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Standard Terminology for Property and Asset Management¹

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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. Referenced Documents

2.1 ASTM Standards:²

- E2221 Practice for Administrative Control of Property
- E2306 Practice for Utilization and Disposal of Personal Property
- E2452 Practice for Equipment Management Process Maturity (EMPM) Model
- E2453 Practice for Determining the Life-Cycle Cost of Ownership of Personal Property
- E2495 Practice for Prioritizing Asset Resources in Acquisition, Utilization, and Disposition
- E2606 Practice for Receipt Notification as a Result of Tangible Property Movement
- E2607 Practice for Cannibalization/Reclamation of Serviceable Equipment Components to Support Demand Requirements
- E2608 Practice for Equipment Control Matrix (ECM)
- E2674 Practice for Assessment of Impact of Mobile Data Storage Device (MDS) Loss
- E2675 Practice for Property Management System Outcomes

3. Terminology

3.1 Terms and Definitions:

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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.

abandoned property, *n*—property of any type over which the rightful owner has relinquished possession and any claim of an ownership interest.

abandon, *v*—to give up all and any future claim to rights or interest in property.

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.

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 classed, 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

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, 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—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.

E2607

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**.

administratively controlled property—the property assets that are controlled at the discretion of asset managers managing the inventories of individual operational units.

E2221

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.

E2495

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. If by law, properties in this jurisdiction are assessed at 80 % of market value, the individual’s assessed value then is \$40 000 (80 % of \$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 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.

E2495

average age of inventory—number of days an average inventory item takes to sell: For example, assume that average inventory is \$47 500 and cost of goods sold is \$500 000. The average age of inventory is $(\$47\,500/\$500\,000) \times 365$ 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.

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.

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 materials (BOM)—listing of all the assemblies, sub-assemblies, 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.

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.

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 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. 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.

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, 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 a type offered and sold competitively in substantial quantities in the commercial marketplace based on established catalog or market prices for specific tasks performed under standard commercial terms and conditions. This does not include services that are sold based on hourly rates without an established catalog or market price for a specific service performed; (7) Any item, combination of items, or service referred to in paragraphs (1) through (6) of this definition, notwithstanding the fact that the item, combination of items, or service is transferred between or among separate divisions, subsidiaries, or affiliates of a contractor; or (8) A nondevelopmental item, if the procuring agency determines the item was developed exclusively at private expense and sold in substantial quantities, on a competitive basis, to multiple state and local governments.

compliance impact—a consequence of loss of control characterized by negative compliance with applicable laws, regulations, or other relevant internal or external guidance that does not rise to the level of an operational impact.

E2608

compliance impact, n—consequence of loss of control characterized by negative compliance with applicable laws, regulations, or other relevant internal or external guidance that does not rise to the level of an operational impact.

E2674

component—a part of a mechanical or electrical complex.

E2607

component (financial)—a tangible part or portion of PP&E that (1) can be separately identified as an asset and depreciated or amortized over its own separate expected useful life and (2) is expected to provide economic benefit for more than one year.

composite depreciation—group depreciation of dissimilar assets with different service lives. Depreciation on all assets is determined by using the straight-line-depreciation method. Then, a composite depreciation rate is arrived at based on the ratio of depreciation per year to the original cost. Composite life equals the depreciable cost divided by the depreciation per year. In any given year, depreciation expense equals the composite depreciation rate times the gross cost balance in

the asset account. The entry is to debit depreciation expense and credit accumulated depreciation. Under the method, when a particular asset is sold, the entry is to debit cash for the amount received and credit the asset for its original cost. The difference between the two is debited to accumulated depreciation. No gain or loss on the sale of a fixed asset is recognized under the composite method.

computer software—computer programs, computer data bases, and related documentation.

condition—the physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset's condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction), and obsolescence.

condition assessment surveys—periodic inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies.

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

consequence, *n*—the effect of actions (something that logically or naturally follows from an action or condition).

E2674

consignment—specialized way of marketing certain types of goods. The consignor delivers goods to the consignee who acts as the consignor's agent in selling the merchandise to a third party. The consignee accepts the goods without any liability except to reasonably protect them from damage. The consignee receives a commission when the merchandise is sold. Goods on consignment are included in the consignor's inventory and excluded from the consignee's inventory since the consignor has legal title.

construction in progress—an inventory account used to accumulate the construction costs of the contract project. For the percentage-of-completion method, the CIP account also includes the gross profit earned to date.

constructive custody—legal possession of property by federal government personnel through a non-federal agent, such as a commercial contractor or state or local official, under a legal agreement or court order that the agent maintains physical possession and control of the property on behalf of, and subject to the orders of, the federal government personnel.

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.

consumption method—a method of accounting for goods, such as materials and supplies, where the goods are recognized as assets upon acquisition and are expensed as they are consumed.

containment—the level of control characterized by process or electronic methods of assuring equipment items are contained within a designated area. **E2608**

contingent rentals—rentals that represent 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. However, changes due to the pass-through of increases in the construction or acquisition cost of the leased property or for increases in some measure of cost during the construction or pre-construction period should be excluded from contingent rentals. Also, provisions that are dependent only upon the passage of time should be excluded from contingent rentals. A lease payment that is based upon an existing index or rate, such as the consumer price index or the prime rate, is a contingent payment, and the computation of the minimum lease payments should be based upon the index or rate applicable at the inception of the lease.

continuous control—real time tracking and control with either human or electronic monitoring and surveillance at all times. **E2608**

continuous control while mobile—real time tracking and control with either human or electronic monitoring and surveillance at any time the equipment is not stationary in a secure, fixed location. **E2608**

continuous inventory method—the perpetual inventory method.

contra account—(1) reduction to the gross cost of an asset to arrive at its net cost; also called *valuation allowance*. For example, accumulated depreciation is a contra account to the original cost of a fixed asset to arrive at book value. (2) Reduction of a liability to arrive at its carrying value. An example is bond discount, which is a reduction of bonds payable.

contracting—purchasing, renting, leasing, or otherwise obtaining supplies or services from non-federal sources. Contracting includes description (but not determination) of supplies and services required, selection and solicitation of sources, preparation and award of contracts, and all phases of contract administration. It does not include making grants or cooperative agreements.

contractor inventory—(1) any property acquired by and in the possession of a contractor or subcontractor under a contract pursuant to the terms of which title is vested in the government, and in excess of the amounts needed to complete full performance under the entire contract; and (2) any property which the government is obligated or has the option to take over under any type of contract as a result either of any changes in the specifications or plans thereunder or of the termination of such contract (or subcontract thereunder), prior to completion of the work, for the convenience or at the option of the government.