



Fiscal Policy – Rule 03-150-413

Trade-In of Equipment

1. Summary

- 1.1. Oregon State University units are permitted to trade all or part of an OSU owned asset to reduce the cost of a new asset.
- 1.2. This policy provides guidelines to ensure that accounting and asset records are established accurately for all transactions that include a trade-in.
- 1.3. All fixed asset personnel, business center accountants and any personnel who serve as equipment custodians or purchasers should be informed and understand this rule.

2. General Requirements

- 2.1. All trade-ins require prior approval from [Surplus Property](#).
- 2.2. Any trade-in value that is substantially less than the market value of the equipment is prohibited.
- 2.3. Items acquired by trade are capitalized at their full value, not the amount after it was reduced by a trade-in allowance.

3. Required Process

3.1. Processing Payment for New Asset and Credit for Trade-In (Exchange of Equipment for a Cost Reduction on New Asset)

- 3.1.1. When there is a trade-in of capital equipment, the invoice for the new asset must be processed for the full amount of the asset (without subtracting the trade-in credit) even though the invoice from the vendor will probably be reduced by the value of the trade-in allowance.
- 3.1.2. To pay the correct amount to the vendor, a credit memo must be created for the amount of the trade-in allowance.
- 3.1.3. The invoice and credit memo must be processed simultaneously (cross-referencing the document numbers in the text field of both). This ensures proper payment to the vendor.

3.2. Department Responsibility

- 3.2.1. Submit a completed Property Disposition Request ([PDR](#)) to Surplus Property for the trade of all OSU equipment (capital assets and minor equipment).
 - a) If multiple assets are being traded there must be a specific trade-in amount listed for each asset, not a lump sum for all.
- 3.2.2. Once a trade-in is approved by Surplus Property (see section 3.3 below), submit PDR with purchase requisition and quote from the vendor to the buyer.
 - a) The vendor's quote should contain the credit that is to be received from the vendor for the traded asset(s) and a description of the new item to be received with the resale price.

3.3. Surplus Property Responsibility

- 3.3.1. Review asset records and determine if item is eligible for trade-in.
- 3.3.2. Approve trade-in and return signed PDR to department to be included with the purchase requisition.
- 3.3.3. If not eligible, the department is not granted authorization for disposal of equipment via trade-in.

3.4. Purchasing Responsibility

- 3.4.1. Set up the Purchase Order (PO) in BennyBuy to reflect the full value of the new asset (do not subtract the value of the trade-in credit).
 - a) Include a text notation on the PO regarding the amount of credit to be received from the vendor.
- 3.4.2. The buyer will provide a copy of the PO and the original PDR to [Fixed Assets Property Management](#) within Financial Accounting & Analysis (FA&A) to keep on file until the asset is received and the payment is processed.

3.5. Business Center Responsibility

- 3.5.1. Process the invoice for the new asset for the full value of the asset even though the invoice from the vendor will probably be reduced by the value of the trade-in allowance.
- 3.5.2. In order to pay the correct amount, a credit memo must be created in BennyBuy or FIS Banner for the amount of the trade-in allowance.

- a) Set up the credit memo for the amount of the trade-in and post to fund 095880 Asset-Undistributed Income Clearing and Account Code B5801 Undistributed Income.
- b) *Exception:* If the traded item is not a capital asset, this process cannot be used as there is no way to return the proceeds (credit) to the unit through the 'sale of asset' function. In this case, the credit memo should reflect the same index as the invoice and use account code 06981 Sale or Trade-In of Assets to reduce the payment to the vendor. The new asset will be recorded on inventory at full value.

3.5.3. The invoice and credit memo must be processed simultaneously (cross-referencing the document numbers in the text field of both). This ensures proper payment to the vendor.

3.6. Fixed Assets Property Management Responsibility

3.6.1. If the trade-in includes a capital asset, verify that the PDR is included in back-up documentation from the credit memo processed for the trade-in value.

3.6.2. Remove traded asset from inventory as the new asset is being added to inventory.

3.6.3. Create the new asset record from the origination tag created by the invoice.

- a) The disposition of the traded asset will be processed in the Fixed Asset module under the 'sale of asset' function.
- b) This function will take the 'proceeds' of the sale (the credit amount in the undistributed clearing account from the credit memo) and return it to the appropriate departmental fund (same index as the invoice).
- c) This process allows the proper recording of the gain or loss on the disposal of the traded-in asset.
- d) Gain or loss will only be posted to 09xxxx Service Center and 1xxxxx Auxiliary funds.

4. Related Information

4.1. Policy [03-100 Fiscal Policy Program Authority](#)

4.2. Please refer to all other policies, standards, fiscal rules and related guidelines that may be applicable, including but not limited to the following:

4.2.1. Fiscal policy-rule #[03-110-207 Surplus Property Sales](#)

4.3. Please check with your supervisor for unit-level procedures related to this rule.

4.4. Following are forms and other resources related to this policy:

4.4.1. Property Disposition Request ([PDR](#))

4.5. [Fiscal Policy Program Definitions of Terminology](#)

4.6. [Fiscal Policy Program Frequently Asked Questions](#) (FAQs)

5. History

5.1. Original Issue Date: 01/2003 (FIS 406-01 Trade-Ins); 07/1996 (PRO 209 Trade Acquisitions); 07/1996 (PRO 803 Trade-In of Equipment Disposals)

5.2. Previous Versions: 12/2012 (FIS 406-01 Trade-Ins); 12/2015 (PRO 209 Trade Acquisitions); 02/2020 (PRO 803 Trade-In of Equipment Disposals)

5.3. Next Scheduled Review Date: 04/2024

6. Contacts

6.1. Policy Steward: Manager of Analytical Operations ([contact info](#))

6.2. Program: Fiscal Policy Officer ([contact – for program inquiries only](#))