



Designation: E2378 – 13

Standard Practice for the Recognition of Impaired or Retired Personal Property¹

This standard is issued under the fixed designation E2378; the number immediately following the designation indicates the year of original adoption or, in the case of revision, the year of last revision. A number in parentheses indicates the year of last reapproval. A superscript epsilon (ϵ) indicates an editorial change since the last revision or reapproval.

1. Scope

1.1 This practice covers guidance as to the proper treatment for accounting and accountability purposes 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. These include the concepts of materiality, best value, reasonable detail, and reasonable assurance and proper reporting. 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, on behalf of the owner, is to maintain property accounting records that adequately represent the actual value of property and for accountability purposes apply the appropriate management and oversight.

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 the entity's records in accordance with generally accepted accounting principles.

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 practice covers accepted practice of 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 under their internal controls to operate effectively, efficiently, and in a reasonable and responsible manner 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 internal 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

E2279 Practice for Establishing the Guiding Principles of Property Management

2.2 *GAO Document:*³

GAO Government Auditing Standards (The Yellow Book) 2011

3. Terminology

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

3.2 *Definitions of Terms Specific to This Standard:*

3.2.1 *abuse, n*—Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those

¹ This practice is under the jurisdiction of ASTM Committee E53 on Asset Management 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 Available from the U. S. Government Accountability Office (GAO), 441 G St., NW, Washington, DC 20548, <http://www.gao.gov>.