

University of Missouri System

Accounting Policies and Procedures



Policy Number: APM-20.05.50

Policy Name: Capital Assets – Library Books

General Policy and Procedure Overview:

The University purchases and receives library books throughout the year. The University is required by generally accepted accounting principles to capitalize library books. This policy provides authoritative guidance for the University to record and process capitalization of library books.

Definition of Key Terms:

Exhaustible: Library general collections are library holdings of an institutional library (not departmental reference library) that are exhaustible by nature and have a useful life greater than one year. General collections include general books, periodicals, reference materials, microfilm, maps, manuscripts, etc.

Inexhaustible: Collections or books that are considered to be works of art or historical treasures whose value is depleted so slowly that the estimated useful life is extraordinarily long.

Composite Assets: grouping many assets so that their total cost is carried by and depreciated as one asset. This single asset is termed a composite asset, and associated assets are known as composite members.

Half-Year Convention: Under this convention, you treat all property placed in service or disposed of during a tax year as placed in service or disposed of at the midpoint of the year. This means that a one-half year of depreciation is allowed for the year the property is placed in service or disposed of.

Values Table:

	Exhaustible	Inexhaustible
Parent	LIBBOOKS	LIBCOLLECT
Category	LIBR	LIBCL
Profile	LIBRARY	LIBCOLCT
Class	LIBRARY	LIBCLCT

Detail Policy and Procedure:

Library acquisitions are classified into two types of assets; exhaustible and inexhaustible.

Exhaustible

- Purchases of books, bound periodicals, microfilm, or other library items if they are part of a formal University catalogued library.
- Useful life greater than 1 year
- Gifts of library books determined to be exhaustible are to be valued at fair market value at

date of gift

- Disposals and losses are valued at annually adjusted average cost per volume and are deducted from the composite assets using a First In First Out (“FIFO”) methodology.

Exhaustible library material assets are depreciated using the straight-line method over the estimated useful service life of 20 years. A half-year convention in the year of acquisition and year of retirement is used in depreciation of these assets. Since acquisitions of library books and materials are made throughout the year, the mid-year date is used in order to average the annual acquisitions. Library materials are treated as composite assets and are depreciated according to year of acquisition.

Recording of Exhaustible Library Materials Purchase in Asset Management

- Throughout the year as Exhaustible Library Materials are purchased, the entry of a voucher generates the following General Ledger entries:

Transaction Description	Account	dr	Cr
The offset for the voucher	788100 Library Acquisition Capital	X	
Payment for the Books	190000 Cash		X

- At year-end a report is run by Campus Accounting Offices on all purchases made in library account number 788100 (Library Acquisition – Capital).
- Campus Accounting Office then enters the yearly capital purchases into Asset Management creating a new child (AssetID) and tying it to the LIBBOOKS parent. An Acquisition date & a Transaction date of 1/1/20XX should be used. This will record half-year depreciation in the year of acquisition recognizing average annual acquisitions since library materials are purchased throughout the year. When the asset is set up in Asset Management, the following General Ledger entries are created.

Transaction Description	Account	dr	Cr
Asset management sets up the asset	xxxxxx Library Books Asset	X	
Creating a Contra Asset	503000 Contra Asset		X

- System Accounting Office provides the library replacement value to adjust library materials for annual shrinkage due to loss or destruction. In Asset Management, the Campus Accounting Offices use the Asset Cost Adjust/Transfers – Current Cost menu item to reduce the asset for the loss/shrinkage using 1/1/20XX as the Trans date.
 - If the year of acquisition is readily identifiable for the substantial portion of the **withdrawal**, use the Asset Cost Adjust option in Asset Management to reduce the year of acquisition.
 - If the year of acquisition is not readily identifiable for the substantial portion of the **withdrawal**, use the Asset Cost Adjust option in Asset Management to reduce the earliest year of acquisition.

Recording of Library Materials Gifts in Asset Management

- The Development Office forwards the Advice of Gift to the Campus Accounting Office.
- The Campus Accounting Office enters the asset directly into Asset Management using the same steps as the Recording of Exhaustible Library Purchases in Asset Management.

Inexhaustible

- Collections or books that are considered to be works of art or historical treasures whose value is depleted so slowly that the estimated useful life is extraordinarily long.
- Purchase price or appraised value of greater than or equal to \$5,000
- These collections are not disposed of for financial gain
- Proceeds from the sale, exchange, or other disposal of any item belonging to a collection of historical treasures must be applied to the acquisition of additional items of the same collection
- Held for public exhibition, education, research and public service

As these collections generally consist of historical artifacts and artworks, they are considered inexhaustible and are not subject to depreciation.

If purchased, the University will record these collections for financial statement purposes at cost. If the collection was received through a non-exchange transaction as defined by GASB 33, record the asset at the fair value in the Invested in Capital Assets—Net of Related Debt net assets classification. Fair value is best determined through quoted market prices where available; otherwise, appraisals should be used.

Recording of Inexhaustible Library Gifts/Purchases in Asset Management

- Throughout the year as inexhaustible library gifts/purchases are received or purchased the entry of a voucher generates the following entries:

Transaction Description	Account	dr	Cr
The offset for the voucher	788100 Library Acquisition Capital	X	
Payment for the Library Acquisition Or record the Gift.	190000 Cash or 48XXXX Non-Cash Revenue		X

- At year-end a report is run by Campus Accounting Offices on all purchases made in library account number 788100 (Library Acquisition – Capital).
- Campus Accounting Offices then enters the yearly capital purchases into Asset Management creating a new child (AssetID) and tying it to the LIBCOLLECT parent. The date-of-purchase or the date-gift-received should be used as the acquisition and transaction date. Entering the books into the Asset Management module generates the following General Ledger entries.

Transaction Description	Account	dr	Cr
Asset management sets up the asset	xxxxxx Library Books Asset	X	
Creating a Contra Asset	503000 Contra Asset		X

Inventory of “Priceless Books”

An inventory of the “priceless books” in the Special Collections Vaults is conducted yearly.

General Acquisition Controls:

A Collection Development Committee receives a weekly activity report, automatically generated from MERLIN which shows all ordering and payment activity for their review. Payment activity is segregated to one individual that does not have signature authority, cannot set up vendors in the University payables system, and is not allowed access to the inventory receiving room. Invoicing and payment posting in MERLIN is only to track recharging of departments within the University for certain purchases, so there is no external invoicing or cash receiving involved.

Once acquisitions have become part of the collection, physical controls outside of MERLIN, such as the magnetic sensing system at library door exits that monitor all items physically leaving the library, help to control inventory. The ability to remove more valuable items, such as rare books and Special Collections items, from inventory within MERLIN is limited to only a few individuals in the catalog management section of the Catalog Department in Technical Services, and these individuals do not have access to these materials. The level of the collection is also monitored periodically for any unusual fluctuation.

RESPONSIBILITY

Collection Development Committee:

- Weekly review ordering and payment activity.

Campus Accounting Office:

- Enters the yearly capital purchases into Asset Management.

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.