



Designation: E2378 – 05

Standard Practice for the Recognition of Impaired or Retired Personal Property¹

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1. Scope

1.1 This practice covers guidance as to the proper treatment 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 including the concepts of materiality, best value, reasonable detail, and reasonable assurance. 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 is to maintain property accounting records that represent the actual value of property.

1.2 This practice covers the recognition of depreciation of personal property 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 record, account, and inventory personal property that meet certain criteria, as defined by the entity, 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 an entity's records in accordance with generally accepted accounting standards.

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

1.5 This standard covers accepted practice as to 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 premises or continues to be under some form of control.

1.6 Entities have a responsibility to operate effectively, efficiently, and in a reasonable and responsible manner and to provide stakeholders best value as provided in public law, regulations and generally accepted accounting practices.

1.7 *This standard is limited to property 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 tax guidelines and to determine the applicability of regulatory or statutory requirements prior to use.*

2. Referenced Documents

2.1 *ASTM Standards:*²

- E2135 Terminology for Property and Asset Management
- E2219 Practice for Valuation and Management of Moveable, Durable Property (Withdrawn 2009)³
- E2279 Practice for Establishing the Guiding Principles of Property Management

3. Terminology

3.1 *Definitions:* For definitions relating to Property and Asset Management, refer to Terminology E2135.

3.2 *Terms Specific to This Standard*

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

4. Summary of Practice

4.1 Entities should implement property management systems in accordance with Practice E2279.

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

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

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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.