

Capitalization of Internal Use Computer Software

In accordance with Generally Accepted Accounting Principles as directed by NACUBO Advisory Report 99-7 which makes AICPA Statement of Position 98-1 applicable to public not-for-profit higher education institutions, it is the policy of the University of Arkansas to capitalize the costs of computer software developed or obtained for internal use.

This policy is in effect as of the beginning of the fiscal year ended June 30, 2000.

The characteristics of internal-use computer software is as follows:

1. The software is acquired, internally developed, or modified solely to Meet the entity's internal needs.
2. During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

Costs to be capitalized include internal and external costs incurred to develop internal-use computer software during the application development stage. Costs to develop or obtain software that allows for access or conversion of old data by new systems should also be capitalized. In some cases, costs for specified upgrades and enhancements to internal-use computer software may be capitalized if it is probable that those expenditures will result in additional functionality.

Costs incurred prior to the initial application of this policy will not be adjusted to the amounts that would have been capitalized had this policy been in effect when those costs were incurred.

It is the policy of the University of Arkansas that computer software developed or obtained for internal use will be capitalized when the total allowable expenditures are equal to or greater than \$1,000,000.00.

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