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Standard Terminology for Property and Asset Management[1]

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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.

2. Terminology

2.1 *Terms and Definitions*:

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

acquisition—*(1)* the act of acquiring. *(2)* Acquiring 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.

assembly—a number of parts or subassemblies joined together.

asset—(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.

bench stock—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.

bill of lading—contract between the shipper and the carrier whereby the carrier agrees to furnish transportation service subject to the conditions printed on the reverse side of the bill of lading.

bill of lading, government (GBL)—a government document used to procure freight and cargo transportation and related services from commercial carriers for the movement of material at government expense.

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

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

consumed—the loss of identity of an item by incorporation into a higher assembly or through use and ultimate disappearance as a known item or substance.

consumption—*(1)* the process of incorporating material into an end item or otherwise using it in the performance of a documented business objective. *(2)* The measurement of actual use of consumable items against planned use.

corrective maintenance—maintenance required to return property to such condition that it may be effectively utilized for its designated purpose.

cost effective—among decision alternatives, the one whose cost is lower than its benefit. The most cost effective program would be the one whose cost-benefit ratio is the lowest among various programs competing for a given amount of funds.

custodial records—memoranda in any form written or electronic that documents the life cycle of property.

custody—having charge and control; to be in possession of.

defect—condition in which a functional segment, a sample item, or sample item element of a property control system contains one or more deficiencies.

depreciation—the annual charge to income that results from a systematic and rational allocation of costs over the life of a tangible asset.

direct material—material that may become an integral part or used up or expended in making a finished product. Examples are steel used to make an automobile and the wood to make furniture for the production of commercial items. Direct materials are charged to work-in-progress as part of inventory cost.

discrepancies incident to shipment—all deficiencies incident to shipment of property to or from an organization's facility whereby differences exist between the property purported to have been shipped and property actually received. Such deficiencies include loss, damage, destruction, improper status and condition coding, errors in identity or classification, and improper consignment.

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dunnage—lumber or other material used to brace and secure cargo to prevent damage.

effectiveness—extent to which actual performance compares with targeted performance. For example, if a company has established a target sales plan of 10 000 units at the beginning of the year and the company's salespeople sell only 8000 units during the year, the salespeople are appropriately considered "ineffective," as opposed to "inefficient."

efficiency—cost of inputs for each unit of output produced. For example, the assembly department spent 2320 hours of direct labor in order to produce 2000 actual units of output, while the budget allows only 2000 direct labor-hours for that level of output. The department was clearly inefficient (or wasteful) in the use of labor since it spent 320 hours more than allowed.

efficiency variance—difference between inputs (materials and labor) that were actually used (that is, actual quantity of inputs used) and inputs that should have been used (that is, standard quantity of inputs allowed for actual production), multiplied by the standard price per unit. Efficiency (quantity, usage) variance = (actual quantity – standard quantity) × standard price per unit of input. The efficiency variance is unfavorable if the actual quantity exceeds the standard quantity: it is favorable if the actual quantity is less than the standard.

Electronic and Information Technology (EIT)—has the same meaning as "information technology" except EIT also includes any equipment that is used in the creation, conversion, or duplication of data or information. The term EIT includes, but is not limited to, telecommunications products (such as telephones), information kiosks and transaction machines, worldwide websites, multimedia, and office equipment (such as copies and fax machines). The term replaced the term "Automated Data Processing Equipment" (APDE) in the FAR.

end item—deliverable or product.

end product—supplies delivered under a line item of a government contract.

end user—one that has been provided property, and exercises the right to use it.

ending inventory—goods on hand at the end of the accounting period. Ending inventory shows up in the income statement in the calculation of cost of goods sold and in the balance sheet.

equipment—non-expendable, tangible moveable property needed for the performance of a task or useful in effecting an obligation.

excess capacity—machinery and equipment kept on standby.

excess property—property no longer required.

expendable—property that can be consumed or become scrap as a result of intended use like drill bits and sanding wheels.

extraordinary repairs—work that extends the life of a fixed asset that is capitalized, based on the entity's capitalization thresholds, rather than expensed.

fabricated—assembled or built.

facilities capital—the net book value of tangible capital assets and of those intangible capital assets that are subject to amortization.

fair value—is the amount at which the asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices in active markets are the best evidence of fair value and shall be used as the basis of the measurement, if available. However, in many instances, quoted market prices in active markets will not be available for the long-lived asset (asset groups) covered by this definition. In those instances, the estimate of fair value shall be based on the best information available, including prices for similar assets (groups) and the results of using other valuation techniques.

federal agency—any department, agency, office, or other independent establishment of the government.

fiduciary—individual or institution responsible for holding or administering property owned by another. An executor, guardian, trustee, and administrator are examples of a fiduciary.

fiduciary accounting—proper accounting for property that is entrusted to the fiduciary acting under the conditions set forth in a deed.

financing lease—a capital lease.

first article—preproduction models, initial production samples, test samples, first lots, or pilot samples submitted for testing and evaluation for conformance with specified contract requirements before or in the initial stages of production.

first article testing—testing and evaluating the first article for conformance with specified contract requirements before or in the initial stage of production.

first-in, first-out (FIFO)—method of inventory valuation that assumes merchandise is sold in the order of its receipt. The first-price in the first-price out; hence, cost of sales is based on older dollars.

fixed asset—item that has physical substance that meets the entity's capitalization thresholds. It is bought for use in the operation of business and not intended for resale to customers. Examples are building, machinery, auto, and land. Fixed assets with the exception of land are subject to **depreciation**. Fixed assets are usually referred to as property, plant, and equipment (PP&E). Fixed assets meet the definition of "assets."

fixed asset turnover—measurement that reflects the productivity and efficiency of property, plant, and equipment in generating revenue. A high turnover rate reflects positively on the company's ability to utilize its fixed assets in business operations properly. The turnover equals sales divided by fixed assets.

fixed asset unit—element making up the fixed asset account. An example is a specified machine within the machinery account. Referred to as an "asset accountability unit" in CAS 404.

fixture—fixed asset whose utility is derived from its physical attachment to a property and that usually cannot be removed without causing loss of value or damage. An example is a lighting fixture. A fixture under the terms of a lease or other agreement can be detached. A fixture is classified as a **fixed asset**.