



Designation: E 2132 – 01

Standard Practice for Physical Inventory of Durable, Moveable Property¹

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1. Scope

1.1 This practice covers the physical inventory of durable, moveable property. Physical inventory is a vital part of a property control system.

2. Significance and Use

2.1 *Physical Inventory*—The primary product of a physical inventory is a report identifying, at a minimum, which items were located and which were not. The number and value of unlocated items constitute an organization's loss experience, which is critical for assessing the organization's property control risk and success. Unlocated items that are capitalized on an organization's financial records are generally written off at the close of the inventory (and therefore physical inventories are important to ensuring that public financial statements are accurate). Physical inventories have several byproducts as well. During the inventory, record deficiencies, such as incorrect locations or unrecorded property items are identified; these records are corrected as part of the process. Finally, physical inventory serves as a deterrent to loss, theft, damage, and misuse as those responsible for property perceive that they will be held accountable for it and be required to produce it on a periodic basis. In summary, physical inventories are conducted to accomplish one or more of the following:

- 2.1.1 Assess the accuracy of property records,
- 2.1.2 Update property records,
- 2.1.3 Assess property loss experience,
- 2.1.4 Provide the status of capital items for financial reporting purposes, and
- 2.1.5 Deter misuse, loss, damage, and theft of property.

Physical Inventory

3. Physical Inventory Planning

3.1 General:

3.1.1 A physical inventory is an assessment or audit. An effective physical inventory provides information of value that equals or exceeds the cost of the activity. For the results to be

valid and useful, complete the physical inventory by consistently applying written procedures. As physical inventories generally measure performance over a period of months or years and results are often trended, it is desirable to repeat past inventory practices in order to make results comparable.

3.1.2 As physical inventories are generally efforts involving significant time, resources, complexity, and personnel, appropriate project management techniques should be employed. Address the elements in 3.2 through 3.13 when planning.

3.2 *Management and Accountability*—Assign responsibility, authority, and accountability for the conduct of physical inventory and for the results of the inventory.

3.3 *Key Results Required*—Prior to planning an inventory, determine the decisions that will be made based upon inventory results and the key results required to make these decisions. For example, a common decision is whether or not a control system is effective; the find rate by value or number of items is often used as a key determinant. The number or percent of unrecorded assets (overages) is an indicator of an organization's success at achieving control of inbound or newly fabricated assets. All subsequent elements of physical inventory planning must accommodate measurement of key results with sufficient accuracy and precision for decision-making.

3.4 Population:

3.4.1 Determine the population to be inventoried. A population may be defined by equipment type, value, location, age, controlling organization or program, use status, or other control categories. Determine whether to conduct a complete inventory of those categories or employ a sampling technique. If sampling techniques are employed, determine the sampling method and size before selecting a sample. The sample must be adequate to yield data of sufficient accuracy to meet the desired objectives. If find rates or other data are required for subsets of the population, for example by organization, then sample sizes must be sufficient to yield data for those subsets with sufficient accuracy and precision to be valid and useful.

3.4.2 The population to be inventoried should be set at the beginning of the inventory period and "frozen." New receipts after the beginning of the period should not be included, nor should items transferred or disposed be excluded, from physical inventory reconciliation and statistics. Establish clear policies for removal of items from the population due to other

¹ This practice is under the jurisdiction of ASTM Committee E53 on Property Management Systems and is the direct responsibility of E53.01 on Process Management.

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