

**Inventory/Equipment Capitalization Thresholds**

The State of Arkansas Department of Finance and Administration has increased the capitalization threshold for equipment to \$2,500.00, effective July 1, 2001.

Each capitalized item must have a useful life of at least two years, a first cost or initial value at least \$2,500.00, an identity which does not change with use, and a nature which makes formal accountability practical. The Property Accounting Office, with the assistance of all departments, is responsible for maintaining the information on all University of Arkansas capitalized equipment reported on the financial statements.

In addition, the Department of Finance and Administration requires State agencies that own or buy equipment with a cost less than the capitalization threshold of \$2,500.00 (non-capitalized equipment), to identify and account for items that may be subject to pilferage. To prevent loss, contain replacement cost and maintain accountability, special attention should be given to pilferage items such as personal computers, cameras, cell phones, hand tools, and other small and attractive items owned by a department.

Departments are expected to identify non-capitalized equipment in their areas that is vulnerable to pilferage or other loss. Once that determination is made, the department shall formally adopt its own departmental policy regarding non-capitalized equipment. Departments shall maintain records of acquisitions and dispositions for those items covered by their own departmental polices. Departments requiring assistance in identifying these items or establishing an effective record keeping system for these items should contact the Property Accounting Office. All departments are encouraged to utilize the departmental asset functions within the University's inventory system, AIMS.

Revised September 2, 2009  
July, 2001