



OFFICE OF THE EXECUTIVE VICE PRESIDENT –
BUSINESS OPERATIONS

OFFICE OF THE PRESIDENT
Information Resources and Communications
1111 Franklin Street, 7th Floor
Oakland, California 94607-5200

November 26, 2007

ITLC Members

Re: New Value for Action Code Field in CFSAST File

Dear Colleagues:

Campuses annually submit a file of capitalized assets, called CFSAST, as one of the inputs to the Corporate Financial System (CFS) and also for our Universitywide Depreciation database. Type 13 transactions in the CFSAST file include a data element called Action Code, denoting whether the transaction is a new increment, a disposal, a transfer, or an impairment. The data element description can be found at http://www.ucop.edu/irc/campus_specs/cfs/action_code.html.

Future CFSAST File Submissions – beginning as of December 31, 2008 (due February 2009)

A recent accounting change recommended by the University's external auditor, PricewaterhouseCoopers (PwC), requires the University to capitalize any interest earnings on capital funds held during construction. The capitalized interest earnings may be netted against the capitalized asset value. However, there may be instances, due to timing, where the capitalized interest earnings will exceed the capitalized asset value for a given asset within a single calendar year. To correctly capture capitalized interest earnings in our Depreciation database in these instances, we need to separately identify these transactions. A new Action Code value of '70' has been created to denote the Capitalized Interest earnings. The amount field in a transaction with this new Action Code must be a negative value. The new Action Code value should be used where appropriate in future CFSAST files, beginning with the file containing data as of December 31, 2008 due to UCOP on February xx, 2009. Campuses may send capitalized interest earnings transactions using either of the following methods:

- send only the net negative amount for the capitalized interest earnings, when capitalized earnings exceeds the capitalized asset value for the given asset within a single calendar year; or
- send all capitalized interest earnings in transactions with Action Codes '70'. In this case, UCOP will summarize the capitalized interest earnings with new increments for the same asset, and capture only the net (either the net new increments for the asset, or the net negative amount of capitalized interest earnings).

CFSAST File Submission as of December 31, 2007 (due February 2008)

PwC has recommended that UC recognize and report capitalized interest earnings starting with Fiscal Year 2006-2007. This was accomplished in aggregate for the annual report for FY 2006-07; however, it must also be reflected in the December 31, 2007, AST file for future depreciation expenses to be reported correctly. Given the short notice, we realize that campuses may not be able to implement the system changes necessary to identify capitalized interest earnings with the new Action Code value of '70' in time for the CFSAST file as of December 31, 2007, due on February 19, 2008. However, we do need some method for identifying capitalized interest earnings reported by campuses using one of the following ways:

- Make the system change to report the capitalized interest earnings on transaction type 13 records with the new Action Code value of '70'
- Report capitalized interest earnings transactions with Action Code '1x' (an addition, or new increment) with a negative amount. Distinguish these transactions from other Action Code '1x' transactions with a unique 2nd digit in the Action Code (e.g., '17'), or some unique literal in the asset description (e.g., "CAP INTEREST")
- Report capitalized interest earnings transactions with Action Code '1x' with a negative amount, as separate transactions from any new increments for the same asset. Provide a listing of the exact contents of every capitalized interest earnings transaction on the CFSAST

Identifying transactions on the CFSAST file that are capitalized interest earnings using one of the above methods will allow UCOP to record capitalized interest correctly in the Depreciation database for fiscal year 2007-2008.

Please share this information with the appropriate campus personnel. If you have questions, please contact Chet Burgess in IR&C at 510-987-0310 or Chet.Burgess@ucop.edu for questions related to the changes to the CFSAST file, and contact Jorge Ohy in Financial Management at 510-987-9842 or Jorge.Ohy@ucop.edu for questions related to accounting.

Sincerely,

Kristine Hafner
Associate Vice President
Information Resources and Communications

cc: Controllers
Accounting Officers
Plant Accountants
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