Accounting

132.07 Review Process

At least annually.

Appendix I CIP Guidelines

CIP Capitalization Determination:

Expenses for the development or improvement of a building/structure may be capitalized in accordance with GAAP. Construction Projects with a cost of \$50,000 or more and a useful life of 10-50 years will be capitalized.

CIP Capitalization Guidelines:

Capitalization can take place on three different scenarios. Updated 02-17-2010

- 1) The Contract Administrator for Facilities on a regular basis provides the Plant Fund Accountant in GAO with project closeout memorandums. This memorandum provides the final expenditure dollar amount. This total amount has to be capitalized by the Plant Fund Accountant. The Plant Fund Accountant runs a report to see if any of the final expenditures have been capitalized, and if so capitalizes the amount that has not been capitalized.
- 2) On a quarterly basis, a report with the appropriate Certificate of Substantial Completion is submitted by Facilities to the Plant Fund Accountant in GAO for capitalization.

3) On an annual basis, the Plant Fund Accountant will run a financial report and determine if any projects are substantially complete and need to be capitalized.

For a capitalized construction project, the costs will remain in the PC Construction in Progress account until the project is deemed “substantially complete” by the Plant Fund Accountant. A project is capitalized when the project is completed or at the point of substantial completion, (generally when actual costs total 75-80% of the budgeted costs). This is generally when the facility is put into use or the University has taken occupancy of the space. Once this occurs, the costs will be transferred to an appropriate asset account, and depreciation will begin.

Capitalizing costs is done through a journal entry by debiting the appropriate fixed asset account code 06101 (buildings & improvements) or 06503 (other assets) and credit the account code 78435 (credit capitalized plant).

Appendix II SIP

SIP Capitalization Determination:

Expenses for the purchase, development and/or implementation of software may be capitalized in accordance with GAAP. Software projects with a cost of \$50,000 or more and a useful life of ten years or more will be capitalized. Generally there are three stages of computer software development: preliminary project stage,



application development stage and post-implementation /operation stage. Only expenses that take place in the application development stage are capitalizable. The definition of each stage is:

- Preliminary Project Stage – Conceptual formulation of alternatives, evaluation of alternatives, determination of whether alternative technology is needed, documentation of requirements, consultation with developers and end users of alternatives selected and final selection of best alternative.
- Application Development Stage – Design of chosen alternative (including software configuration and interfaces), coding, computer hardware installation, costs to acquire or develop software that allows for access or conversion of old data, payroll expenses of direct time spent by employees on the project and testing.
- Post-Implementation/Operation Stage – End user training costs and application maintenance.

SIP Guidelines:

Capitalization can take place on three different scenarios.

- 1) The Manager of Budget and Finance for University Information Services on a regular basis provides the Plant Fund Accountant in GAO with project closeout memorandums. This memorandum provides the final expenditure dollar amount. This total amount has to be capitalized by the Plant Fund Accountant. The Plant Fund Accountant runs a report to see if any of the final expenditures have been capitalized, and if so capitalizes the amount that has not been capitalized.
- 2) On a quarterly basis, the Manager, Budget and Finance for University Information Services will provide a report of completed software development phases to the Plant Fund Accountant in GAO for capitalization.
- 3) On an annual basis, the Plant Fund Accountant will run a financial report and determine if any projects are substantially complete and need to be capitalized.

For a capitalized software project, the costs will remain in the PJ Software in Progress account until the project is deemed “substantially complete” by the Plant Fund Accountant. A project is capitalized when the project is completed or at the point of substantial completion, (generally when actual costs total 75-80% of the budgeted costs). Once this occurs, the costs will be transferred to an appropriate asset account, and depreciation will begin.

Capitalizing costs is done through a journal entry by debiting the appropriate fixed asset account code 06501 (computer software and other) and credit the account code 78435 (credit capitalized plant).