



The American University of Kurdistan Fixed Assets Policy and Procedures

Policy Number: BF007

Effective Date: May 28, 2023

CONTENT

- I. Introduction
- II. Roles and Responsibilities
- III. Policy Statement
- IV. General Procedures
- V. Monitoring/Director of Finance
- VI. Policy History
- VII. Forms (Asset Disposal Form)

I. INTRODUCTION

- a. **Authority:** The Board of Trustees (herein referred as “Board”) at The American University of Kurdistan (herein referred as “AUK” or “University”) is authorized to establish rules and regulations to govern and operate the University and its programs.
- b. **Purpose:** This policy specifies the procedure for managing fixed asset information and the minimum cost (capitalization value) to be considered in determining the fixed assets to be recognized in the AUK's annual financial statements.
- c. **Scope:** This policy governs all departments and units of The American University of Kurdistan's capitalization, depreciation, and disposal of fixed assets. AUK's fixed assets include land, buildings, and equipment.

II. ROLES AND RESPONSIBILITIES

- a. **Responsible Executive:** VPAF
- b. **Responsible Administrator:** Director of Finance
- c. **Responsible Office:** Office of Finance
- d. **Policy Contact:** Director of Finance

III. POLICY STATEMENT

All fixed asset purchases must comply with the Office of Finance’s (purchasing) policies and procedures. Approval of the capital project involving the acquisition or construction of fixed assets must be approved in line with the Capital Project Approval Process. AUK must acquire all fixed assets; they must have a useful life of more than one year, and fulfill capitalization criteria.

Asset type:	Useful Life
Land	N/A
Building	25 years
Building Improvements	12 years
Equipment	2 - 5 years
Software	3 years
Vehicles	3 - 5 years
Library Books	7 years
Infrastructure	5 – 12 years

Depreciation:

Fixed assets will be depreciated using the straight-line approach over the useful lifespan specified in the schedule above. It is evaluated on an annual basis beginning with the purchasing year.

Disposal:

Fixed assets will be removed from the records in line with this policy when become outdated, are sold, scrapped, or donated.

IV. GENERAL PROCEDURES FOR ADVANCE PAYMENT

When a purchase order is processed to purchase an asset, Accounts Payable will receive the invoice. The related department (Assign Department) will be contacted by the Office of Finance to confirm the equipment purchase and to obtain the asset’s location, model number, and serial number. At this point, the item will be bar-coded, and the invoice is sent back to the finance department’s accounts payable department for payment. The asset will be recorded in the Office of Finance’s Fixed Assets account.

Accounting and Journal Entry for recording Fixed Assets

Debit the asset account and Credit to the Asset Equity account.

The Director of Finance will review purchases made through the AUK’s Office of Finance (Procurement). All the additions to the fixed assets will be reconciled with the invoices paid at least once a year. All irregularities are identified and rectified.

Capital Projects

Other asset purchases are accumulated in Capital Project funds until the project is completed. The Director of Finance, the President, and the project planning personnel will conduct frequent reviews of these projects to identify which have been finished and which have generated traceable assets.

Completed projects will be evaluated to see if they should be capitalized or expensed. Any project or improvement costing more than \$10,000 will be capitalized as an addition to the corresponding asset category, using a similar entry to that used for equipment.

Other Assets/ Materials

Some Assets/materials, such as library books and vehicles, do not comply with the above procedures. In the Office of Finance, these materials will be manually tracked, and assets will be recorded timely.

Gifted/ Donated Assets

Donated assets that fulfill the criteria for acceptance and capitalization will be capitalized at the appraised value of the contribution. The Development team will collaborate with the donor to evaluate these assets accurately. These items are manually tracked and booked at the Office of Finance and Related Department.

Depreciation calculation:

Depreciation will be calculated and recorded annually. A summary report will be generated from the Fixed Asset register indicating the year the equipment was procured.

- Other asset depreciation will be manually recorded and calculated using Excel sheets.
- Building depreciation will be calculated and recorded as an aggregate.
- All other asset types will be calculated in accordance with the policy and then booked in aggregate per asset type.

Disposals of Assets:

- Departments are recommended to consult the Office of Finance before disposing of any AUK property.
- Typically, the equipment will be disposed of by donating or eliminating them.
- The Office of Finance will remove the bar code that was applied during the purchase process and record the disposal of the fixed assets.
- A report will be prepared that includes all disposals and accumulated depreciation for the current fiscal year.
- The disposal will be subsequently recorded in the Fixed Assets, and the accrued depreciation will be canceled in the accounting system.
- The capitalization and depreciation entries above will be reversed in these entries.
- The Office of Finance manually tracks all disposal and removal of accumulated depreciation on manual entries.
- The gain or loss on these disposals will be included in the activity statement as income or expenses.
- The Finance Director's signature is mandatory before disposing of any fixed Asset. If the value of the fixed assets being disposed of exceeds \$10,000, the President's signature is mandatory.

V. MONITORING

The Office of Finance will monitor the policy's implementation, performance, and effectiveness. Finance has the authority to perform audits on the fixed assets, including the documentation submitted at any time.

VI. POLICY HISTORY

- a. **Approved by:** Board of Trustees
- b. **Adopted:** May 28, 2023

VII. Forms (ASSET DISPOSAL FORM)



**THE AMERICAN
UNIVERSITY OF KURDISTAN**

Asset Disposal Form

Use the form when disposing of currently recorded capital equipment assets.

PROPERTY DISPOSAL (Check appropriate boxes)

- External Transfer Internal Transfer
 External Sale Donation
 Scrap Other _____

DEPARTMENTAL REASON FOR REQUEST (JUSTIFICATION)

PROPERTY DETAIL				CHECK IF BOUGHT ON SPONSORED FUNDS
Asset Tag No.	Serial No.	Model No.	Description	
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

CUSTODIAL RESPONSIBILITY:

Department Name _____ Date: _____

Requested By: _____ Phone: _____ Requested ID _____

Building: _____ Room#: _____

APPROVALS (Requester should obtain signature below) :

Form Approver (print name): _____ Signature: _____ Date: _____
(Department Head, or Dean)

Office of Finance (signature): _____ Signature: _____ Date: _____