

# CU-Boulder Accounting & Business Support (ABS) Policy and Procedure

## Capitalizing Repairs, Renovations and Remodeling Expenses

Date: January 1, 2010  
Replaces: Policy dated 1/1/93  
Approved: Laura Ragin, Director of Accounting

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### 1 Policy Statement

State of Colorado Higher Education Accounting Standard #5, *Capital Asset Reporting*, sets guidelines on capitalizing construction expenses such as Land, Improvements to Land, Building, Leasehold Improvements, and Equipment. In addition to building new structures, construction expenditures can also include repairs, renovations and remodeling. This policy and procedure is intended to clarify when to capitalize repair, renovation or remodeling expenditures as an asset in the Investment In Plant Fund.

### 2 Procedure

In all of the following discussion, if any part of the old asset is replaced or removed, the value of that portion replaced or removed should be deleted from the capitalized value.

Note: Higher Education Accounting Standard #5 uses a \$50,000 threshold above which expenses are capitalized. However, the University of Colorado uses a \$75,000 threshold by authorization of the State Controller.

#### 1. Repairs

*Repairs* are the restoration of a capital asset to its full productive capacity without an increase in its previously estimated service life or productive capacity.

*Capitalization Guidelines:* Repairs costing \$75,000 or less should not be capitalized. Repairs in excess of \$75,000 should not be capitalized unless it can be shown that it extends the useful life of the asset or significantly changes the functionality of the asset in which the quantity or quality of the asset's output is enhanced.

#### 2. Renovation, Remodeling, Additions and Improvements

These categories may be considered as *betterments* which are expenditures having the effect of extending the useful life of an existing fixed asset.

*Capitalization Guidelines:* Expenditures in this category costing \$75,000 or less should not be capitalized. Expenditures in excess of \$75,000 should be capitalized unless it can be shown it does not extend the useful life of the asset.

**3. Determination to Capitalize**

Accounting and Business Support (ABS) staff in conjunction with Facilities Management staff will review every capital construction project in excess of \$75,000. They will determine, based on the nature of the project, whether to capitalize all, part, or none of the project.

**4. Depreciation**

Depreciation of capitalized assets is calculated and recorded by ABS in accordance with State guidelines as expressed in Higher Education Accounting Standard #5 and the State Fiscal Procedures Manual Chapter 9, *Accounting for Capital Assets, Infrastructure, and Related Debt*.

**3 References and Resources**

[Fiscal Procedures Manual Chapter 9 \*Accounting for Capital Assets, Infrastructure, and Related Debt\*](#) issued by the Office of State Controller

[Higher Education Accounting Standard #5 \*Capital Asset Reporting\*](#) issued by the Office of State Controller (*Note: \$50,000 threshold does not apply to the University.*)

[Capitalization Threshold Chart](#) in the ABS *Departmental Financial Management Guide* Chapter 9 *Balance Sheet/SNA Accounts*