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Standard Terminology for Property and Asset Management¹

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^{ε1} NOTE—Section 2 was added and terms were placed in Section 3 editorially in August 2009.

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 Referenced Documents

2.1 ASTM Standards:²

E 2221 [Practice for Administrative Control of Property](#)

E 2306 [Practice for Utilization and Disposal of Personal Property](#)

E 2452 [Practice for Equipment Management Process Maturity \(EMPM\) Model](#)

E 2453 [Practice for Determining the Life-Cycle Cost of Ownership of Personal Property](#)

E 2495 [Practice for Prioritizing Asset Resources in Acquisition, Utilization, and Disposition](#)

E 2606 [Practice for Receipt Notification as a Result of Tangible Property Movement](#)

E 2607 [Practice for Cannibalization/Reclamation of Serviceable Equipment Components to Support Demand Requirements](#)

E 2608 [Practice for Equipment Control Matrix \(ECM\)](#)

E 2674 [Practice for Assessment of Impact of Mobile Data Storage Device \(MDSD\) Loss](#)

E 2675 [Practice for Property Management System Outcomes](#)

3. Terminology

3.1 Terms and Definitions:

abandoned property—property of any type over which the rightful owner has relinquished possession and any claim of an ownership interest, without assertion of an adverse right to possession and control by the federal government. This would include property left at a government facility and unclaimed by the rightful owner following notice of intent to dispose. This property is a type of seized property.

abandonment—voluntary surrender of property, owned or leased, without naming a successor as owner or tenant. The property will generally revert to a person holding a prior interest or, in cases where no owner is apparent, to the state.

abandonment and destruction—occurs when the surplus personal property has reached the end of its useful life and no other disposal options are available. **E 2306**

abatement—a reduction or cancellation of an assessed tax.

ABC method—inventory management method that categorizes items in terms of importance. Thus, more emphasis is placed on higher dollar value items (“A”s) than on lesser dollar value items (“B”s), while the least important items (“C”s) receive the least time and attention. Inventory should be analyzed frequently when using the ABC method. The procedure for ABC analysis follows: (1) Separate finished goods into types (chairs of different models, and so on); separate raw materials into types (screws, nuts, and so on). (2) Calculate the annual dollar usage for each type of inventory (multiply the unit cost by the expected future annual usage). (3) Rank each inventory type from highest to lowest, based on annual dollar usage. (4) Classify the inventory as A—the top 20 %; B—the next 30 %; and C—the last 50 % of dollars usage, respectively. (5) Tag the inventory with its appropriate ABC classification and record those classifications in the item inventory master records.

abnormal spoilage—for government accounting under the FAR, abnormal spoilage may or may not be allowable cost. If the cost is deemed allowable, the cost would normally be charged consistently with normal spoilage.

¹ This terminology is under the jurisdiction of Committee E53 on Property Management Systems and is the direct responsibility of Subcommittee E53.06 on Terminology. Current edition approved June 15, 2007. Published July 2007. Originally approved in 2001. Last previous edition approved in 2006 as E 2135 – 06a.

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.

accelerated cost recovery system (ACRS)—system of depreciation for tax purposes mandated by the Economic Recovery Act (ERA) of 1981 and modified by the Tax Reform Act of 1986. The type of property determines its class. Instead of providing statutory tables, prescribed methods of depreciation are assigned to each class of property. For 3, 5, 7, and 10-year classes, the relevant depreciation method is the 200 % declining balance method. For 15 and 20-year property, the appropriate method is the 150 % declining balance method switching to the straight-line method when it will yield a larger allowance. For residential rental property (27.5 years) and nonresidential real property (31.5 years), the applicable method is the straight-line method. A taxpayer may make an irrevocable election to treat all property in one of the classes under the straight-line method. Property is statutorily placed in one of the classes. The purpose of ACRS is to encourage more capital investment by businesses. It permits a faster recovery of the asset's cost and thus provides larger tax benefits in the earlier years. See also *modified accelerated cost recovery systems (MACRS)*.

accelerated depreciation—any method of calculating depreciation charges where the charges become progressively smaller each period. Examples are double-declining-balance and sum-of-the-years'-digits methods.

accelerated depreciation—method recognizing higher amounts of depreciation in the earlier years and lower amounts in the later years of a fixed asset's life. Some machines, for example, are more efficient early on and generate greater service potential; matching dictates higher depreciation expense in those years. Over time, depreciation expense moves in downward direction and maintenance costs tend to become higher; thus the effect of accelerated depreciation is fairly even charges to income. Greatest tax benefits from depreciation are enjoyed in the earlier years. (Examples include double declining balance and sum-of-the-years'-digits method.)

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

accountability—individual or departmental responsibility to perform a certain function. Accountability may be dictated or implied by law, regulation, or agreement. For example, an auditor will be held accountable to financial statement users relying on the audited financial statements for failure to uncover corporate fraud because of negligence in applying generally accepted auditing standards (GAAS).

accounting change—change in: (1) accounting principles (such as a new depreciation method); (2) accounting estimates (such as a revised projection of doubtful accounts receivable); or (3) the reporting entity (such as a merger of companies). When an accounting change is made, appropriate footnote disclosure is required to explain its justification and financial effect, thereby enabling readers to make appropriate investment and credit judgments. Proper justification for a change in accounting principles may be the issuance of a new FASB pronouncement, SEC Accounting Series Release (ASR), or IRS regulation. Changes in estimates are justified by changing circumstances such as a greater degree of wear and tear of a fixed asset than originally anticipated. Generally, the consistent use of accounting principles and procedures is essential in appraising and entity's activities and in the projection of future results; however, changes in the reporting entity have to be retroactively reflected for comparative purposes.

accretion—increase in economic worth through physical change, usually said of a natural resource such as an orchard, caused by natural growth. Contrast with **appreciation**.

accumulated depreciation—sum of depreciation charges taken to date on a fixed asset. Accumulated depreciation is a contra account to the fixed asset to arrive at book value. For example, on 1/1/2000 an auto is bought costing \$10,000, \$10,000, with a salvage value of \$1000 and a life of 10 years. Using straight-line depreciation, the accumulated depreciation on 12/31/2003 would be \$3600 ($\900×4).

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.

acquisition—the acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the federal government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when agency needs are established and includes the description of requirements to satisfy agency needs, solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling agency needs by contract.

activity-based depreciation—production method of depreciation.

actual cash value—the cost of replacing damaged property with other property of like kind and quality in the physical condition of the property immediately before the damage.

actual cost—an amount determined on the basis of cost incurred including standard cost properly adjusted for applicable variance.

adjusted basis—the basis used to compute gain or loss on disposition of an asset for tax purposes. Also, see **book value**.

ad valorem tax—levy imposed on the value of property. The most common ad valorem tax is that imposed by states, counties, and cities on real estate. Ad valorem taxes can, however, be imposed on personal property. administratively controlled property—the property assets that are controlled at the discretion of asset managers managing the inventories of individual operational units.

E 2221

ad valorem tax—levy imposed on the value of property. The most common ad valorem tax is that imposed by states, counties, and cities on real estate. Ad valorem taxes can, however, be imposed on personal property.

agency-peculiar property—as used in DoD, means military property and includes end items and integral components of military weapons systems, along with the related peculiar support equipment which is not readily available as a commercial item.

allocate—to assign an item of cost, or a group of items of cost, to one or more cost objectives. This term includes both direct assignment of cost and the reassignment of a share from an indirect cost pool.

amortization—gradual reduction of an amount over time. Examples are amortized expenses on intangible assets and deferred charges. Assets with limited life have to be written down over the period benefited. For example, all intangible assets must be amortized using the straight-line method not exceeding 40 years; the amortization entry in that case is to debit amortization expense and credit the intangible asset.

amortization—the gradual extinguishment of any amount over a period of time through a systematic allocation of the amount over a number of consecutive accounting periods such as the retirement of a debt by serial payments to a sinking fund.

amortization—normally applies to intangibles whereas depreciation applies to tangible assets.

amortize—to write off a regular portion of an asset's cost over a fixed period of time. Examples are amortization expense on an intangible asset and depletion expense on a natural resource. See also *sales return*.

analytical hierarchy process (AHP), n— decision-making model that reduces complex decisions to one on one comparisons resulting in the ranking of a list of objectives or alternatives. **E 2495**

appraisal—(1) estimate of the value of an asset. An asset may be a piece of property, a collectible, or a precious metal. In the case of property, for example, an appraisal is made for the purposes of: (a) allocating the purchase price to the assets acquired (for example, land, building, equipment); (b) determining the amount of hazard insurance to carry; (c) determining the value of death for estate tax purposes; and (d) determining a reasonable asking price in a sale. (2) Activities such as inspection and testing of materials, in-process items, finished goods, and packaging.

appraisal—the process of obtaining a valuation for an asset or liability that involves expert opinion rather than explicit market transaction.

appraisal method of depreciation—the periodic depreciation charge is the difference between the beginning and end-of-period appraised value of the asset if that difference is positive. If negative, there is no charge. Not generally accepted.

appreciation—increase in the value of an asset. The asset may be real estate or a security. For example, an individual sold 100 shares of XYZ company's stock for \$105 per share that he bought 10 years ago for \$25 per share. The amount of appreciation was $\$8000 = (\$105 - \$25) \times 100$ shares.

assembly—a number of parts or subassemblies joined together.

assessed valuation—a dollar amount for real estate or other property used by a government as a basis for levying taxes. The amount may or may not bear some relation to market value.

assessed value—value established by a government for real estate or other property as a basis for levying taxes. For example, an individual receives a statement that, in the judgment of the local tax assessor, the individual's property is worth ~~\$50,000~~ \$50 000. If by law, properties in this jurisdiction are assessed at 80 % of market value, the individual's assessed value then is ~~\$40,000~~ \$40 000 (80 % of ~~\$50,000~~ \$50 000) and property taxes will be based on this assessed value.

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.

asset—economic resource that is expected to provide benefits to a business. An asset has three vital characteristics: (1) future probable economic benefit; (2) control by the entity; and (3) results from a prior event or transaction. Assets are expressed in money or are convertible into money. They can be recognized and measured in conformity with generally accepted accounting principles (GAAP). Examples of ownership rights or service potentials are cash, automobiles, and land. An asset may be tangible or intangible. The former has physical substance such as a building. The latter lacks physical substance or results from a right granted by the government or another company such as goodwill and a patent. An asset may be current or noncurrent. A current asset has a life of one year or less (for example, inventory) while a noncurrent asset has a life in excess of one year (for example, machinery).

asset accountability unit—a tangible capital asset which is a component of plant and equipment that is capitalized when acquired or whose replacement is capitalized when the unit is removed, transferred, sold, abandoned, demolished, or otherwise disposed of.

asset priority index (API), n—numerical value assigned to an asset reflecting its value to an entity's mission or other critical assignments as defined by the criteria set forth by management. **E 2495**

average age of inventory—number of days an average inventory item takes to sell: For example, assume that average inventory is ~~\$47,500~~ \$47 500 and cost of goods sold is ~~\$500,000~~ \$500 000. The average age of inventory is $(\frac{\$47,500}{\$500,000}) \times 365$ days = 34.7 days. See also *days to sell inventory*. Average Inventory divided by Average Age of Inventory = Cost of Goods Sold \times 365 days.

average inventory—amount equaling about half maximum inventory when demand is relatively constant. For example, if the maximum inventory is 500 units and depletion occurs at a fairly constant rate, the average inventory equals 250 units (500/2).

average life—estimated useful-life expectancy of a depreciable group of assets. See also **depreciation**; *economic life*; *useful life*.

bailment—contractual transfer of dollars or personal property for a specified objective. An example is the consignment of goods from the consignor to consignee. Another example is a bank holding an asset of a borrower as collateral. In a bailment, the

deliverer is called the bailor and the receiver is termed the bailee.

bargain purchase—asset or goods acquired for materially less than fair market value. For example, a buyer may be able to get a bargain price on furniture from a seller in a liquidation situation.

bargain purchase option—a provision allowing the lessee the option of purchasing the leased property for an amount, exclusive of lease payments, which is sufficiently lower than the expected fair value of the property at the date the option become exercisable. Exercise of the option must appear reasonably assured at the inception of the lease. GAAP does not offer additional guidance defining “sufficiently lower,” in which many factors such as time value of money, usage, and technological changes influence whether the option fulfills the criteria for a bargain.

bargain renewal option—a provision allowing the lessee the option to renew the lease agreement for a rental payment sufficiently lower than the expected fair rental of the property at the date the option becomes exercisable. Exercise of the option must appear reasonably assured at the inception of the lease.

basic research—research directed toward increasing knowledge in science. The primary aim of basic research is a fuller knowledge or understanding of the subject under study, rather than any practical application of that knowledge.

basis—acquisition cost, or some substitute therefore of an asset used in computing gain or loss on disposition or retirement.

beginning inventory—balance at the start of the accounting period. The three types of inventory are raw materials inventory, work-in-process (WIP), and finished goods inventory. They are shown in the income statement in the analysis of cost of goods sold. See also **ending inventory**.

beginning inventory—for government property reporting beginning inventory is equivalent to the ending inventory of the previous reporting period.

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.

best value—the expected outcome of an acquisition that, in the government’s estimation, provide the greatest overall benefit in response to the requirement.

best value, *n*—expected outcome of an acquisition that provides the greatest overall benefit in response to the requirement.

E 2675

betterment—an expenditure having the effect of extending the useful life of an existing asset, increasing its normal rate of output, lowering its operating cost, increasing rather than merely maintaining its efficiency or otherwise adding to the worth of benefits it can yield. A betterment is distinguished from repair or maintenance in that the latter have the effect of merely keeping the asset in its customary state of operating efficiency without the expectation of added future benefits.

bid and proposal cost—the cost incurred in preparing, submitting, or supporting any bid or proposal which effort is neither sponsored by a grant, nor required in the performance of a contract.

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. [135-07/e1](#)

bill of lading—written document issued by a carrier that specifies contractual conditions and terms (such as time, place, person named for receipt) for delivery of goods. It also evidences receipt of goods. Title maybe passed to the goods based upon the term identified in 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.

bill of materials (BOM)—listing of all the assemblies, subassemblies, parts, and raw materials that are needed to produce one unit of a finished product. Thus, each finished product has its own bill of materials. The listing in the bill of materials file is hierarchical; it shows the quantity of each item needed to complete one unit of the next-highest level of assembly.

bill of sale—written document that transfers goods, title, or other interests from a seller to a buyer and specifies the terms and conditions of the transaction.

blanket insurance—policy covering several items of property. The insurance policy is allocated to the property items based on their fair market values.

book inventory—inventory shown on the financial records. It is a book value as opposed to a physical count of inventory and is computed from the initial inventory plus purchases less requisitions or withdrawals. Book inventory typically differs from the physical inventory on hand due to shrinkage (that is, loss caused by such factors as evaporation and thefts).

book value—(1) net amount shown for an asset on the balance sheet. It equals the gross cost less the related valuation account. For example, the book value of an auto is its initial cost less the accumulated depreciation. Since book value is based on historical cost, it will differ from market value. Book value is a going-concern value. (2) carrying value of a liability equal to its face value less unamortized discount.

book value—the net amount at which an asset or liability is carried on the books of account (also referred to as **carrying value** or *amount*). It equals the gross or nominal amount of an asset or liability minus an allowance or valuation amount.

boot—in taxation, cash or property of a type not included in the definition of a nontaxable exchange. The receipt of boot will cause an otherwise tax-free transfer to become taxable to the extent of the smaller of the fair market value of such boot or the realized gain on the transfer. Examples of those types include transfers to controlled corporations.

boot—the additional money paid or received along with a used item in a trade-in or exchange transaction for another item. See *trade-in transaction*.

boot—the monetary consideration given or received in an asset exchange.

business unit—any segment of an organization, or an entire business organization which is not divided into segments.

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

cannibalization—removal of serviceable components from one item of equipment in order to install them on another item of equipment. The removal of components from one item of equipment for the purpose of repairing other similar equipment.

E 2607

capacity—ability to produce during a given time period, with an upper limit imposed by the availability of space, machinery, labor, materials, or capital. Capacity may be expressed in units, weights, size, dollars, man-hours, labor cost, etc. Typically, there are five different concepts of capacity. (1) *Ideal Capacity*—volume of activity that could be attained under ideal operating conditions, with minimum allowance for inefficiency. It is the largest volume of output possible. Also called *theoretical capacity*, *engineered capacity*, or *maximum capacity*. (2) *Practical Capacity*—highest activity level at which the factory can operate with an acceptable degree of efficiency, taking into consideration unavoidable losses of productive time (that is, vacations, holidays, repairs to equipment). Also called *maximum practical capacity*. (3) *Normal Capacity*—average level of operating activity that is sufficient to fill the demand for the company's products or services for a span of several years, taking into consideration seasonal and cyclical demands and increasing or decreasing trends in demand. (4) *Expected Actual Capacity*—similar to normal capacity, except it is a short-run level based on demand, it minimizes under- or over-applied overhead but does not provide a consistent basis for assigning overhead cost. Per-unit overhead will fluctuate because of short-term changes in the expected level of output. Also called *planned capacity*. (5) *Operating Capacity*—similar to planned capacity except the time period is within a small slice of a single year (that is, daily, monthly, quarterly).

capital—long-term assets that are not bought and sold in the ordinary course of business. The term usually refers to fixed assets such as machinery, equipment, building, and land.

capital addition—(1) new (as opposed to replacement) part added to an existing noncurrent productive asset (for example, equipment) used for business purposes that increases the useful life and service potential of the asset. (2) In taxation, cost of capital improvements and betterments made to the property by a taxpayer. (3) Anything added to long-term productive assets.

capital asset—asset purchased for use in production over long periods of time rather than for resale. It includes (a) land, buildings, plant and equipment, mineral deposits, and timber reserves; (b) patents, goodwill, trademarks, and leaseholds; and (c) investments in affiliated companies.

capital asset—for property/accounting reported as property, plant and equipment (PP&E); (1) For property accounting subject to the cost accounting standards as part of the federal acquisition regulations, tangible capital assets are defined in cost Accounting Standard 404, which establishes thresholds; for example, minimum service life not to exceed 2 years and minimum acquisition cost net to exceed \$5,000. ~~\$5000~~. (2) For government agency accounting, agencies are permitted to establish individual capitalization criteria, that is, ~~\$100,000~~ \$100 000 minimum acquisition cost per the Federal Accounting Standards Advisory Board. <https://standards.iteh.ai/catalog/standards/sist/e1628111-a358-47fe-979e-0eba1387b8f5/astm-e2135-07e1>

capital budget—plan of proposed acquisitions and replacements of long-term assets and their financing. A capital budget is developed using a variety of capital budgeting techniques such as the payback method, the net present value (NPV) method, or the internal rate of return (IRR) method.

capital budgeting—process of making long-term planning decisions for capital investments. There are typically two types of investment decisions: (1) Selecting new facilities or expanding existing facilities. Examples include: (a) investments in long-term assets such as property, plant, and equipment; and (b) resource commitments in the form of new product development, market research, refunding of long-term debt, introduction of a computer, etc. (2) Replacing existing facilities with new facilities. Examples include replacing a manual bookkeeping system with a computerized system and replacing an inefficient lathe with one that is numerically controlled. As such, capital budgeting decisions are key factors in the long-term profitability of a firm. To make wise investment decisions, managers need tools at their disposal that will guide them in comparing the benefits and costs of various investment alternatives. Many techniques used for evaluating investment proposals are widely available. They include payback, accounting rate of return, internal rate of return, and the net present value method.

capital expenditure—outlay charged to a long-term asset account. A capital expenditure either adds a fixed asset unit or increases the value of an existing fixed asset. An example is a new motor for a truck.

capital expenditure budget—plan prepared for individual capital expenditure projects. The time span of this budget depend upon the project. Capital expenditures to be budgeted include replacement, acquisition, or construction of plants and major equipment. See also **capital budgeting**.

capital gain—tax term involved with selling or exchanging a capital asset. Individual: Maximum tax rate on capital gains is 20 % compared to the maximum tax rate on ordinary income of 39.6 % for those having taxable incomes exceeding \$250,000. ~~\$250 000~~. Corporation: Capital gains are taxed at 20 %. See also **capital loss**.

capital investment decisions—management decisions about when and how much to spend on capital facilities for the organization.

capitalization of interest—process of deferring interest as an asset rather than an expense. Interest charges can be deferred interest

as an asset rather than an expense. Interest charges can be deferred only for interest incurred on borrowed funds for the self-construction of an asset or for discrete projects (for example, real estate). The amount of interest capitalized is based on the company's or entity actual borrowings and interest payments. The interest rate to be used is the rate on the specific borrowing associated with that self-constructed asset. If this cannot be achieved, the weighted-average interest rate on corporate debt is used.

capitalize—to charge an expenditure to an asset account because it benefits a period in excess of one year. For example, a betterment to a machine would be capitalized to the machinery account.

capitalize—to record and carry forward into one or more future periods any expenditure the benefits or process from which will then be realized. (Kohler's Dictionary for Accountants)

capital lease—one in which the lessee obtains significant property rights. Although not legally a purchase, theoretical substance governs over legal form and requires that the leased property be recorded as an asset on the lessee's books. The asset equals the present value of minimum lease payments. A capital lease exists if any one of the following four criteria is met: (1) the lease transfers ownership of the property to the lessee at the end of the lease term; (2) a bargain purchase option exists; (3) lease term is 75 % or more of the life of the property; (4) the present value of minimum lease payments equals or exceeds 90 % of the fair value of the property.

capital leases—leases that transfer substantially all the benefits and risks of ownership to the lessee.

capital loss—federal tax term for the loss on the sale or exchange of a capital asset. Individual: Capital losses are fully deductible to offset capital gains and can offset \$3000 of ordinary income. Corporation: Capital losses are deductible only to the extent of capital gains.

care and handling—the term "care and handling" includes completing, repairing, converting, rehabilitating, operating, preserving, and transporting excess and surplus property, and, in the case of property.

carrying costs—expenses incurred because a firm keeps inventories, also called *holding costs*. They include interest forgone on money invested in inventory, storage cost, taxes, and insurance. The greater the inventory level, the higher the carrying costs.

carrying value—amount shown on an entity's books for assets, liabilities, or owner's equity, net of reductions or offsets such as for accumulated depreciation, allowance for bad debts, and bond discount; also called **book value**. It may refer to the entire firm's excess of total assets over total liabilities.

category of material—a particular kind of goods, comprised of identical or interchangeable units, acquired or produced by a contractor, which are intended to be sold, or consumed or used in the performance of either direct or indirect functions.

charge off—to treat as a loss or expense an amount originally recorded as an asset; usually the term is used when the charge is not in accord with original expectations.

classification of assets—process of grouping economic resources under appropriate categories. Asset categories include current assets, fixed assets, intangible assets, investments, and deferred costs. Assets are classified into major groupings to facilitate analysis of the entity's financial health. For instance, a company's liquidity can be appraised by concentrating on the current assets less prepaid expenses which are available to meet short-term debt.

cleanup costs—~~the costs of removing, containing, and/or disposing of~~ *the costs of removing, containing, or disposing, or any combination thereof, of (1) hazardous waste from property, or (2) material or property, or both, that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E.*

closing inventory—ending inventory.

coding—generating detailed instructions in a computer language to carry out the requirements described in the detail program design. The coding of a computer software product may be prior to, concurrent with, or subsequent to the completion of the detail program design.

commercial item—(1) Any item, other than real property, that is of a type customarily used for nongovernmental purposes and that has been sold, leased, or licensed to the general public; or, has been offered for sale, lease, or license to the general public; (2) Any item that evolved from an item described in paragraph (1) of this definition though advances in technology or performance and that is not yet available in the commercial marketplace, but will be available in the commercial marketplace in time to satisfy the delivery requirements under a government solicitation; (3) Any item that would satisfy a criterion expressed in paragraphs (1) or (2) of this definition, but for (i) Modifications of a type customarily available in the commercial marketplace; or (ii) Minor modifications of a type customarily available in the commercial marketplace made to meet federal government requirements. Minor modifications means modifications that do not significantly alter the nongovernmental function or essential physical characteristics of an item or component, or change the purpose of a process. Factors to be considered in determining whether a modification is minor include the value and size of the modification and the comparative value and size of the final product. Dollar values and percentages may be used as guideposts, but are not conclusive evidence that a modification is minor; (4) Any combination of items meeting the requirements of paragraphs (1), (2), (3), or (5) of this definition that are of a type customarily combined and sold in combination to the general public; (5) Installation services, maintenance services, repair services, training services, and other services if such services are procured for support of an item referred to in paragraphs (1), (2), (3), or (4) of this definition, and if the source of such services (i) Offers such services to the general public and the federal government contemporaneously and under similar terms and conditions; and (ii) offers to use the same work force for providing the federal government with such services as the source uses for providing such services to the general public; (6) Services of