Designation: E2135 – 10a (Reapproved 2017)$^{\varepsilon 1}$

Standard Terminology for Property and Asset Management[1]

This standard is issued under the fixed designation E2135; the number immediately following the designation indicates the year of original adoption or, in the case of revision, the year of last revision. A number in parentheses indicates the year of last reapproval. A superscript epsilon (ε) indicates an editorial change since the last revision or reapproval.

ε[1] NOTE—Section 2 was updated and terms were placed in Section 3 editorially in March 2019.

1. Scope

1.1 This terminology covers traditional property management definitions and some of the terms introduced in additional asset management standards that are used most often and considered most important. As new standards are developed, new terms will be added to this terminology in future revisions.

1.2 *This international standard was developed in accordance with internationally recognized principles on standardization established in the Decision on Principles for the Development of International Standards, Guides and Recommendations issued by the World Trade Organization Technical Barriers to Trade (TBT) Committee.*

2. Referenced Documents

2.1 *ASTM Standards:*[2]

E2132 Practice for Inventory Verification: Electronic and Physical Inventory of Assets
E2221 Practice for Administrative Control of Property (Withdrawn 2011)[3]
E2306 Guide for Disposal of Personal Property Assets
E2452 Practice for Equipment Management Process Maturity (EMPM) Model
E2453 Practice for Determining the Life-Cycle Cost of Ownership of Personal Property
E2495 Practice for Prioritizing Asset Resources in Acquisition, Utilization, and Disposition
E2499 Practice for Classification of Asset Location Information
E2604 Practice for Data Characteristics of Equipment Asset Record
E2606 Practice for Receipt Notification as a Result of Tangible Asset Movement
E2607 Practice for Cannibalization/Reclamation of Serviceable Equipment Components to Support Demand Requirements
E2608 Practice for Equipment Control Matrix (ECM)
E2674 Practice for Assessment of Impact of Mobile Data Storage Device (MDSD) Loss (Withdrawn 2015)[3]
E2675 Practice for Property Management System Outcomes
E2715 Practice for Moveable Property Storage
E2811 Practice for Management of Low Risk Property (LRP)
E2812 Practice for Uniform Data Management in Asset Management Records Systems
E2936 Guide for Contractor Self Assessment for U.S. Government Property Management Systems
E2962 Guide for Fleet Management
E3015 Guide for Management of Customer-Owned Property Assets in Possession of Supplier, Contractor or Subcontractor

2.2 *Other Documents:*

Auditing Standard No. 2 An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements[4]
Federal Acquisition Regulation (FAR) Part 45 Clause 52.245-1 Government Property[5]
GAO-12-331G Government Auditing Standards[6]
International Standard on Assurance Engagements (ISAE) 3402 Assurance Reports on Controls at a Service Organization[7]
OMB Circular A-123 Management's Responsibility for Internal Control[8]

[1] This terminology is under the jurisdiction of Committee E53 on Asset Management and is the direct responsibility of Subcommittee E53.06 on Terminology.

Current edition approved May 1, 2017. Published May 2017. Originally approved in 2001. Last previous edition approved in 2017 as E2135 – 10a (2017). DOI: 10.1520/E2135-10AR17E01.

[2] For referenced ASTM standards, visit the ASTM website, www.astm.org, or contact ASTM Customer Service at service@astm.org. For *Annual Book of ASTM Standards* volume information, refer to the standard's Document Summary page on the ASTM website.

[3] The last approved version of this historical standard is referenced on www.astm.org.

[4] Available from Public Company Accounting Oversight Board (PCAOB), 1666 K Street, NW, Washington, DC 20006-2803, http://www.pcaobus.org.

[5] Available from U.S. General Services Administration (GSA), 1800 F Street, NW Washington, DC 20405, http://www.gsa.gov/regulations.

[6] Available from U.S. Government Publishing Office (GPO), 732 N. Capitol St., NW, Washington, DC 20401, http://www.gpo.gov.

[7] Available from International Federation of Accountants (IFAC), 529 5th Avenue, New York, NY 10017, http://www.ifac.org.

[8] Available from Office of Management and Budget (OMB), 725 17th Street, NW, Washington, DC 20503, http://www.whitehouse.gov/omb.

3. Terminology

3.1 *Terms and Definitions:*

abandon, *v*—to give up all and any future claim to rights or interest in property.

abandoned property, *n*—property of any type over which the rightful owner has relinquished possession and any claim of an ownership interest.

abatement, *n*—a reduction or cancellation of an assessed tax.

ABC method, *n*—inventory management method that categorizes items in terms of importance. Thus, more emphasis is placed on higher dollar value items ("A"s) than on lesser dollar value items ("B"s), while the least important items ("C"s) receive the least time and attention. Inventory should be analyzed frequently when using the ABC method. The procedure for ABC analysis follows: (*1*) Separate finished goods into types (chairs of different models, and so on); separate raw materials into types (screws, nuts, and so on). (*2*) Calculate the annual dollar usage for each type of inventory (multiply the unit cost by the expected future annual usage). (*3*) Rank each inventory type from highest to lowest, based on annual dollar usage. (*4*) Classify the inventory as A—the top 20 %; B—the next 30 %; and C—the last 50 % of dollars usage, respectively. (*5*) Tag the inventory with its appropriate ABC classification and record those classifications in the item inventory master records.

abnormal spoilage, *n*—for government accounting under the FAR, abnormal spoilage may or may not be allowable cost. If the cost is deemed allowable, the cost would normally be charged consistently with normal spoilage.

accelerated cost recovery system (ACRS), *n*—system of depreciation for tax purposes mandated by the Economic Recovery Act (ERA) of 1981 and modified by the Tax Reform Act of 1986. The type of property determines its class. Instead of providing statutory tables, prescribed methods of depreciation are assigned to each class of property. For 3, 5, 7, and 10-year classed, the relevant depreciation method is the 200 % declining balance method. For 15 and 20-year property, the appropriate method is the 150 % declining balance method switching to the straight-line method when it will yield a larger allowance. For residential rental property (27.5 years) and nonresidential real property (31.5 years), the applicable method is the straight-line method. A taxpayer may make an irrevocable election to treat all property in one of the classes under the straight-line method. Property is statutorily placed in one of the classes. The purpose of ACRS is to encourage more capital investment by businesses. It permits a faster recovery of the asset's cost and thus provides larger tax benefits in the earlier years. See also *modified accelerated cost recovery systems (MACRS)*.

accelerated depreciation, *n*—any method of calculating depreciation charges where the charges become progressively smaller each period

accessory item, *n*—an item that facilitates or enhances the operation of equipment but is not essential for its basic operation.

accountability, *n*—individual or departmental responsibility to perform a certain function. Accountability may be dictated or implied by law, regulation, or agreement. For example, an auditor will be held accountable to financial statement users relying on the audited financial statements for failure to uncover corporate fraud because of negligence in applying generally accepted auditing standards (GAAS).

accounting change, *n*—change in: (*1*) accounting principles (such as a new depreciation method); (*2*) accounting estimates (such as a revised projection of doubtful accounts receivable); or (*3*) the reporting entity (such as a merger of companies). When an accounting change is made, appropriate footnote disclosure is required to explain its justification and financial effect, thereby enabling readers to make appropriate investment and credit judgments. Proper justification for a change in accounting principles may be the issuance of a new FASB pronouncement, SEC Accounting Series Release (ASR), or IRS regulation. Changes in estimates are justified by changing circumstances such as a greater degree of wear and tear of a fixed asset than originally anticipated. Generally, the consistent use of accounting principles and procedures is essential in appraising and entity's activities and in the projection of future results; however, changes in the reporting entity have to be retroactively reflected for comparative purposes.

accretion, *n*—increase in economic worth through physical change, usually said of a natural resource such as an orchard, caused by natural growth. Contrast with **appreciation**.

accumulated depreciation, *n*—sum of depreciation charges taken to date on a fixed asset. Accumulated depreciation is a contra account to the fixed asset to arrive at book value. For example, on 1/1/2000 an auto is bought costing $10 000, with a salvage value of $1000 and a life of 10 years. Using straight-line depreciation, the accumulated depreciation on 12/31/2003 would be $3600 ($900 × 4).

acquired property, *n*—property under the possession or control of an entity that is not deemed "furnished property" and was acquired for business operation purposes. **E3015**

acquisition, *n*—hardware, supplies or services through purchase, lease, or other means, including transfer or fabrication, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. **E2607**

activity-based depreciation, *n*—production method of depreciation.

actual cash value, *n*—the cost of replacing damaged property with other property of like kind and quality in the physical condition of the property immediately before the damage.

actual cost, *n*—an amount determined on the basis of cost incurred including standard cost properly adjusted for applicable variance.

adjusted basis, *n*—the basis used to compute gain or loss on disposition of an asset for tax purposes. Also, see **book value**.

administratively controlled property, *n*—the property assets that are controlled at the discretion of asset managers managing the inventories of individual operational units. **E2221**

***ad valorem* tax—**levy imposed on the value of property. The most common *ad valorem* tax is that imposed by states, counties, and cities on real estate. *Ad valorem* taxes can, however, be imposed on personal property.

agency-peculiar property, *n*—as used in DoD, means military property and includes end items and integral components of military weapons systems, along with the related peculiar support equipment which is not readily available as a commercial item.

allocate, *v*—to assign an item of cost, or a group of items of cost, to one or more cost objectives. This term includes both direct assignment of cost and the reassignment of a share from an indirect cost pool.

amortization, *n*—gradual reduction of an amount over time. Examples are amortized expenses on intangible assets and deferred charges. Assets with limited life have to be written down over the period benefited. For example, all intangible assets must be amortized using the straight-line method not exceeding 40 years; the amortization entry in that case is to debit amortization expense and credit the intangible asset.

amortization, *n*—the gradual extinguishment of any amount over a period of time through a systematic allocation of the amount over a number of consecutive accounting periods such as the retirement of a debt by serial payments to a sinking fund.

amortization, *n*—normally applies to intangibles whereas depreciation applies to tangible assets.

amortize, *v*—to write off a regular portion of an asset's cost over a fixed period of time. Examples are amortization expense on an intangible asset and depletion expense on a natural resource. See also *sales return*.

analytical hierarchy process (AHP), *n*—decision-making model that reduces complex decisions to one on one comparisons resulting in the ranking of a list of objectives or alternatives. **E2495**

appraisal, *n*—the process of obtaining a valuation for an asset or liability that involves expert opinion rather than explicit market transaction.

appraisal method of depreciation, *n*—the periodic depreciation charge is the difference between the beginning and end-of-period appraised value of the asset if that difference is positive. If negative, there is no charge. Not generally accepted.

appreciation, *n*—increase in the value of an asset. The asset may be real estate or a security. For example, an individual sold 100 shares of XYZ company's stock for $105 per share that he bought 10 years ago for $25 per share. The amount of appreciation was $8000 = ($105 − $25) × 100 shares.

assembly, *n*—a number of parts or subassemblies joined together.

assessed valuation, *n*—a dollar amount for real estate or other property used by a government as a basis for levying taxes. The amount may or may not bear some relation to market value.

assessed value, *n*—value established by a government for real estate or other property as a basis for levying taxes. For example, an individual receives a statement that, in the judgment of the local tax assessor, the individual's property is worth $50 000. If by law, properties in this jurisdiction are assessed at 80 % of market value, the individual's assessed value then is $40 000 (80 % of $50 000) and property taxes will be based on this assessed value.

asset, *n*—(*1*) anything owned having monetary value; (*2*) tangible or intangible items owned by an entity that have probable economic benefits that can be obtained or controlled by the entity.

asset accountability unit, *n*—a tangible capital asset which is a component of plant and equipment that is capitalized when acquired or whose replacement is capitalized when the unit is removed, transferred, sold, abandoned, demolished, or otherwise disposed of.

asset custodian, *n*—an individual or organization accountable for asset. **E2606**

asset identifier, *n*—an alphanumeric character sequence that corresponds to a specific asset record in an asset management records system. **E2812**

asset priority index (API), *n*—numerical value assigned to an asset reflecting its value to an entity's mission or other critical assignments as defined by the criteria set forth by management. **E2495**

average age of inventory, *n*—number of days an average inventory item takes to sell: For example, assume that average inventory is $47 500 and cost of goods sold is $500 000. The average age of inventory is ($47 500/$500 000) × 365 days = 34.7 days. See also *days to sell inventory*. Average Inventory divided by Average Age of Inventory = Cost of Goods Sold × 365 days.

average inventory, *n*—amount equaling about half maximum inventory when demand is relatively constant. For example, if the maximum inventory is 500 units and depletion occurs at a fairly constant rate, the average inventory equals 250 units (500/2).

average life, *n*—estimated useful-life expectancy of a depreciable group of assets. See also **depreciation**; *economic life*; *useful life*.

bailment, *n*—contractual transfer of dollars or personal property for a specified objective. An example is the consignment of goods from the consignor to consignee. Another example is a bank holding an asset of a borrower as collateral. In a bailment, the deliverer is called the bailor and the receiver is termed the bailee.

bargain purchase, *n*—asset or goods acquired for materially less than fair market value. For example, a buyer may be able to get a bargain price on furniture from a seller in a liquidation situation.

bargain purchase option, *n*—a provision allowing the lessee the option of purchasing the leased property for an amount, exclusive of lease payments, which is sufficiently lower than the expected fair value of the property at the date the option become exercisable. Exercise of the option must appear reasonably assured at the inception of the lease. GAAP does not offer additional guidance defining "sufficiently lower," in which many factors such as time value of money, usage, and technological changes influence whether the option fulfills the criteria for a bargain.

bargain renewal option, *n*—a provision allowing the lessee the option to renew the lease agreement for a rental payment sufficiently lower than the expected fair rental of the property at the date the option becomes exercisable. Exercise of the option must appear reasonably assured at the inception of the lease.

basic research, *n*—research directed toward increasing knowledge in science. The primary aim of basic research is a fuller knowledge or understanding of the subject under study, rather than any practical application of that knowledge.

basis, *n*—acquisition cost, or some substitute therefore of an asset used in computing gain or loss on disposition or retirement.

bench stock, *n*—low cost, high usage, non-sensitive consumable material issued to work areas. Quantities of such stock do not normally exceed an amount that would normally be consumed within a 30-day period or as established in the property control system.

betterment, *n*—an expenditure having the effect of extending the useful life of an existing asset, increasing its normal rate of output, lowering its operating cost, increasing rather than merely maintaining its efficiency or otherwise adding to the worth of benefits it can yield. A betterment is distinguished from repair or maintenance in that the latter have the effect of merely keeping the asset in its customary state of operating efficiency without the expectation of added future benefits.

bid and proposal cost, *n*—the cost incurred in preparing, submitting, or supporting any bid or proposal which effort is neither sponsored by a grant, nor required in the performance of a contract.

bill of materials (BOM), *n*—listing of all the assemblies, subassemblies, parts, and raw materials that are needed to produce one unit of a finished product. Thus, each finished product has its own bill of materials. The listing in the bill of materials file is hierarchical; it shows the quantity of each item needed to complete one unit of the next-highest level of assembly.

bill of sale, *n*—written document that transfers goods, title, or other interests from a seller to a buyer and specifies the terms and conditions of the transaction.

blanket insurance, *n*—policy covering several items of property. The insurance policy is allocated to the property items based on their fair market values.

book inventory, *n*—inventory shown on the financial records. It is a book value as opposed to a physical count of inventory and is computed from the initial inventory plus purchases less requisitions or withdrawals. Book inventory typically differs from the physical inventory on hand due to shrinkage (that is, loss caused by such factors as evaporation and thefts).

book value, *n*—the net amount at which an asset or liability is carried on the books of account.

building location, *n*—asset physical location information representing the building position of the item within the site location. **E2499**

business unit, *n*—any segment of an organization, or an entire business organization which is not divided into segments.

calibration, *n*—the act of standardizing or determining the deviation from a standard so as to ascertain the proper correction factors.

cannibalization, *n*—removal of serviceable components from one item of equipment in order to install them on another item of equipment. The removal of components from one item of equipment for the purpose of repairing other similar equipment. **E2607**

capacity, *n*—ability to produce during a given time period, with an upper limit imposed by the availability of space, machinery, labor, materials, or capital. Capacity may be expressed in units, weights, size, dollars, man-hours, labor cost, etc. Typically, there are five different concepts of capacity. (*1*) *Ideal Capacity*—volume of activity that could be attained under ideal operating conditions, with minimum allowance for inefficiency. It is the largest volume of output possible. Also called *theoretical capacity*, *engineered capacity*, or *maximum capacity*. (*2*) *Practical Capacity*—highest activity level at which the factory can operate with an acceptable degree of efficiency, taking into consideration unavoidable losses of productive time (that is, vacations, holidays, repairs to equipment). Also called *maximum practical capacity*. (*3*) *Normal Capacity*—average level of operating activity that is sufficient to fill the demand for the company's products or services for a span of several years, taking into consideration seasonal and cyclical demands and increasing or decreasing trends in demand. (*4*) *Expected Actual Capacity*—similar to normal capacity, except it is a short-run level based on demand, it minimizes under- or over-applied overhead but does not provide a consistent basis for assigning overhead cost. Per-unit overhead will fluctuate because of short-term changes in the expected level of output. Also called *planned capacity*. (*5*) *Operating Capacity*—similar to planned capacity except the time period is within a small slice of a single year (that is, daily, monthly, quarterly).

capital, *n*—long-term assets that are not bought and sold in the ordinary course of business. The term usually refers to fixed assets such as machinery, equipment, building, and land.

capital addition—(*1*) new (as opposed to replacement) part added to an existing noncurrent productive asset (for example, equipment) used for business purposes that increases the useful life and service potential of the asset. (*2*) In taxation, cost of capital improvements and betterments made to the property by a taxpayer. (*3*) Anything added to long-term productive assets.

capital asset, *n*—asset purchased for use in production over long periods of time rather than for resale. It includes (*a*) land, buildings, plant and equipment, mineral deposits, and timber reserves; (*b*) patents, goodwill, trademarks, and leaseholds; and (*c*) investments in affiliated companies.

capital expenditure, *n*—outlay charged to a long-term asset account. A capital expenditure either adds a fixed asset unit or increases the value of an existing fixed asset. An example is a new motor for a truck.

capital expenditure budget, *n*—plan prepared for individual capital expenditure projects. The time span of this budget depend upon the project. Capital expenditures to be budgeted include replacement, acquisition, or construction of plants and major equipment. See also **capital budgeting**.

capital gain, *n*—tax term involved with selling or exchanging a capital asset. Individual: Maximum tax rate on capital gains is 20 % compared to the maximum tax rate on ordinary income of 39.6 % for those having taxable incomes exceeding $250 000. Corporation: Capital gains are taxed at 20 %. See also **capital loss**.

capital investment decisions, *n*—management decisions about when and how much to spend on capital facilities for the organization.

capitalization of interest, *n*—process of deferring interest as an asset rather than an expense. Interest charges can be deferred interest as an asset rather than an expense. Interest charges can be deferred only for interest incurred on borrowed funds for the self-construction of an asset or for discrete projects (for example, real estate). The amount of interest capitalized is based on the company's or entity actual borrowings and interest payments. The interest rate to be used is the rate on the specific borrowing associated with that self-constructed asset. If this cannot be achieved, the weighted-average interest rate on corporate debt is used.

capitalize, *v*—to record and carry forward into one or more future periods any expenditure the benefits or process from which will then be realized.

capital loss, *n*—federal tax term for the loss on the sale or exchange of a capital asset. Individual: Capital losses are fully deductible to offset capital gains and can offset $3000 of ordinary income. Corporation: Capital losses are deductible only to the extent of capital gains.

care and handling, *n*—the term "care and handling" includes completing, repairing, converting, rehabilitating, operating, preserving, and transporting excess and surplus property, and, in the case of property.

carrying costs, *n*—expenses incurred because a firm keeps inventories, also called *holding costs*. They include interest forgone on money invested in inventory, storage cost, taxes, and insurance. The greater the inventory level, the higher the carrying costs.

carrying value, *n*—amount shown on an entity's books for assets, liabilities, or owner's equity, net of reductions or offsets such as for accumulated depreciation, allowance for bad debts, and bond discount; also called **book value**. It may refer to the entire firm's excess of total assets over total liabilities.

category of material, *n*—a particular kind of goods, comprised of identical or interchangeable units, acquired or produced by a contractor, which are intended to be sold, or consumed or used in the performance of either direct or indirect functions.

charge off, *v*—to treat as a loss or expense an amount originally recorded as an asset; usually the term is used when the charge is not in accord with original expectations.

city/township/county location, *n*—asset physical location information representing the city, township, or county position of the item within the state/province location. **E2499**

classification of assets, *n*—process of grouping economic resources under appropriate categories. Asset categories include current assets, fixed assets, intangible assets, investments, and deferred costs. Assets are classified into major groupings to facilitate analysis of the entity's financial health. For instance, a company's liquidity can be appraised by concentrating on the current assets less prepaid expenses which are available to meet short-term debt.

classification of defects, *n*—the enumeration of possible defects of the assessment sample classified according to their seriousness, that is, critical, major or minor defect. **E2936**

cleanup costs, *n*—the costs of removing, containing, or disposing, or any combination thereof, of (*1*) hazardous waste from property, or (*2*) material or property, or both, that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E.

closing inventory, *n*—ending inventory.

coding, *n*—generating detailed instructions in a computer language to carry out the requirements described in the detail program design. The coding of a computer software product may being prior to, concurrent with, or subsequent to the completion of the detail program design.

commercial item, *n*—(*1*) Any item, other than real property, that is of a type customarily used for nongovernmental purposes and that has been sold, leased, or licensed to the general public; or, has been offered for sale, lease, or license to the general public; (*2*) Any item that evolved from an item described in paragraph (*1*) of this definition though advances in technology or performance and that is not yet available in the commercial marketplace, but will be available in the commercial marketplace in time to satisfy the delivery requirements under a government solicitation; (*3*) Any item that would satisfy a criterion expressed in paragraphs (*1*) or (*2*) of this definition, but for (*i*) Modifications of a type customarily available in the commercial marketplace; or (*ii*) Minor modifications of a type customarily available in the commercial marketplace made to meet federal government requirements. Minor modifications means modifications that do not significantly alter the nongovernmental function or essential physical characteristics of an item or component, or change the purpose of a process. Factors to be considered in determining whether a modification is minor include the value and size of the modification and the comparative value and size of the final product. Dollar values and percentages may be used as guideposts, but are not conclusive evidence that a modification is minor; (*4*) Any combination of items meeting the requirements of paragraphs (*1*), (*2*), (*3*), or (*5*) of this definition that are of a type customarily combined and sold in combination to the general public; (*5*) Installation services, maintenance services, repair services, training services, and other services if such services are procured for support of an item referred to in paragraphs (*1*), (*2*), (*3*), or (*4*) of this definition, and if the source of such services (*i*) Offers such services to the general public and the federal government contemporaneously and under similar terms and conditions; and (*ii*) offers to use the same work force for providing the federal government with such services as the source uses for providing such services to the general public; (*6*) Services of a type offered and sold competitively in substantial quantities in the commercial marketplace based on established catalog or market prices for specific tasks performed under standard commercial terms and conditions. This does not include services that are sold based on hourly rates without an established catalog or market price for a specific service performed; (*7*) Any item, combination of items, or service referred to in paragraphs (*1*) through (*6*) of this definition, notwithstanding the fact that the item, combination of items, or service is transferred between or among separate divisions, subsidiaries, or affiliates of a contractor; or (*8*) A nondevelopmental item, if the procuring agency determines the item was developed exclusively at private expense and sold in substantial quantities, on a competitive basis, to multiple state and local governments.

compliance impact, *n*—a consequence of loss of control characterized by negative compliance with applicable laws, regulations, or other relevant internal or external guidance that does not rise to the level of an operational impact. **E2608**

compliance impact, *n*—consequence of loss of control characterized by negative compliance with applicable laws, regulations, or other relevant internal or external guidance that does not rise to the level of an operational impact. **E2674**

component, *n*—a part of a mechanical or electrical complex. **E2607**

component (financial), *n*—a tangible part or portion of PP&E that (*1*) can be separately identified as an asset and depreciated or amortized over its own separate expected useful life and (*2*) is expected to provide economic benefit for more than one year.

composite depreciation, *n*—group depreciation of dissimilar assets with different service lives. Depreciation on all assets is determined by using the straight-line-depreciation method. Then, a composite depreciation rate is arrived at based on the ratio of depreciation per year to the original cost. Composite life equals the depreciable cost divided by the depreciation per year. In any given year, depreciation expense equals the composite depreciation rate times the gross cost balance in the asset account. The entry is to debit depreciation expense and credit accumulated depreciation. Under the method, when a particular asset is sold, the entry is to debit cash for the amount received and credit the asset for its original cost. The difference between the two is debited to accumulated depreciation. No gain or loss on the sale of a fixed asset is recognized under the composite method.

computer software, *n*—computer programs, computer data bases, and related documentation.

condition, *n*—the physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset's condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction), and obsolescence.

condition assessment surveys, *n*—periodic inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies.

condition code, *n*—a symbol that signifies the physical operating condition of property.

confidence level, *n*—a statistical measure of the amount of reliability that a random statistical sample represents the entire population. **E2936**

consequence, *n*—the effect of actions (something that logically or naturally follows from an action or condition). **E2674**

consignment, *n*—specialized way of marketing certain types of goods. The consignor delivers goods to the consignee who