

Prepared by the Vice President for Research  
This is a new procedure.

A10.355  
July 2007

---

A10.000 Applied Research Laboratory  
Administrative Policies and Procedures

---

P 1 of 2

A10.355     Capitalization

1. Purpose. To establish capitalization policies for the Applied Research Laboratory at the University of Hawaii(ARL at UH).
2. Applicability. These policies shall apply to the Applied Research Laboratory at the University of Hawaii (ARL at UH).
3. Definitions. For the purposes of applying the relevant UH policy or procedure, the following definitions shall be used.
  - a. "Principal investigator" shall refer to the ARL at UH faculty member or researcher that is primarily responsible for the task order.
  - b. "Fiscal officer" shall refer to the ARL at UH Business Office director or designee.
  - c. "Property custodian" shall refer to the principal investigator or designee.
4. Policy. Because the ARL at UH is a University research center and the University fixed assets system is the official record of account, the University capitalization policy shall be followed for costs incurred under Prorated Direct Costs except for:
  - a. Leasehold improvements. Amortization of leasehold improvements is not sufficiently addressed in the University policy. The ARL at UH shall apply generally accepted accounting principles as summarized below:
    - i. Leasehold improvements will be amortized over the shorter of the useful life of the improvement or the remaining lease term unless the ARL at UH has elected to treat it as a current expense with the approval of the Naval Sea Systems Command Procuring Contracting Officer (NAVSEA PCO) and/or the Office of Naval Research Administrative Contracting Officer (ONR ACO).
    - ii. If there is a lease renewal option and the prospect of renewal cannot be predicted with certainty, the

amortization period should be the original lease term rather than the longer possible term.

5. References.

- a. [UH Policies & Procedures: A8.5xx Capitalization](#)