

# Capitalization of Land

FIN-ACC-200



## About This Policy

**Effective Dates:**

07-01-1992

**Last Updated:**

01-01-1996

**Responsible University Administrator:**

Vice President and Chief Financial Officer

**Policy Contact:**

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## Scope

All Indiana University units and employees.

## Policy Statement

All costs incurred in acquiring land should be considered as part of the land cost. These expenditures shall include the purchase price, closing costs, and the assumption of any mortgages or liens. All direct costs incurred in getting the land ready for use shall also be considered as part of the land price. Any other land improvement shall also be considered a land capital expenditure if it increases the utility.

Land purchased with the purpose of constructing a building is capitalized as land. Any costs incurred in getting the land ready for the use will also be considered part of the land "i.e., razing the structure". Benefits received for clearing the land in preparation of building will be considered a reduction on the price of the land.

## Reason For Policy

To define expenditures which will be classified as land.

## Procedure

In order for an item to be secured as land, the correct object code should be utilized on the Purchase Order and disbursement documents.

A list of the current object codes (income and expense classes) is available by contacting your campus [Chart of Accounts Manager](#) or the Quali Financial System's Object Code References Tables.

All land purchases should be made out of a special land purchase account controlled by the Vice Chancellor for Business and/or Administration on each campus.

## Definitions

**Closing Costs:** Include items such as attorney fees and title updates.

**Ready for Use:** A term that includes grading, clearing, filling and draining.

## History

The source to this policy is:

American Institute of Certified Public Accountants (AICPA) Guidelines for Colleges and Universities, GAAP

## Related Information

[Capital Asset Standard Operating Procedures](#)