

Los Angeles City College Administrative Services “How To” Book	Purchasing Supplies vs. Equipment	VII
		C-8
How Do I differentiate between Equipment (Assets) and Supplies?		

A. Brief Description

These procedures are established to assist staff in differentiating between equipment (assets) and supplies when making purchases. Equipment is an asset. Assets are tangible or intangible properties or items owned by the College or District. Assets are primarily used by the college in carrying out its purpose or business and normally have a useful life of more than a year or one fiscal period. Examples of assets are desks, computers, automobile etc. Assets are capitalized and usually expensed over more than one fiscal period or year in the form of depreciation. Supplies are expenses. Expenses are not capitalized but written-off as expenditures against the college revenue during the fiscal period to determine the net fund balance or surplus for a given fiscal period. Examples of expenses are salaries, telephone bills, etc. Below are guidelines provided to distinguish between supplies (expenditures) and equipment (assets).

B. How To

1. These criteria are used to differentiate or distinguish between supplies (expenditures) and equipment (assets).
 - (a) Supplies lose their original shape and appearance with use (such as pencil). Equipment maintains its relative appearance with use (such as computers).
 - (b) Supplies are easily consumed and have a normal service or useful life of less than one year (such as paper). Equipment usually has a service life of more than a year (such as automobile)
 - (c) Supplies are easily broken, damaged or lost in normal use. Normal and reasonable use does not cause an equipment to break and be damaged easily.
 - (d) Supplies are readily replaced or replaced frequently. Equipment is maintained and repaired throughout a long period of time.
 - (e) Supplies are relatively inexpensive. Supplies have a small unit cost that makes it uneconomical to inventory. It is assumed that an item costing less than \$250 (including taxes) is a supply, unless this is an item that by specific policy, has been determined to be worth inventorying and would always be classified as equipment. Equipment is a considerable expenditure and its relative value to the District makes inventory of them advisable.

2. If the answer to one of the below five questions is “true”, the item should be classified as a supply item and the expenditure should be charged to the General Ledger (G/L) 452100.

- (a) Does the item lose its original shape and appearance with use?
- (b) Is it consumable, with a normal service life of less than one year?
- (c) Is it easily broken, damaged or lost in normal use?
- (d) Is it usually feasible to replace it with an entirely new unit than to repair?
- (e) Is it an inexpensive item or inadvisable to inventory the item or insure it (per Education Code 816001)?
- (f) Does the LACCD District policy require that the asset be expensed?
- (g) Is the total cost of the item less than \$200.00 (including taxes)?

3. It is optional for the College to treat any asset less than \$250.00 as a low value equipment asset (642300) or supplies (452100). If an asset costing less than \$250.00 is treated as a low value asset, it must be tagged for inventory tracking purposes.