



Designation: **E2378 – 13** E2378 – 19

Standard Practice for the Recognition of Impaired or Retired Personal Property Assets¹

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1. Scope

1.1 This practice covers guidance as to the proper treatment for accounting and accountability purposes when items are still ~~retained~~, 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 ~~actual~~ appropriate book value of the property and for accountability purposes apply the appropriate management and ~~oversight~~ oversight for the proper protection and safeguarding of assets.

1.2 This practice covers the recognition of ~~depreciation~~ the status of personal 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 ~~formally~~ for internal controls purposes record, account, and inventory ~~personal~~ property that meet certain criteria, as defined by the ~~entity~~ 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 ~~and frequency~~ or extent of recognized depreciation is dependent on such factors as the nature of owned property, its useful life, and the frequency of property ~~reused~~ 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 ~~still~~ remains on the entities 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.*

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 July 15, 2013 May 1, 2019. Published July 2013 June 2019. Originally approved in 2005. Last previous edition approved in 2005 2013 as E2378-05-13. DOI: 10.1520/E2378-13. 10.1520/E2378-19.

2. Referenced Documents

2.1 ASTM Standards:²

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

[E2279 Practice for Establishing the Guiding Principles of Property Asset Management](#)

2.2 GAO Document: Documents:³

[GAO Government Auditing Standards \(The Yellow Book\) 2011 \(the “Yellow Book”\), Applicable Edition](#)

[GAO-14-704G Standards for Internal Control in the Federal Government \(the “Green Book”\), 2014⁴](#)

3. Terminology

3.1 ~~Definitions: Definitions~~—For definitions relating to Property and Asset Management, refer to Terminology [E2135](#).

3.2 ~~Definitions of Terms Specific to This Standard:~~

3.2.1 ~~abuse, n—Abuse~~ *abuse*, *n*—Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements. ~~(From the GAO Yellow Book, 2011.)~~ **(From the GAO Yellow Book, 2011)**

3.2.2 ~~administratively controlled items, n—~~ *administratively controlled items*, *n*—items not requiring formal property control and accountability by property asset management and accounting functions.

3.2.3 ~~accountability, n—the concept of accountability of resources and authority is fundamental to an entity’s governing and management processes. Management and officials entrusted with public and private resources are responsible for carrying out public and private functions and providing service to the public and owners effectively, efficiently, economically, ethically, and equitably within the context of their given situation—as reflected in applicable laws, regulations, agreements, standards, and internal policy and direction. Management and officials are responsible for providing reliable, useful, and timely information as needed. (Adapted from the GAO Yellow Book, 2011.)~~ **(Adapted from the GAO Yellow Book, 2011)**

3.2.3.1 ~~Discussion—~~

Effective, efficient, and economical efforts include assessments of cost and benefits of requirements and actions.

3.2.4 ~~internal control, n—an organization’s system of internal controls that are designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, and compliance with applicable laws and regulations. (Adapted from the GAO Yellow Book, 2011.)~~ **(Adapted from the GAO Green Book, 2014)**

4. Summary of Practice

4.1 Entities should implement property management systems in accordance with Practice [E2279](#). <https://standards.iteh.ai/>

4.2 Property recorded in the entity’s formal property system should be depreciated based upon internal or external standards.

4.3 The net book value of items should be fairly represented, and this includes the recognition of impairments as they occur. Property asset management personnel have a vital role in the process of recognition of impairments.

4.4 Because the actual drop in the value of each asset may be difficult and time-consuming to compute, a standardized depreciation process may be used by entities to approximate depreciations-depreciation. For example, one process assumes that an asset depreciates by an equal percentage of its original acquisition value for each year that it is used resulting in the same deduction amount every year. Another process may assume that an asset depreciates at a larger rate in the first years and a much smaller depreciation in later years.

4.5 Irrespective of the depreciation method used, depreciation at some time stops. At this point, unless the item is identified as a sensitive item or perpetual control is necessary for other reasons, the status of the item may change from an accountable to an administratively controlled item. If no accountability threshold is used by the organization, depreciation and accountability may continue as appropriate and at the discretion of the organization. This is especially appropriate when there has been a change in accounting or property management thresholds, the item no longer serves the purpose as originally intended (it is retained for purposes or causes such as salvage, standby, incidental use, unreasonable removal cost, and so forth) or operating costs (record keeping, insurance cost, inventory cost, and maintenance cost, and so forth) exceed the probable future benefits provided by the item. Identification tags may or may not be required to be removed from administratively controlled items, as determined by management.

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~~ standard’s Document Summary page on the ASTM website.

³ Available from the U.S. Government Accountability Office (GAO), 441 G St., NW, Washington, DC 20548, <http://www.gao.gov>.

⁴ The GAO Green Book is based upon Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control - Integrated Framework* (New York: American Institute of Certified Public Accountants, 2013).