How to Perform Capital Asset Disposals and Internal Sales of Capital Assets

The following is the general procedure for capital asset disposals:

1. The selling department will normally identify any surplus capital assets.
2. The selling department prints a copy of the **Capital Asset Disposal Form**.
3. The selling department completes Section A of the form, which is a listing of the capital assets for disposal (space is available on the second page of the form for additional disposals):
   a. List the quantity, description of the equipment, name of the manufacturer, model/serial number, building/room number, etc.
   b. The original cost should be available on departmental listing of capital assets. If this information cannot be determined by the department with custody of the asset, enter “Not available” in the columns “reference no.” and “original cost”.
   c. Determine the Fair Market Value of the assets to be disposed of. The **Director of Procurement Services** can be of assistance in determining fair market value.
   Determine the proposed sale price of the capital asset.
4. In any case, once Section A is completed, the selling department should fax the form to: Procurement Services
   Attention: Director
   (416-978-5483)
   for determination and/or approval of the fair market value. Include your name and fax number at the top of the first page of the form.
5. Procurement Services determines or approves the fair market value, completes Section B of the Capital Asset Disposal Form, and returns the form to the originating (selling) department.
6. It is the selling department’s responsibility to find a buyer. The surplus asset should not be disposed of if it can be used by another department/user within the University. Therefore, if a University buyer has not already been identified, the department should take steps to find a University buyer.
7. When a buyer has been identified, the selling department completes Sections C through E and G of the Capital Asset Disposal Form, referring to the chart **Approval of Disposals and Allocation of Proceeds**. If the buyer is an internal customer, complete the appropriate part of Section G. Also refer to the section **Internal Sales of Capital Assets**.
8. Where there is no buyer and the asset is deemed to have a fair market value of $200 or less, complete the Swap Shop Disposal Form. For more information, refer to the Swap Shop section of GTFM: Disposal of Capital Assets. In addition, contact the Swap Shop at 416-978-7080 or refer to their web site at [www.fs.utoronto.ca/office/swap](http://www.fs.utoronto.ca/office/swap).
9. When the transfer or disposal is completed, forward a copy of the Capital Asset Disposal Form to: Accounting Services, Capital Fund Accountant, Financial Service Department, 215 Huron Street, 2nd Floor. Retain a copy for your records.
10. **Trade-ins:** Forward a copy of the Capital Asset Disposal Form to Procurement Services referencing the FIS purchase order number or if the purchase of equipment is over $25,000 before trade-in reference the FIS purchase requisition number.

11. **External Sales** - Prepare an invoice to the buyer and attach a copy of the completed Capital Asset Disposal Form to the Accounts Receivable copy of the invoice. Process the invoice according to established procedures (see GTFM *Processing U of T Invoices*). Update the departmental capital asset records to remove the asset.

12. **Internal Sales** – The selling department prepares and processes the journal entry in FIS for the proceeds of disposition. The selling department would remove capital asset from their capital asset records; the buying department would add the capital asset to their capital asset records.

13. **Tax Implications on External Sales of Capital Assets:**
   - *Harmonized Sales Tax (HST)* – Equipment used in commercial activities prior to sale must be subject to HST. Sale of equipment used in non-commercial activities (i.e., research or administrative) are not taxable and therefore, not subject to HST.

14. **Sales outside Canada** - If transferring the capital asset outside of Canada, consult the customs page of the University customs broker for information on duties and cross-border regulations.

15. **Obtain payment for external sales** – Payments received in relation to external sales which are processed with reference to an invoice issued by the selling department should be forwarded to:

   Accounts Receivable
   215 Huron Street
   Toronto, ON M5S 1A2.

   If there is any question as to collectability, release the asset only upon receipt of payment.