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

1. The selling department will identify any surplus capital assets

2. The selling department will complete **Section A & Section C**

   **Section A**
   
   a) List quantity  
   b) Description  
   c) Name of the manufacturer  
   d) Model & serial number  
   e) Building & room  
   f) Purchase Order or Purchase Year (min)  
   g) Original Cost, obtained from department listings or SAP  
   h) Proposed Sale price, as researched by the department

   **Section C**

   • Brief Description of the use of disposal proceeds  
   *If the department has proposed $0 for “Sale Price” please provide a brief description as to why; junk, free to dept., etc*

3. Once both sections are completed, email the form to UTM Procurement at procurement.utm@utoronto.ca

4. UTM Procurement accesses/approves fair market value, completes Section B and returns the form to the originating department.

5. It is the selling department’s responsibility to find a buyer.

   a. The surplus asset should not be disposed of if it can be used by another department/user within the University.  
   b. Therefore, if a University buyer has not already been identified, the department should take steps to find a University buyer.

6. When a buyer has been identified, the selling department completes through E and G of the Capital Asset Disposal Form, referring to the chart Approval of Disposals and Allocation of Proceeds.

7. 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 identified as e-waste (fair market value of $200 or less) please contact the Green Team for Disposal pickup, attach the authorized disposal form in your email request. Disposal pickup **will not** be completed without the form.

   i) Please note* The Green Team is not responsible for completing the capital asset disposal form process
**External Sales:**

- Prepare a UTM invoice for 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.

**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. **Internal Sales of Capital Assets:**
  

**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 (ie. research or administrative) are not taxable and therefore, not subject to HST.

**Sales outside Canada**

Valuation and Allocation of Proceeds

Valuation
The fair market value must be determined for all disposals of capital assets as a prior condition of approval. The UTM Assistant Director of Procurement Services has the authority to determine the fair market value for all disposals and will consult with University experts where appropriate.

Allocation of Proceeds
Allocation of proceeds refers to the planned use of the proceeds and is approved concurrent with the approval of the disposal.

Accounting for Proceeds
Regardless of the approved allocation of proceeds, the proceeds of the sale of capital assets represent a recovery of the original expenditure and should be recorded in the accounts.

Operating fund - If the original expenditure was made with Operating Funds, the proceeds should be credited to an expense recovery account in the Operating Fund.

Trust funds - Proceeds from the sale of capital assets purchased from a trust fund should be recorded as an expense recovery (reduction of expenses) in that trust fund.

Research, contracts and other restricted funds - Proceeds from the sale of capital assets purchased from a Restricted Fund other than trust funds would be credited to either the Operating Fund or a Restricted Fund, at the discretion of the department.

Other - Proceeds from the sale of capital assets purchased from Capital Funds, if the source of funds for the original purchase is not known, or if the fund is closed, may be credited either to the Operating Fund or a Restricted Fund, at the discretion of the department.

Information on the source of funds for the original purchase should be available in the capital asset listing maintained by the department.