

TEMPLE UNIVERSITY A Commonwealth University	<b>CONTROLLER'S OFFICE MANUAL</b>	Number: CP18.4
		Submitted By: M.F. Murphy & W.J. Wall
Title: <i>Accounting for leased property</i>		Approved By:
Effective Date: 07-18-2005	Supercedes: - - - - -	Page No. 1 of 2

**Policy:**

This policy will formalize the process of reviewing leases for determining capital or operating status in accordance with FAS 55.

**Purpose:**

To insure a through review of all executed leases are properly accounted for and proper capitalization is properly recorded.

**Scope:**

All approved capital & operating leases.

**Responsibility:**

The responsibility of Property Accounting will be to annually contact Business Services (the holder of property leases) and Purchasing (for all equipment leases) to request a fully executed copy of all new leases or leases with changes in their originally agreed upon terms.

**Procedures:**

1. Property/Plant Accounting will receive a copy of the approved lease and place it into the binder containing all leases located in the Controllers Office.
2. The lease will be analyzed according to the below worksheet in determining operational or capital status.
3. The signed worksheet will be inserted into the lease binder along with the lease itself for procedural reference.
4. If the lease is determined to be a capital lease then Property Accounting will add the cost of the lease onto the FMA capital assets file and depreciate according to the life of the lease. Plant Accounting will prepare a journal entry recording the lease.

## Temple University Lease analysis worksheet

**Description of leased property or equipment:**

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**Source of lease information:**

<u>Department</u>	<u>Contact person</u>	<u>Date of review</u>	<u>Notes</u>
Business Services			
Purchasing			

**Points to determine if the lease is operational or capital:**

If there is a 'NO' response to any of the below questions, then the lease is determined to be operational lease versus a capital lease.

	<b>Yes</b>	<b>No</b>
Here is the text for the first point to be considered		
Here is the text for the second point to be considered		
Here is the text for the third point to be considered		
Here is the text for the fourth point to be considered		

If the lease is determined to be capital then the below information must be captured to insure that proper capitalization takes place:

1. What is the lease inception date: \_\_\_\_\_.
2. When is the lease termination date: \_\_\_\_\_.
3. Is there a rental "holiday" stipulated in the lease? YES / NO (circle applicable one) and if so then amortization of the lease must begin on the date stipulated in #1 above.
4. All capitalization of leases is to be recorded to 0067 – Leasehold improvements (University) on the FMA capital equipment file. The default life on 0067 is 10 years so subsequent post-upload manual change must occur to overwrite the life from 10 years to the prescribed years needed.

**Reviewer's approval:**

<u>Department</u>	<u>Date of review</u>	<u>Approval</u>
Property Accounting		
Plant Accounting		
Controllers Office		