



Designation: E2378 – 19

Standard Practice for the Recognition of Impaired or Retired Property Assets¹

This standard is issued under the fixed designation E2378; 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 reappraisal. A superscript epsilon (ϵ) indicates an editorial change since the last revision or reappraisal.

1. Scope

1.1 This practice covers guidance as to the proper treatment for accounting and accountability purposes when items are still retained but need to be recognized as impaired or retired to administrative control. This practice is intended to be used in conjunction with Practice E2279, which provides various principles to improve the effectiveness and efficiency of the property management functions. These include the concepts of materiality, best value, reasonable detail, and reasonable assurance and proper reporting. During the life cycle of property management, appropriate action must be taken at the appropriate time to be in conformance with these principles. The objective, on behalf of the owner, is to maintain property accounting records that adequately represent the appropriate book value of the property and for accountability purposes apply the appropriate management and oversight for the proper protection and safeguarding of assets.

1.2 This practice covers the recognition of the status of property assets that is critical to a fair representation of the entity's property and financial records. For instances, when items for accounting or property management purposes may no longer serve the purpose that was originally intended, it may be more appropriate to recognize impairments or retire these items for record keeping purposes.

1.3 Generally, entities for internal controls purposes record, account, and inventory property that meet certain criteria, as defined by the organization, based upon acquisition cost thresholds, expendability, or useful life policies. Accordingly, entities should establish recurring depreciation cycles so that the property eligible for depreciation is fairly and consistently recorded in the entity's records in accordance with generally accepted accounting principles.

1.4 The percentage or extent of recognized depreciation is dependent on such factors as the nature of owned property, its useful life, and the frequency of property used in support of business-type activities of the entity.

1.5 This practice covers the accepted practice of proper record keeping actions when items are fully depreciated for accounting purposes and should be retired from the accounting as well as property management purposes when the asset no longer serves the purpose that was intended but remains on the entity's premises or continues to be under some form of control.

1.6 Entities have a responsibility under their internal controls to operate effectively, efficiently, and in a reasonable and responsible manner to provide stakeholders best value as provided in public law, regulations, and generally accepted accounting practices. These responsibilities include responding to internally and externally imposed accounting and accountability changes.

1.7 This standard acknowledges during the life cycle of assets, decisions have to be made regarding the fair representation of assets and they are what they are purported to be for accounting and operational purposes. Concurrently, asset management operations include adequate internal controls including items being managed effectively and efficiently, which includes considerations of materiality.

1.8 *This standard is limited to property asset management functions. This standard does not purport to address tax concerns, if any, associated with its use. It is the responsibility of the user of this standard to establish appropriate internal tax guidelines and to determine the applicability of regulatory or statutory requirements prior to use.*

1.9 *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
[E2135 Terminology for Property and Asset Management](#)

¹ This practice is under the jurisdiction of ASTM Committee E53 on Asset Management and is the direct responsibility of Subcommittee E53.03 on Financial Management.

Current edition approved May 1, 2019. Published June 2019. Originally approved in 2005. Last previous edition approved in 2013 as E2378–13. DOI: 10.1520/E2378–19.

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.