

University of Missouri System Accounting Policies and Procedures



Policy Number: APM-20.05.45

Policy Name: Capital Assets - Land

General Policy and Procedure Overview:

This policy deals with the accounting treatment regarding the purchase or receipt via gift of land. Land is a non-depreciating capital asset.

Definition of Key Terms:

Fair Market Value: Except in unusual circumstances, appraisals will be the basis for Fair Market Value. [BPM-410](#)

Detail Policy and Procedure:

Land acquired by Purchase:

Land acquired by purchase is recorded at cost. The amount recorded includes the cost of the land as well as any related acquisition costs. The processing of the vouchers generates the following general ledger entry:

Transaction Description	Account	dr	Cr
The offset for the voucher	798500 Land Capital Expense	X	
Payment for the land	190000 Cash		X

The campus accounting office will add the asset to the Asset Management System. When the land asset is added to the Asset Management system, entries are created recording the asset.

Transaction Description	Account	dr	Cr
Asset management sets up the asset	171000 Land Asset	X	
Creating a Contra Expense	503000 Contra Expense		X

At year end a "Recon 35" report is run listing the Contra Expense and the asset additions. Each campus accounting office will reconcile their accounts. Any remaining Capital Expenses or Capital Items not reflected in the Capital Expense accounts are researched and adjusted. These amounts would represent either Capital Assets purchased but not recorded in asset management or items recorded as assets that were not processed properly.

Land Acquired by Gift:

Land acquired by gift or bequest is recorded at the fair market value at the date of acquisition. Per the Business Policy Manual, Fair Market Value is determined by a qualified appraisal obtained at the time of bequest. The entry of the voucher generates the following entries:

Transaction Description	Account	dr	Cr
	798500 Land Capital Expense	X	
	48XXXX Non-Cash Revenue		X

When the land asset is added to the Asset Management module, entries are created recording the asset.

Transaction Description	Account	dr	Cr
Asset management sets up the asset	171000 Land Asset	X	
Creating a Contra Expense	503000 Contra Expense		X

Land acquired with Existing Building:

When Land is acquired with Buildings erected thereon, the total cost is allocated between the categories of Building and Land at the date of acquisition. This allocation should be based on the purchase documents obtained from the Campus Business Services offices. If the purchase documents do not show the allocation, other sources of the information may be used such as expert appraisals or the real estate tax assessment records. If the Land contains old Buildings and was purchased with the intent to raze the Building, the purchase price must still be allocated between, Land and Building. Once the Building has been disposed of/razed, it will be retired from service through the PeopleSoft Asset Management Module. The costs to raze the building are added to the value of the land. When the voucher is processed for the acquisition, the following general ledger entries are generated.

Transaction Description	Account	dr	Cr
The voucher cause the generation of the entries.	79xxxx Buildings Capital Expense	X	
	798500 Land Capital Expense	X	
	190000 Non-Cash Revenue		X

When the land and building assets are added to the Asset Management Module, entries are generated recording the assets:

Transaction Description	Account	dr	Cr
Record the transaction in Asset Management	171000 Land Asset	X	
	174000 Buildings Asset	X	
	503000 Contra Expense		X

At year end a “Recon 35” report is run listing the Contra Expense and the asset additions. Any remaining Capital Expenses are researched and adjusted. These amounts would represent

Capital Assets purchased but not recorded in asset management. The Capital Expense account is cleared against the Contra Expense.

When the building is demolished the entries to remove the building from fixed assets are:

Transaction Description	Account	dr	Cr
Clear the depreciation account	174900 Accumulated Depreciation	X	
Remove the asset from the system	174000 Buildings Asset		X
The gain or loss on the disposition of the asset is recorded as needed.	822200 Gain or loss on Disposition of Assets	X or	X

The entries to record the costs of demolition are:

Transaction Description	Account	dr	Cr
Increase the land asset by the demolition costs	79850798500 Land Capital Expense	X	
	190000 Cash		X

The campus accounting office will add the asset to the Asset Management System. When the land asset is added to the Asset Management system, entries are created recording the asset.

Transaction Description	Account	dr	Cr
Asset management sets up the asset	171000 Land Asset	X	
Creating a Contra Expense	503000 Contra Expense		X

Recording Land Acquisition in Asset Management

- Campus Accounting Offices record land/building purchases in Asset Management. The following information is added to Asset Management regarding the land/building purchases:
 - Purchase price
 - Seller
 - Land/Building location
 - Purchase date
 - Acreage
 - Deed number
 - ChartFields
- The purchase price should include all expenses incidental to the land/building purchase, (i.e. appraisal, title, recording, and legal fees).

Recording Land Gifts without endowment involvement in Asset Management

- For more information on non cash gifts see policy [45.10 Non-Cash Gifts](#).
- Campus Accounting Office enters the land addition into Asset Management.
- The following information is added to Asset Management regarding the land/building gift:
 - Purchase price (broken down by components if applicable)
 - Donor
 - Land/Building location
 - Purchase date
 - Acreage (if applicable)

- Deed number
 - ChartField
- The value of the land/building should be equal to the fair market value plus any cost incurred with the acceptance of the gift, (i.e. appraisal, title, recording, and legal fees).
 - At the Fiscal Year-End, Campus Accounting Offices should contact their Campus Development Office to obtain a listing of all Non-Cash Gifts to ensure everything was recorded during the year.

Recording of Land Gifts with Endowment Involvement in Asset Management

If the land/building gift forms a part of an endowment corpus, then the gift is not recorded in the Asset Management. The Campus Development or Treasurer’s Office will make the entry to the general ledger with a debit to the appropriate ChartFields, in account 123000 and a credit to the gift account on the endowment ChartField string, including the DeptID.

Transaction Description	Account	dr	Cr
Recording land with Endowment Involvement	123000	X	
	XXXXXX Gift Account		X

RESPONSIBILITY

Campus Accounting Office:

- Record land/building purchases in Asset Management
- Reconcile purchases to Asset Management additions.
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Procurement Office:

- Initiate and monitor the semi-annual inventory/asset verification process.

Campus Development Office

- Record land gifts

Effective Date: July 1, 2006

Revised Date: May 1, 2007

Questions and Comments

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.