



Affordable, Adaptable ERP Software



*Fixed Assets  
User Guide*

Version 6.00

Fitrix™

**Fixed Assets** ♦ *User Guide*

*Version 6.00*

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# Chapter 1

## Introduction to Fixed Assets

Fitrix Fixed Assets provides a comprehensive system for calculating and posting depreciation at the end of each accounting period. Fixed Assets allows you to take depreciation on an unlimited number of assets with an unlimited number of books. You can use any or all of the depreciation schedules that are part of the package, or you can create your own depreciation schedules. Many of the Internal Revenue Service class codes and depreciation schedules are built into the module for your convenience.

Before you can create depreciation transactions with Fitrix Fixed Assets, you must first set up the module. Setup is the process of entering all of the underlying information that the system requires to process accounting transactions. It includes entry of basic "control" information that the module requires, such as your company's name, your Chart of Accounts and other related company information, and entry of specific Fixed Assets reference information.

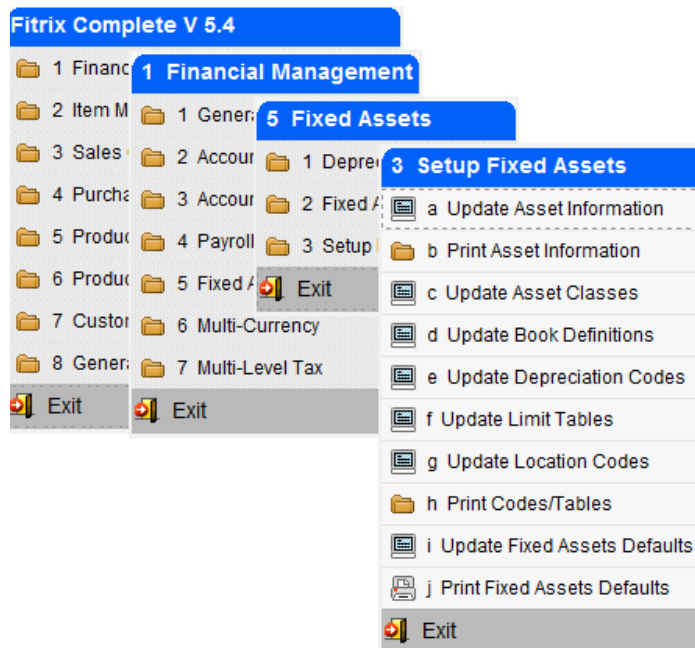


## Overview of the Fixed Assets Module

An overview of Fitrix Fixed Assets activities can be divided into three broad categories: (1) fixed asset reference file setup, (2) asset maintenance, and (3) depreciation and posting.

### Fitrix Fixed Assets Reference File Setup

Reference File Setup is the process of establishing and updating depreciation schedules, book definitions, asset classes, and other information required for the Fitrix Fixed Assets module to process transactions. All this is done using this submenu:



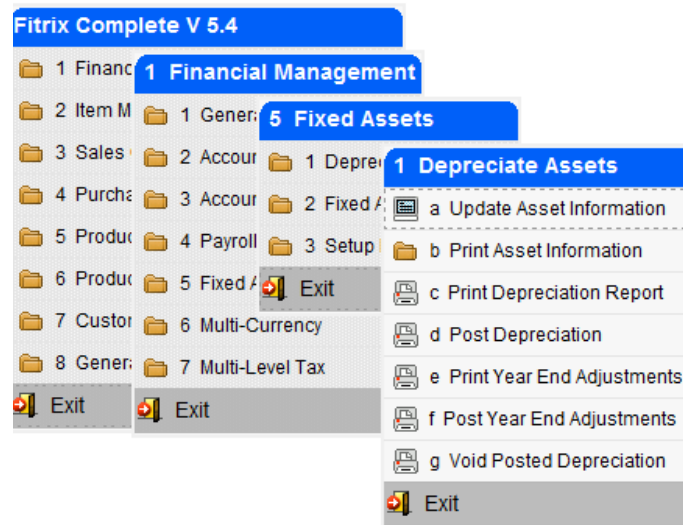
Each of these steps is described in more detail later in this user guide.

### Asset Maintenance

During the accounting period, you may acquire new assets, retire existing assets, or update asset information that has changed. These maintenance issues are handled with the Update Asset Information menu option, which may be accessed from either the Depreciate Assets menu or the Setup Fixed Assets menu.

## Depreciation and Posting

At the end of the period, you will calculate and post depreciation. This is done with the options on the Depreciate Assets menu. Options c through g on this submenu are used for depreciating assets and posting depreciation.



## Fixed Assets Reports

Each transaction has a corresponding option that prints a hard copy report. Some print information on the reference files; some print edit reports to allow you to review and edit the information prior to processing transactions; some print posting reports. Finally, some reports are purely informational and may be run at any time.



# Chapter 2

## Guide to Depreciation and Fixed Assets

This section explains the basic accounting concepts behind fixed assets and depreciation and discusses how these standard accounting concepts are translated into data-entry and processing transactions.

In this section you will learn:

- A definition of fixed assets
- The two meanings of depreciation
- What accounting books are used for
- The differences between the major depreciation schedules.

## **What Are Fixed Assets?**

There are two general classifications of assets: short-term assets and fixed assets. Short-term assets are those that remain on the books for less than one year meaning they are used up within one year. Fixed assets are those assets that remain on the books for more than one year. The IRS defines fixed assets as property or equipment with an estimated life in excess of one year. When fixed assets are acquired, whether by purchase or by some other means such as donation, they must be entered into the accounting system.

- When the system is initially set up, you must enter all of the company's existing fixed assets into the system.
- When new assets are purchased during the ordinary course of business, you must enter the newly acquired assets into the system.
- When a fixed asset is disposed of, it must be retired through the system. A fixed asset is disposed of when it is sold, traded, donated or abandoned.

With Fitrix Fixed Assets, you add and retire assets with the Update Asset Information menu option on the Setup Fixed Assets menu (3-a). You add assets into the system with the Add command and you retire assets or modify existing information with the Update command. For your convenience, the Update Asset Information menu option can also be accessed through the Depreciate Assets submenu (1-a).

## Depreciation

Depreciation has two meanings:

- As a practical concept, depreciation is the gradual decline in an asset's market value as the result of wear and tear.
- As an accounting concept, depreciation is the process of allocating the cost of tangible property against income over a period of time.

Since it would not give an accurate reflection of a company's financial picture to record the total cost of an asset in the year in which it is purchased or disposed of, a method is used which allocates the cost of an asset to the periods which benefit from its existence. This is the concept of depreciation. Depreciation spreads the cost of a fixed asset over its estimated life.

An adjusting entry is made each accounting period which reflects the amount of the asset that has been "used up" during that time. In this way, a company's financial statements reflect the current value of fixed assets that it owns.

Not all long-term assets are depreciable, however. Land, for example has a life in excess of one year, but it is not depreciable. For an asset to be depreciable, it must meet the following conditions. It must:

- be used in business or held for the production of income;
- have an estimated life greater than one year; and
- be subject to wear, decay, or expiration.

Land is not depreciable, because it is not subject to wear, decay, or expiration. But real estate or improvements to land is depreciable.

Depreciation is a cost allocation process, not a valuation process. The emphasis in depreciation is on the systematic recognition of depreciation expense rather than calculation of the asset's value. In other words, it is not concerned with whether cost minus accumulated depreciation bears any direct relation to the market value of the asset. It *is* concerned with whether or not the depreciation expense reflects the benefits that have been received from using the asset during the period.

With Fitrix Fixed Assets, you perform depreciation transactions with the Depreciate Assets menu.

There are many different ways to calculate depreciation. Some methods apply the same percentage each year while the asset's value declines, others apply different percentages each year while the asset's value remains the same and others may use a fixed dollar amount each period. Some methods take more depreciation in earlier years than in later years (known as accelerated depreciation).

To understand depreciation, you should become familiar with the following terms:

**Cost**

The cost of an asset includes its purchase price less any discount, plus all other reasonable expenses necessary to prepare the asset for use in operation.

**Useful Life**

Useful life is the number of years an asset is expected to remain useful. This figure is a projection, based on experience and typically set by law.

**Salvage Value**

Salvage value is a dollar amount below which depreciation cannot occur. Some depreciation methods do not consider salvage value and depreciate down to zero. Salvage value, which is only an approximation, is projected at the time the asset is put into use.

**Depreciable Cost**

Depreciable cost is the amount that will be depreciated. It is found by taking the cost of the item and subtracting the salvage value (if applicable).

**Accumulated Depreciation**

This is the sum of the depreciation expense from previous periods.

**Carrying Value (or "Book Value")**

This is the value of the asset that is carried on the books for the current period. It is determined by taking the asset's base value and subtracting the accumulated depreciation.

Each accounting period a depreciation expense is subtracted from the asset's base value so that over the asset's useful life the total depreciable cost of the asset has been accounted for and all that remains of the asset's value is the salvage value.

For tax purposes, the depreciation method used for a particular asset depends on the IRS depreciation rules in effect at the time the asset was placed in service. There may be some flexibility in the choices you can make.

You do not need to use the same depreciation method for every fixed asset. However, once you choose a method for a particular asset, you cannot change methods without approval from the IRS (except when the change is from declining-balance to straight-line methods).

## Depreciation or Accounting Books

The same asset may be subject to various methods of depreciation, depending on the purpose for which depreciation is being calculated. To facilitate the accounting process, a number of different books are used. A book represents the purpose for which depreciation is taken, and assets are assigned to one or more books according to each book's purpose.

For example, a company may need to calculate depreciation for federal tax purposes, for state tax purposes, and for internal accounting purposes. Each purpose may require a different depreciation method. The company would set up several different books, defining each book by the purpose for which depreciation is being calculated. The books are assigned appropriate depreciation methods. For example, the federal tax book may require MACRS 200% Declining Balance depreciation (MAC200), the AMT book might use MACRS 150% Declining Balance (MAC150), the ACE book might use MACRS Alternate Straight Line Depreciation (MACALT), and the internal book might use straight line (STRLIN). Another book might use declining balance 200% (DB200).

With Fitrix Fixed Assets, you must have a minimum of four books, but there is no upper limit on the number of books you may have. The four required books are:

- **The Main Accounting Book:** This is the main accounting book for your company. All assets must be listed in this book. This is the only book that posts to the General Ledger activity file. Typically the straight line depreciation method is used for internal purposes.
- **The Federal Tax Book:** This is the book used for reporting depreciation for federal income tax purposes.
- **The Alternative Minimum Tax Book (AMT):** To prevent abuses possible with the MACRS method, the IRS requires that individuals and corporations also calculate depreciation according to a principle known as the alternative minimum tax or AMT. The preset values in the AMT book apply the IRS's rules for calculating depreciation for the AMT.
- **ACE Book: Adjusted Current Earnings book:** Adjusted current earnings is another IRS requirement, which calculates a component of the AMT. The preset values in this book calculate depreciation according to the IRS's ACE rules.

The default depreciation schedule assigned to a book can be overridden at the asset/book level. If it is, that asset will be depreciated using the overriding depreciation schedule, but the other assets in the book will be depreciated using the book's default schedule.



## **Averaging Conventions**

To avoid the complications of depreciating each asset from the specific date on which it was placed into service, guidelines are used which assign practical in-service dates depending on the date the asset was actually put into service. These guidelines are called averaging conventions. The five averaging conventions are described briefly as follows:

### **Half-Year Convention**

Under the half-year convention, an asset is treated as though it was placed in service or disposed of on the first day of the seventh month of the fiscal year (July 1 in a calendar year) regardless of when during the year it was actually placed in service. One-half of a full year's depreciation is therefore allowed for the asset in the year it is placed in service. One-half year of depreciation is also taken for the year in which the asset is disposed of.

### **Mid-Quarter Convention**

If more than 40% of a company's aggregate depreciable property is placed in service during the last quarter of a tax year, MACRS requires that the mid-quarter convention be used for assets placed in service during that tax year. Under the mid-quarter convention, all MACRS property put into service in that year is treated as though it were placed in service in the middle of the quarter in which it was actually placed in service.

### **Half-Month Convention**

The half-month convention applies to ACRS real property placed in service after June 22, 1984 and to all MACRS real property. Such property is treated as though it was placed in service or disposed of in the middle of the month. A half-month's depreciation is allowed both in the month of acquisition and in the month of disposition.

### **Mid-Month Convention**

Under the mid-month convention, if an asset is placed in service after the 15th of the month, the asset is treated as though it was placed in service on the first day of the next month. If the asset is placed in service before the 16th of the month, it is treated as though it was placed in service on the first day of that month. Similarly, if the asset is disposed of before the 16th of the month, the asset is treated as though it was disposed of on the last day of the previous month. If the asset is disposed of after the 15th of the month, it is treated as though it was disposed of on the last day of that month.

### **Full-Month Convention**

For the full-month convention, property placed in service at any time during the month is treated as though it had been placed in service on the first of that month. Depreciation is therefore taken for the entire month in which the asset is placed in service. No depreciation is allowed for the month in which the property is disposed of.

## Depreciation Methods

The following is a very brief description of several of the major methods of calculating depreciation. These are not intended to be comprehensive; they are intended to serve only as a summary of the major differences in the various methods.

### Straight Line Depreciation

Straight line depreciation is the simplest depreciation method. The depreciable cost (a.k.a. basis) of the asset is divided by its useful life to achieve an equal depreciation amount for each year. Therefore the amount of depreciation taken each year is the same. It can be used for any depreciable property except for those that are required to use accelerated depreciation methods by the IRS. Under Generally Accepted Accounting Principles (GAAP), the straight-line method is used for internal books.

### Sum of the Years' Digits

Sum of the Years' Digits method is one of several accelerated methods in which more depreciation is taken in the earlier years of ownership of an asset and less depreciation is taken in the later years. Accelerated methods in general are better for income tax purposes, because the tax liability is decreased by the greater depreciation expense, thus giving the business a tax saving in the early years of ownership of the asset and use of the money for investment purposes. The formula for calculating depreciation using the sum of the years' digits method is the depreciable cost times the remaining life divided by the sum of the digits in the life of the asset. For example if you have an asset with a cost basis of \$12,000 that you are depreciating over 5 years the depreciation will be calculated as follows:

5 years divided by the sum of 1+2+3+4+5, or  $5/15 = .333$  depreciation rate

Depreciation rate of .333 x \$12,000 depreciable base = \$4,000 depreciation expensed in the first year.

The remaining years' depreciation are as follows:

Year 2  $4/15 * \$12,000 = \$3,200$  Year 3  $3/15 * \$12,000 = \$2,400$  Year 4  $2/15 * \$12,000 = \$1,600$  Year 5  $1/15 * \$12,000 = \$800$

While the numerator declines each year, the denominator of 15 will always remain the same.

### Declining Balance Methods

As less common form of depreciation is declining-balance depreciation. This method offers a higher rate of depreciation during the earlier years of an asset's life and is only useful for assets with a useful life longer than three years. It applies a uniform depreciation rate in each period to the asset's remaining carrying value. The rate can be as much as twice the straight line rate.

At a certain point in time, straight line depreciation may yield more depreciation per year than the declining balance method. You can switch from declining balance to straight line depreciation at that point. When the switch is made, the unrecovered basis of the asset is spread over the remaining estimated life and the depreciable cost is completely depreciated.

## **Accelerated**

The Accelerated Cost Recovery System (ACRS) is a method for recovering the cost of personal and real property that has a shorter useful life such, as a computer or automobile. The Internal Revenue Service developed it under the Economic Recovery Tax Act of 1981, and modified it in 1986 (MACRS).

MACRS requires that a depreciation deduction, called a "cost recovery deduction," be computed over a specified period of years for different classes of property. The recovery periods specified under MACRS are generally shorter than the estimated useful life of the asset used to calculate depreciation for financial reporting.

MACRS divides assets into different cost recovery classes depending upon the type of property. Categories range from 3 to 31.5 years. MACRS uses different depreciation rates depending upon the type of property and depending upon the year. For example, barns are 20-year property. In the first year, the rate of depreciation is 3.75 percent; in year 2 it is 7.219 percent.

MACRS uses no salvage value, so the entire cost of the property is depreciated during the cost recovery period. In addition, MACRS assumes all property is placed in service as of the middle of the tax year, regardless of when during the year the asset is actually acquired. In other words, it uses the half-year convention.

This depreciation method is normally used only for income tax purposes; it is accelerated to give businesses incentive for buying big ticket items, but since the property is "used up" very early in its life, it makes financial statements look inaccurate. For in-house accounting purposes, other depreciation schedules may be used.

## **Short Years**

A short tax year occurs when there is an accounting period of less than 360 days. A short tax year can be:

- A company's first tax reporting period
- A company's final tax reporting period
- The in-service year
- The retirement year
- The result of a change in a fiscal year

Short years affect fixed assets accounting in two ways:

- They change the effective in-service date of assets
- They require special calculations for depreciation

In general, a short accounting period requires that depreciation calculations be pro-rated according to the number of months in the short year. This is accomplished differently depending on which depreciation method is being used.

For methods that completely depreciate the asset's depreciable cost, such as straight line, the full year's depreciation is multiplied by a fraction whose numerator is the number of months in the short year, and whose denominator is 12.

For methods that will not completely depreciate the asset's depreciable cost, the residual can be recovered in the first full year following the short year.

Fitrix Fixed Assets performs all of the necessary depreciation calculations and adjusts each asset's effective in-service date automatically. You merely enter the beginning and ending dates in the System Defaults reference file.

## **Posting Depreciation**

At the end of each accounting period, the depreciation must be calculated and posted. Each book is depreciated separately, according to the depreciation schedule, averaging convention, and other factors defined for the asset, book, and class. If there is an asset within a book that is set up to use a different depreciation method, that asset will be depreciated with its own schedule, but the rest of the book will use the book's default schedule.

At posting, the Fitrix Fixed Assets Activity file is updated with the results of the depreciation calculations. In addition, Main book depreciation is posted to the General Ledger Activity file. The activity file will identify which accounts were debited and which were credited.

Year-End Adjustments must be calculated to adjust for averaging conventions, short years, etc. When posted, these adjustments update the Fitrix Fixed Assets Activity file, and Main book adjustments also update the General Ledger Activity file.

At the end of the fiscal year a Gain/Loss Report should be run. This report calculates the gain or loss that resulted from the disposition of assets that were retired during the year. The activity detailed in the Gain/Loss Report must then be posted to the chart of accounts through a manual entry in the General Ledger.

# Chapter 3

## Setting up Fixed Assets

In this section you will learn:

- What the default structure is and why it is important
- How to set up the Fitrix Fixed Assets Module

## **Default Structure**

Before you can set up your assets, you must understand the depreciation default structure. There is a hierarchical structure to the defaults in the fixed asset module. At the bottom are the system defaults as defined using the Update Fixed Assets Defaults program (option 3-i). The next-lowest level is the book level, followed by the asset class level. The highest level in the hierarchy is the asset itself. So basically it works like this:

- If the depreciation method is left blank on the asset it is taken from the asset class if there is one and it has a depreciation method.
- If there is no class used or the class does not have a depreciation method, then the depreciation method is taken from the book.
- If there is still no depreciation method on the book, the depreciation method comes from fixed asset defaults table.

The default system is organized so that you can enter information common to the largest number of assets at the system level in order to save yourself the time and effort involved in entering that information for every asset.

For example, assume your company has 60 fixed assets. Fifty of those assets are machinery and other equipment. The remaining 10 assets are delivery trucks. Rather than defining the Depreciation Expense Account for every asset as either Depreciation Expense–Machinery and Other Equipment or Depreciation Expense–Trucks, (a total of 60 entries), you can enter Depreciation Expense–Machinery and Other Equipment as the Depreciation Account at the Fixed Assets Default Level. Then you can enter Depreciation Expense–Trucks for each of the 10 delivery trucks— a total of only 11 entries.

Likewise, if all your books use the Straight Line Method of depreciation except the Federal Tax Book, which uses the MACRS Method, you can enter Straight Line as the default depreciation code at the system level and override that default for the Federal Tax Book by defining its depreciation schedule as MACRS. You can use combinations of defaults at several levels to suit your specific needs.

The default hierarchy can be a very powerful tool. When used correctly it can save a lot of time and make data entry and transaction processing much easier. Take the time to plan your strategy and understand your needs before you set up your default information.

One important factor to consider before setting up your system is whether or not you are going to assign asset classes to your assets. Using asset classes will allow you to take full advantage of the Fitrix Fixed Assets default features. For example, if you do not use asset classes, you will have to

specify the asset life on the depreciation detail form for each asset. Using asset classes simplifies the process because asset life is one of the things that is pre-defined in the asset class codes.

Here are a few other factors you should consider before you set up your reference files:

- Decide on an initial set of books, including the four primary books (main book, federal tax book, ACE book (Adjusted Current Earnings), and AMT book (Alternative Minimum Tax)).
- Decide on the default depreciation schedules you will be using for each book.
- Determine whether any assets will be depreciated using a method other than the default depreciation method for the book(s) it is listed in.
- Decide which averaging conventions you will use. These are used the year the asset is placed into service and the year in which it is disposed and they effectively prorate the otherwise annual amount of depreciation. For tax purposes the convention used is mandated by the IRS code and the three types are:

**Half year** – treats the asset as either placed into or disposed of on the mid-point of the year.

**Mid month** - treats the asset as either placed into or disposed of on the mid-point of the month.

**Mid quarter** - used when more than 40% of the taxpayer's property is placed in service during the last three months of the year. treats the asset as either placed into or disposed of on the mid-point of quarter..

- Determine your depreciation ledger accounts.
- Determine the depreciable basis (value) of your fixed assets. The formula is:  
$$((\text{Cost} + \text{sales tax} + \text{shipping} + \text{install} + \text{misc charges}) \times \text{business use \%}) \text{ less salvage value}$$
- Determine useful life – for financial purposes a realistic estimated useful life is used. For tax purposes, the asset is depreciated over a statutory recovery period based on the type of asset and the year it was placed into service.
- Determine placed in service date – the asset must be installed and operational for depreciation to start.
- Determine the salvage value – this is the asset's worth or what it can be expected to be sold for at the end of its useful life less any removal or selling costs. A salvage value is not used when depreciating the asset under the Modified Accelerated Cost Recovery System (MACRS) for tax purposes.



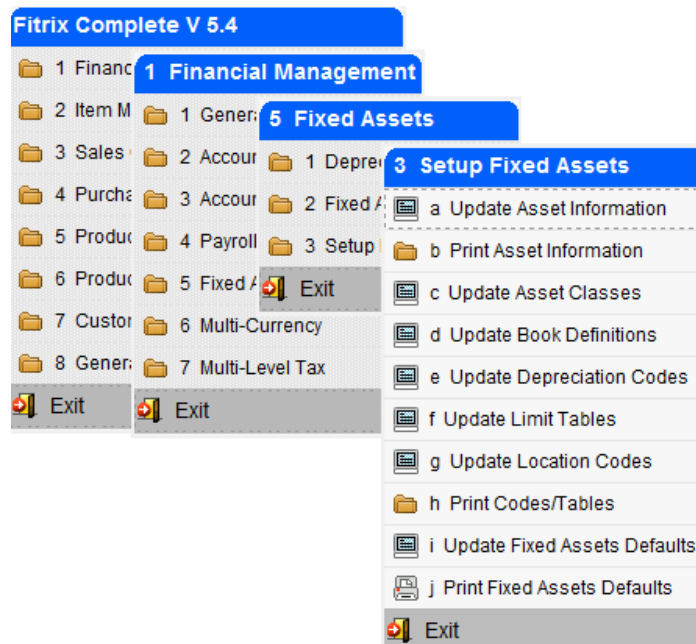
## The Setup Fitrix Fixed Assets Menu

To set up the Fitrix Fixed Assets Module, use the options on the Setup Fixed Assets Menu. There are two types of options available from this menu: Update Options and Print Options. The Update Options allow you to add new information or modify existing information in the module's **reference files**.

Reference files contain information on assets, books, depreciation schedules, and the system's default information. The system will access the information contained in these files when you enter and process transactions.

The print options allow you to print hard copies of the information contained in each of the reference files. These reports may be used to verify data-entry accuracy.

The Setup Fixed Assets Menu:



You must set up your reference files in the order presented in this manual because each successive step builds on the step or steps that came before. For example, the first reference file that you will set up will be the Depreciation Codes reference file. The next reference file that must be set up is the Limit Tables file. Later steps, Update Book Definitions and Update Asset Classes, to name two, use the Depreciation Codes and Limit Tables you set up within their definitions.

## Depreciation Codes

The Fitrix Fixed Assets Module comes with 19 pre-defined depreciation schedules with corresponding codes. The Fitrix Fixed Assets Module has the flexibility to allow you to define your own depreciation schedules if the need should arise. **Please note that if you do set up new codes they need to meet these criteria in order for the depreciation calculation to work**

MACRS – any new codes you set up must start with MAC

Declining balance – any new codes you set up must start with DB

ACRS - any new codes you set up must start with ACR

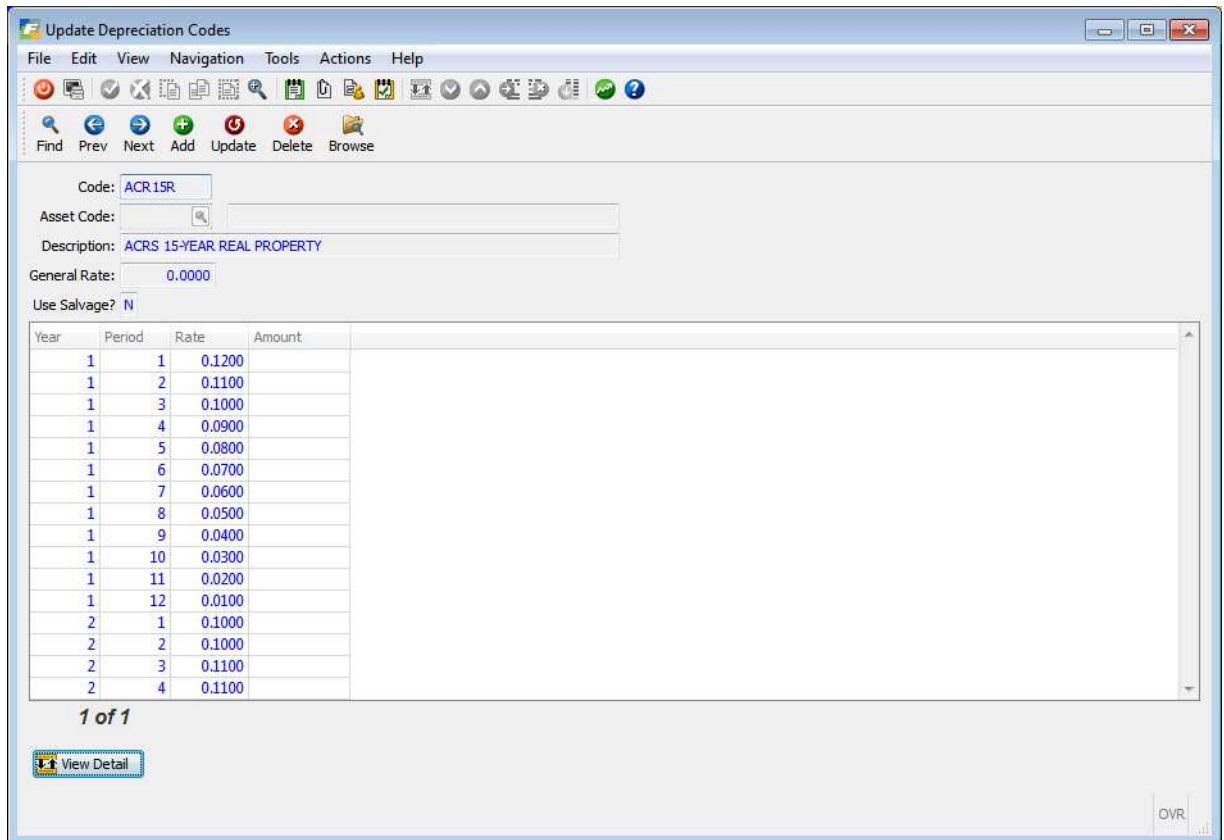
Sum of the Years Digits – only code allowed is the existing SUMYD

Straight Line - only code allowed is the existing STRLIN. When depreciation is calculated using this method it takes the asset's cost less salvage value and divides this by the asset's life in years x 12 months. This is why only one depreciation code is needed for straight line regardless of the number of years you are depreciating the asset ( straight line 5 years, straight line 7 years, etc..).

MACRS Alternate Straight Line - only code allowed is the existing MACLS and MACALT

During setup, examine the various depreciation schedules to ensure that they correspond to the current rates published in IRS Publication 946. If necessary, use the Update command to modify the rates in the detail section of the screen.

The Depreciation Codes screen:



## Adding a Depreciation Code

1. Choose Update Depreciation Codes from the Setup Fixed Assets menu (3-e).
2. Use the Add command to add a new depreciation code.
3. In the Code field, enter a unique code, up to six digits, to identify the depreciation schedule.  
A combination of letters and numbers can be used.

4. If this depreciation code is going to be used for a specific asset code, enter the asset code.
5. In the Description field, enter a brief description of this schedule.

When entering a description of the depreciation schedule, consider including descriptive information such as the types of assets to which this code should apply, or the name of the book in which the schedule will be used.
6. In the General Rate field, enter the rate associated with this depreciation schedule. If the code is not rate-driven, leave this field blank. For example for MACRS 150% declining balance you would enter 1.50 which translates to 150%.
7. If the asset's salvage value is to be used in depreciation calculations, enter Y in the Use Salvage? field.

If the asset's salvage value is not to be used in depreciation calculations, enter N.
8. Click on Details or press Ctrl [TAB] to move to the detail portion of the screen.
9. Enter the year number, period or month number, and corresponding rate to be used for depreciation calculations. If the code is tied to a specific asset you will enter a monthly dollar amount instead of a rate and the total entered must equal the value of asset less its salvage value if Use Salvage was set to Y.

Rates should be entered as values from 0 to 1. Enter 10% as .10.

No rates need to be entered for code STRLIN since the asset is depreciated the same amount each month over its life  $(\text{asset cost} - \text{salvage}) / (\text{asset's life in years} \times 12 \text{ months})$ .
9. Store the completed rate table. Repeat steps 1-8 for each new code you need to enter.

## **Printing Depreciation Codes**

When you have finished entering the depreciation codes, you may want to view an edit list so that you have a hard copy for your records.

You can print a hard copy or view the list on your screen.

1. Select the Print Codes/Tables option from the Setup Fixed Assets menu (3-h).
2. The Print Codes/Tables submenu appears.
3. Select the report you wish to print:

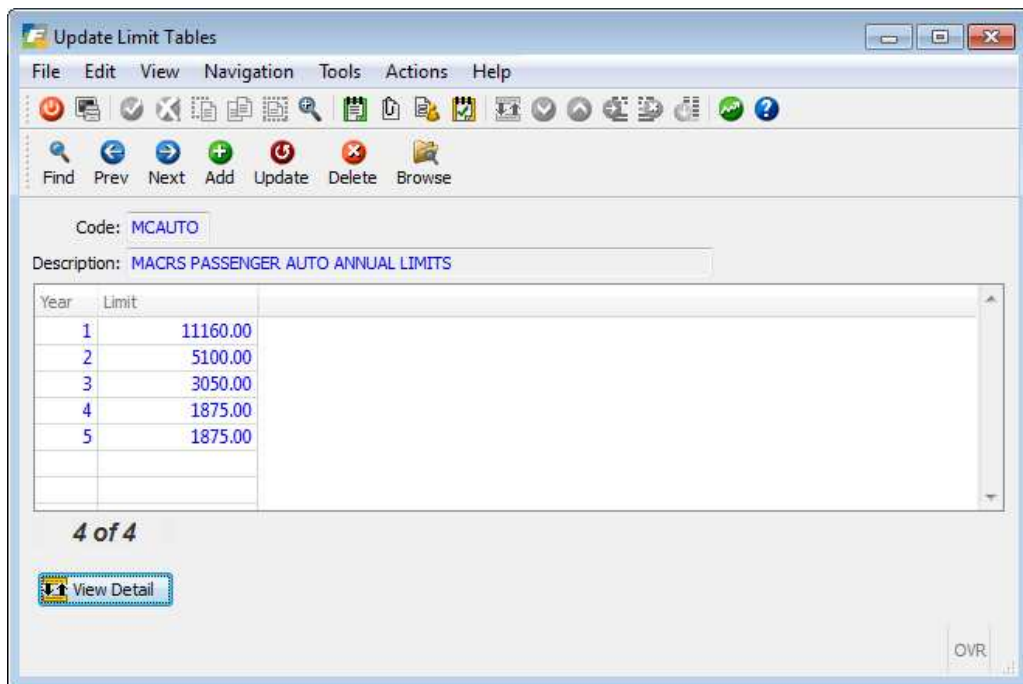
Choose option c for Depreciation Codes Summary.

Choose option d for Depreciation Codes Detail.
4. Print the report or redirect the report to the screen.

## Limit Tables

The Update Limits Code option allows you to specify limits of depreciation for different assets. For example, under the Modified Accelerated Cost Recovery System (MACRS) you may only take up to a certain amount of accumulated depreciation in the second year of the life of passenger automobiles (\$5100 as of the publication of this user guide). When you define a limit code for an asset/book or class, the system ensures that the limits are applied.

The Limit Tables screen:



## Adding a Limit Code

1. Choose the Update Limit Tables option of the Setup Fixed Assets menu (3-f).
2. Execute the Add command.
3. In the Code field, enter a unique code to identify the table. You may use up to six digits.
4. In the Description field, enter a description of the limit.

When assigning the description, consider adding information such as the asset to which the limit applies or the depreciation schedule that uses the limit. You may also want to include the book that the limit will be used in.

5. Press [TAB] to move to the detail portion of the screen.
6. Enter the year and dollar amount limit for each year the limit applies.
7. Store the new limit. Repeat steps 1-7 for each new limit you wish to add.

## Printing Limit Tables

When you have finished entering the information in the Limit Tables screen, you may want to view an edit list or print out a copy so that you have a hard copy for your records.

You can print a hard copy or view the list on your screen.

1. Choose the Print Codes/Tables option from the Setup Fixed Assets menu (3-h).
2. Select e to Print Limit Tables.
3. Print the report or redirect the report to the screen.

## Book Definitions

The Update Book Definitions option allows you to identify an unlimited number of books. Along with the book's code and description, you define the depreciation schedule and the averaging convention for each book.

Every asset must be listed in at least four books, but there is no limit to the number of books your company can have. The four books required for every asset are the MAIN Accounting Book, the Federal Taxes Book, the Alternative Minimum Tax Book (AMT), and The Adjusted Current Earnings Book (ACE).

The Book Definition screen:



## Adding a Book Definition

1. Choose the Update Book Definitions option of the Setup Fixed Assets menu (3-d).
2. Execute the Add command.
3. In the Code field, enter a unique book code, up to six digits.

Remember, you will need a minimum of four books: a Federal Tax book, a Main Book that posts to your General Ledger, an AMT book for calculating your Alternative Minimum Tax, and an ACE book for calculating your Adjusted Current Earnings.

You should name these books with an eye towards easy identification, as they are extremely important to proper calculation of your taxes and your accounts, and they perform vastly different functions.

4. In the Description field, enter a description of the new book.
5. Enter the default depreciation schedule/code for this book.

Zoom is available to help you enter information in this field. The code must have been previously set up with the Update Depreciation Codes program.

---

### NOTE

When choosing a depreciation schedule for your Federal Tax book, you **MUST** choose one of the pre-defined schedules whose code begins with the characters MAC: either MACRS 200% Declining Balance (MAC200), MACRS 150% Declining Balance (MAC150), MACRS Straight Line Depreciation (MACSL), or MACRS Alternative Straight Line Depreciation (MACALT).

- 
6. Enter the default averaging convention to be used for this book.

The codes for the available averaging conventions appear at the bottom of the screen.

[Y] Half-Year [M] Mid-Month [Q] Mid-Quarter [H] Half-Month [F] Full-Month

7. Click OK or press Enter to save the new book. Repeat steps 2 through 6 for each new book you wish to add.



## Printing Book Definitions

When you have finished entering the information to the Book Definition form, you may want to view an edit list or print out a copy of the form so that you have a hard copy for your records.

You can print a hard copy or view the list on your screen.

1. Select the Print Book Definitions option from the Setup Fixed Assets menu (3-h-b).
2. Print the report or redirect the report to the screen.

## Asset Classes

Asset Classes are a method of categorizing assets. The IRS maintains a list of asset classes, which groups assets by type of property and recovery period. The most commonly used categories of these asset classes have been stored in the Fitrix Fixed Assets module for you.

You may need to add to the existing list of asset classes or modify the information on the default section of the asset class screen.

The Asset Class screen:

Code: 00.11  
Description: OFFICE FURNISHINGS

Depreciation Account: 745000000  
Department: 000  
Accumulation Account: 181500000  
Department: 000  
Depreciation Schedule: MAC200  
Limit Table:   
Asset Life: 7.0  
Convention: Y

Defaults  
DEPRECIATION EXPENSE  
ADMIN. OFFICE  
FURNITURE & FIXTURES DEP.  
ADMIN. OFFICE  
MACRS 200% DECLINING BALANCE D

1 of 1  
OVR

## Adding an Asset Class

1. Choose Update Asset Classes from the Setup Fixed Assets menu (3-c).
2. Use the Add command to add a new asset class.
3. In the Code field, enter a code, up to six digits, to identify this asset class.
4. In the Description field, enter a brief description of this asset class.

You may want to use the type of property which will be included in this asset class; for example, office equipment or airplanes.

### Defaults

The Defaults section of the assets class field allows you to establish default information for the assets in the asset class. Class defaults are only overridden by values specified at the asset/book level.

5. In the Depreciation Account field, enter the number of the ledger account to which you want to post depreciation expense.

This will ordinarily be an expense account.

Zoom is available to assist you in entering a correct account number in this field.

Upon entry of a valid account number, the system will retrieve the name of the account and enter it in the field.

6. In the Department field, enter the department code for the department to which you will post depreciation.  
If you are not using department codes, leave this field blank.

7. In the Accumulation Account field, enter the number of the ledger account to which you will post accumulated depreciation.

This will ordinarily be an asset (a contra-asset) account.

Zoom is available to assist you in entering a correct account number in this field.

Upon entry of a valid account number, the system will retrieve the name of the account and enter it in the field.

8. In the Department field, enter the department code for the department to which you will post accumulated depreciation.

If you are not using department codes, leave this field blank.

9. In the Depreciation Schedule field, enter the code for the depreciation method you want to use for this asset class.

Zoom is available to assist you in choosing a correct code for this field.

Upon entry of a valid code, the system will retrieve the description of the depreciation schedule and enter it in the field.

10. If a depreciation limit should apply to all assets in this class, enter the code for the limit to be applied.

Zoom is available to assist you in entering information in this field.

11. In the Asset Life field, enter the number of years for recovering the depreciable cost of assets.

12. In the Convention field, enter the code for the averaging convention you want to apply to this asset class.

The codes are listed at the bottom of the screen.

13. Click in OK or press Enter to save the asset class.

## **Printing Asset Classes**

When you have finished entering the information to the Asset Class screen, you may want to view an edit list or print out a copy so that you have a hard copy for your records.

You can print a hard copy or view the list on your screen.

1. Select the Print Asset Classes option from the Setup Fixed Assets menu (3-h-a).
2. Print the report or redirect the report to the screen.

## Fitrix Fixed Assets Defaults

The System Defaults screen contains the information that will be applied to all assets and depreciation schedules unless overridden at a higher level like the class or asset/book levels.

Prior to entering information here, you must first set up ledger accounts, depreciation books, and depreciation methods.

The Fitrix Fixed Assets Defaults screen:

## Setting up System Defaults

1. Select the Update Fixed Asset Defaults from the Setup Fixed Assets menu (3-i).

The System Defaults form is divided into three sections: Fixed Assets Defaults, Accounting Defaults, and Default Short Years.

## **Fixed Asset Defaults**

2. In the Main Book field, enter the name of your company's main accounting book. Be sure to enter the code for the book you have set up as your Main Book.

This is the only book that posts to the general ledger. Use the Zoom feature to view a list of book codes, their descriptions, the last time the book was depreciated, and the convention that applies to that book. Upon entry of a valid code, the system automatically retrieves the description of the book from the Book Definition file.

3. In the Federal Tax Book field, enter the name of the book that contains your company's federal tax reports. Be sure to enter the code for the book you set up as your Federal Tax Book.

4. In the AMT Book field, enter the name for the Alternative Minimum Tax Book.

This book contains information necessary for calculating the Alternative Minimum Tax required by the IRS.

5. In the ACE Book field, enter the name for the Adjusted Current Earnings Book.

This book calculates depreciation using the IRS adjusted current earnings information.

6. In the Depreciation Schedule field, enter the default depreciation schedule.

This is the schedule that the system will use unless overridden at a higher level by a different schedule. The Zoom function is available to assist you in entering a valid code.

7. In the Asset Life field, enter the number of years of the default asset life.

This is the asset life, or useful life that will be applied to assets unless overridden at a higher level.

8. In the Convention field, enter the default averaging convention that you want to use.

The codes are listed at the bottom of the screen to assist you in entering information for this field.

9. In the End of Current FY field, enter the end of the current fiscal year.

You will have to manually reset this value when you begin the next fiscal year.

## **Accounting Defaults**

The Accounting Defaults section contains information that will be used by the system when posting depreciation and preparing reports, unless overridden by information at a higher level.

10. In the Depreciation Account field, enter the number of the ledger account to which you want to post depreciation.

This will ordinarily be an expense account.

Upon entry of a valid account number, the system will retrieve the name of the account and enter it in the field. You must enter a valid number before you can proceed. The Zoom feature is available to assist you in entering a number in this field.

11. In the Department field, enter the department code for the department you want to post depreciation to.

This field defaults to 000 if no code is entered. To accept the default entry, press [TAB].

12. In the Accumulation Account field, enter the number of the ledger account to which you want to post accumulated depreciation.

This will ordinarily be an asset (a contra-asset) account.

Upon entry of a valid account code, the system will retrieve the name of the account and automatically enter it in the field. The Zoom feature is available to assist you in entering a number in this field. You must enter a valid account number before you can proceed.

13. In the Department field, enter the department code for the department to which you want to post accumulated depreciation.

This field defaults to 000 if no code is entered. To accept the default entry, press [TAB].

## **Default Short Years**

A short year is any accounting period that is less than 360 days. Short years are the result of a change in fiscal year.

If your company has had any short years, or if you will have an upcoming short year, enter the short year information into the short year section. The system will use the short year information to calculate the in-service date of your fixed assets. When you post depreciation, it will automatically depreciate your assets according to the information in the short years reference file.

14. Press Ctrl [TAB] to move to the Default Short Years section of the screen.

15. Enter the beginning and ending dates of each short year your company has had, and any short years that you have planned for the immediate the future.

The dates in the short years must agree; that is, the ending day and month of one short year must be the day before the starting day and month of the next short year. The short year prior to the fiscal year must have the same ending month and day as the fiscal year.

Your system can be set up to accept an unlimited number of short years. Otherwise, you may enter a maximum of five short years, and you may enter the short years in any order.

## **Printing Fixed Assets Defaults**

When you have finished entering the information to the Fixed Assets Defaults form, you may want to look at an edit list or print out a copy of the form so that you have a hard copy for your records.

You can print a hard copy or view the list on your screen.

1. Select the Print Fixed Assets Defaults option from the Setup Fixed Assets menu (3-j).
2. Print the report or redirect the report to the screen.

## Asset Information

Asset information is entered and updated with the Update Asset Information option (3-a). During setup, a separate record must be entered for every fixed asset in your system. Use this screen for regular asset maintenance as well, such as when you change the business use percentage or retire an asset.

Asset "cloning," available in version 3.83 and later, makes it easier to set up large numbers of similar assets.

The Asset Information screen:

Update Asset Information

File Edit View Navigation Tools Actions Options Help

Book Detail Warranty History Clone

Find Prev Next Add Update Delete Browse

Asset Code: SAFE Description: OFFICE SAFE

Asset Class: 00.11 OFFICE FURNISHINGS

Serial Number: AB22-C4590-QZ PO: 10521

Vendor: 123457 CHAMPION INC

Location: LFP

Accounting

Asset Cost: 7900.0000 Bus. Use: 1.00 Service Date: 04/01/2007

Capitalized Expenses: 107.00 Listed Asset?: N

Depreciation Adjustment: Salvage Value: 500.00

Depreciation Account: 745000000 - 000 DEPRECIATION EXPENSE

Accumulation Account: 181500000 - 000 FURNITURE & FIXTURES DEP.

Retirement

Reimbursement: Date Retired:

Retirement Expense:

Book	Prior Depr	Date	Current Depr	Date	Net Value
ACE	1715.79	11/30/2008			6291.21
AMT	2307.78	11/30/2008			5699.22
FEDXBK	1715.79	11/30/2008			6291.21
MAINBK	2964.69	11/30/2008			5042.31

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OK Cancel Header

Enter an accounting book identification code. OVR

## Adding an Asset to the System

1. Choose Update Asset Information from the Setup Fixed Assets menu (3-a).
2. Execute the Add command.

The Asset Information screen is divided into four sections: Asset Information, Accounting, Retirement, and the Detail section.

### Asset Information

This section of the form stores descriptive information for the various assets in the fixed asset system.

3. In the Asset Code field, enter a unique code to identify the asset.

When assigning asset codes, you may want to establish a naming convention that will facilitate using search criteria and the Find command.

4. In the Description field, enter a unique description for this asset.

The description should be complete enough to allow you to recognize the asset without more information. For example, if you use TRUCK as your description, later you may not know if that refers to your delivery truck, your pickup truck, or your flatbed truck. Be as specific as your situation requires.

5. In the Asset Class field, enter the asset class code for the class you want this asset to be part of.

Asset classes are optional, but using them helps you take advantage of the flexibility of the default hierarchy and selection criteria features.

For more information on asset classes, see IRS Publication 946.

Zoom is available to assist you in entering a valid code in this field.

6. In the Serial Number field, enter the asset's serial number.

This field is optional, and plays no central role in managing fixed assets.

7. In the Vendor field, zoom to find or enter the vendor code from whom the asset was purchased.

This field is also optional and plays no central role in managing fixed assets.

You can then enter a description for this vendor, or if the Accounts Payable module is installed, the system will automatically retrieve the description from the Vendor file once a valid code has been entered.

8. In the PO field, enter the purchase order number for the asset.

This field is also optional and plays no central role in managing fixed assets.

9. In the Location field, enter the location code. Use Zoom to access the Location Code Zoom screen.

You can enter an unlimited number of alphanumeric Location Codes, and the corresponding location information.



## Accounting

This section of the form stores information necessary to calculate depreciation and post depreciation to the general ledger.

10. In the Asset Cost field, enter the cost of the asset.

The cost of the asset should include the purchase cost less any discount, plus any expenses necessary to install the asset or prepare it for use.

11. In the Bus. Use field, enter the percentage of time this asset is used for business purposes.

The rate must be entered as a figure between 0 and 1. Therefore, you should enter 100% as 1; enter 50% as .5.

This figure should represent the average business use for the entire fiscal year. If you intend to change it, do so only at the start of a new fiscal year.

12. In the Service Date field, enter the actual date on which the asset was put into service.

The system will treat the In-Service Date according to the averaging convention specified at the book or asset/book level and any short year information you enter.

The module will not depreciate an asset whose in-service date is blank or follows the depreciation date specified by the user.

13. In the Capitalized Expenses field, enter the capitalized expenses for this asset.

Capitalized expenses are those major expenses that (1) increase the value of the asset, or (2) increase the estimated useful life of the asset.

14. In the Listed Asset? field, enter Y for yes or N for no.

Listed assets are those that are listed in IRS publications and require special depreciation treatment.

15. In the Depreciation Adjustment field, enter the amount of adjustments to depreciation for this asset.

This amount is used to account for expenses which have been applied against the depreciation accumulation account for an asset.

16. In the Salvage Value field, enter the projected salvage value for this asset.

The salvage value is the amount that is expected to be recovered when the asset is ultimately sold, traded in, or scrapped. Depending upon the form of depreciation used, the salvage value may or may not have a bearing upon the amount of depreciation taken.

17. In the Depreciation Account field, enter the account number of the depreciation account to be used to store depreciation taken for this asset.

The Zoom feature is provided for this field.

The depreciation account will typically be an expense account. Upon entry of a valid code in this field, the system will retrieve the name of the depreciation account.

18. In the Accumulation Account field, enter the account number of the accumulation account to be used to store accumulated depreciation for this asset.

The Zoom feature is provided for this field. The accumulated depreciation account will typically be an asset account (a contra-asset account). Upon entry of a valid code, the system will retrieve the name of the accumulated depreciation account.

## **Retirement**

This section stores information relating to the retirement of the asset. The information in this section is entered at the time the asset is retired, not at the time the asset is stored in the system. The fields on the Retirement Section are Reimbursement, Date Retired, and Retirement Expense.

## **Detail Section**

19. Press Ctrl [TAB] to move to the detail section of the screen.

20. Enter the book code for each of the books in which you want to list this asset. Zoom is available to assist you in entering the information in this field.

Remember, all assets must be listed in a minimum of four books: the Main Accounting Book, the Federal Tax Book, the AMT Book, and the ACE Book.

Although the Fitrix Fixed Assets module gives you the flexibility to specify an unlimited number of books for each asset, keep in mind that assigning a large number of books for each asset may degrade system performance somewhat.

21. Under Prior Depr, enter the amount of prior depreciation taken for this asset under this book.

This figure should be carried over from your previous accounting system. The system posts an adjusting entry for the depreciation-to-date for this asset/book. From that point forward, posted depreciation will increment the amount automatically.

22. Under Date, enter the date depreciation was last posted for this book.

Be sure the date you specify takes into account the amount entered in the Prior Depreciation column.

23. Leave the Current Depr field blank.

When the Print Depreciation option is run, the system will enter the amount of depreciation taken for the current period.

If you make a manual entry in this field, running the Print Depreciation option will not overwrite the manually entered value until it is posted.

24. Leave the Date field blank.

This field will be filled in when the Print Depreciation option is run.

If you make a manual entry in this field, running the Print Depreciation option will not overwrite the manually entered value until it is posted.


25. Under Net Value, enter the asset's current net book value.

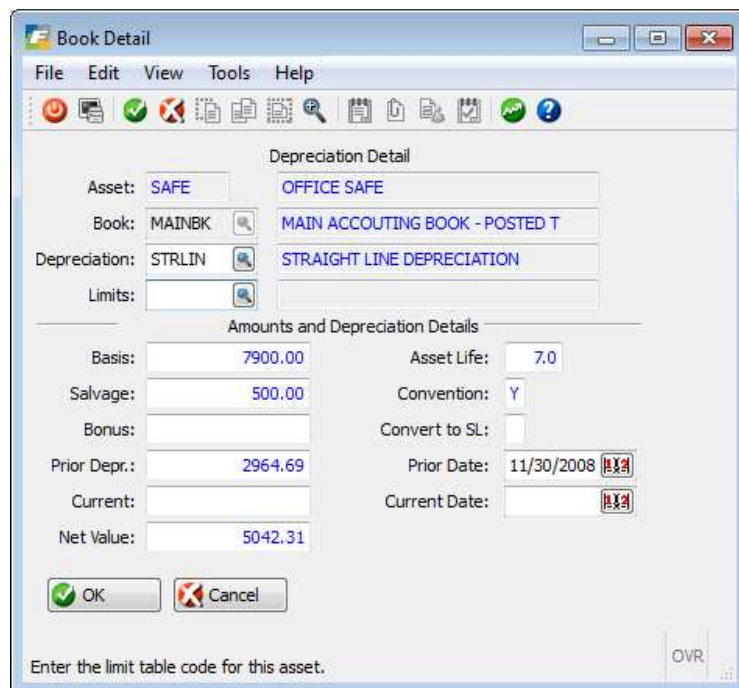
This amount will be adjusted automatically by the system when depreciation is posted.

## Book Detail Form

You may want to override the default depreciation information for this asset from within a particular book.

1. From within the detail section of the form, use the arrow keys to move the highlight over the book whose values you want to override for this asset.

2. Click on the  button to view the Book Details screen shown here:



The screenshot shows a window titled "Book Detail" with a menu bar (File, Edit, View, Tools, Help) and a toolbar. The form is divided into two main sections:

- Depreciation Detail:** Contains fields for Asset (SAFE), Book (MAINBK), Depreciation (STRLIN), and Limits. To the right of each field is a search icon and a text box containing the selected value (OFFICE SAFE, MAIN ACCOUNTING BOOK - POSTED T, STRAIGHT LINE DEPRECIATION).
- Amounts and Depreciation Details:** Contains numerical and date fields: Basis (7900.00), Salvage (500.00), Bonus, Prior Depr. (2964.69), Current, Net Value (5042.31), Asset Life (7.0), Convention (Y), Convert to SL, Prior Date (11/30/2008), and Current Date.

At the bottom, there are OK and Cancel buttons, and a text prompt: "Enter the limit table code for this asset." with an "OVR" field.

The Book Detail form is divided into two sections: the Depreciation Detail and Amounts and Depreciation Details.

## Depreciation Detail

3. The Asset field contains the name of the asset. The information in this field cannot be updated by the user.
4. The Book field contains the name of the book that you are updating. An unlabeled field to the right contains the description of the book you are updating. This information cannot be updated by the user.
5. If you want to override the depreciation schedule for this asset/book, enter the new depreciation code in the Depreciation field. If a depreciation code is set up and a specific asset code is assigned to it this value will be automatically updated to that depreciation code when it is saved.

Zoom is available to help you enter a code in this field.

6. If you want to add a depreciation limit code for this asset, enter the limit code in the Limits field.

Zoom is available to help you enter information in this field.

## **Amounts and Depreciation Details**

7. In the Basis field, enter a custom basis for this asset.

8. In the Asset Life field, enter the asset life for this asset if it differs from the class life, or if no class life is defined and it differs from the system default.

9. In the Salvage field, enter the salvage value for this asset if it differs from the salvage value specified at the asset level.

10. In the Convention field, enter the averaging convention if it differs from this asset's class convention, book convention, or from the system default.

The convention codes appear at the bottom of the screen to help you enter information in this field.

11. In the Bonus field, enter the Section 179 bonus amount to take for this asset.

Keep in mind that there is a limit to the amount of Section 179 expense you may take for a given book. Consult the rules for Section 179 bonus in IRS Publication 946.

12. In the Convert to SL (Straight Line) field, enter Y or N.

Enter Y if you want to convert to straight line depreciation at the point where deductions under straight line depreciation would equal or exceed deductions under the current depreciation schedule. If you do not want to convert to straight line, enter N or leave the field blank.

13. In the Prior Depr. field, enter the amount of depreciation previously taken for this asset.

This figure should be carried over from your previous accounting system. The system posts an adjusting entry for the depreciation-to-date for this asset/book. From that point forward, posted depreciation will increment the amount automatically.

The amount in this field will appear in the Prior Depr field on the Asset Information form.

14. In the Prior Date field, enter the date depreciation was last posted for this asset.

Be sure the date you specify takes into account the amount entered in the Prior Depreciation column.

The amount in this field will appear in the (Prior) Date field on the Asset Information form.

15. Leave the Current field blank.

When the Print Depreciation option is run, the system will enter the amount of depreciation taken for the current period.

If you make a manual entry in this field, running the Print Depreciation option will not overwrite the manually entered value until it is posted.

The amount in this field will appear in the Current Depr field on the Asset Information screen.

16. Leave the Current Date field blank.

This field will be filled in when the Print Depreciation option is run.

If you make a manual entry in this field, running the Print Depreciation option will not overwrite the manually entered value until it is posted.


The amount in this field will appear in the (Current) Date field on the Asset Information form.

17. In the Net Value field, enter the net value of the asset for this book.

18. Click OK or press Enter to store your changes to this screen.

19. Click OK or press Enter to store the new asset.

## Warranty/Maintenance Tracking

1. While updating or adding an asset, click on the  button to launch the Warranty/Maintenance screen.

Warranty Information

File Edit Help

Warranty Information

Asset Code: SAFE

Asset Description: OFFICE SAFE

Warranty Expiration Date: 12/31/2014

Warranty Description: PARTS

Maintenance Information

Work Date	Comp Date	Estimate	Actual Cost	Description
03/14/2010	03/15/2010	100.00	12235.00	HINGE REPLACEMENT

OK Cancel Detail

Enter the warranty expiration date for this asset. OVR

2. In the Warranty Information section, enter the date the asset’s warranty expires and a description of the warranty.
3. In the Maintenance Information section you can track dates, costs, and descriptions for services performed in maintaining the asset.

## Cloning Assets

You can set up a large number of similar assets by entering asset information for one asset and then copying that information for each similar asset. This process is known as asset cloning.

You may clone as many assets as you like from one "original" asset. A wide range of asset characteristics are copied in the cloning process. You may need to edit characteristics of the individual assets created by this process. The cloning process copies the following information to the new asset:


**Asset level details:**

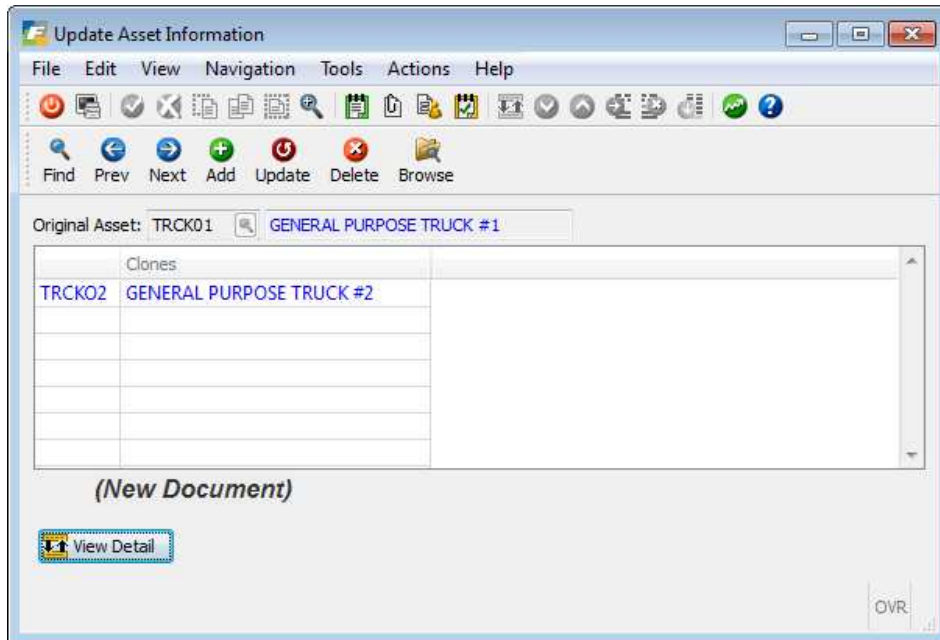
Class Code  
Vendor Code  
Vendor Description  
PO Number  
In Service Date  
Depreciation Account  
Depreciation Department  
Accumulation Account  
Accumulation Department  
Asset Cost  
Capitalized Expenses  
Depreciation Adjustment  
Salvage Value  
Retired Date  
Retired Value  
Retired Expense  
Listed Asset  
Business Use  
Warranty Date  
Warranty Description  
Location Code

**Asset-book level details:**

Book Code  
Depreciation Code  
Limit Code  
Averaging Convention  
Straight Line Conversion  
Asset Life



1. Find the asset you want to clone and click on the  button to launch the cloning screen program.



2. Use the Add command to clone an asset. .
3. Enter the Asset Code for the asset you want to clone.
4. Click on Detail or press Ctrl [TAB] to move to the detail section of the screen.
5. In the Code field, enter the code for the new asset that will be created from the information on the original asset.
6. In the Description field, enter a unique description for the new asset.
7. Continue adding new asset codes and descriptions for all the assets you want to add.  
You may add up to ten new assets at one time.
8. Click on OK or press Enter to store the record.

Upon storing, the new assets are created using the asset information from the original asset. Edit the new asset information by following the Update Asset Information procedure.

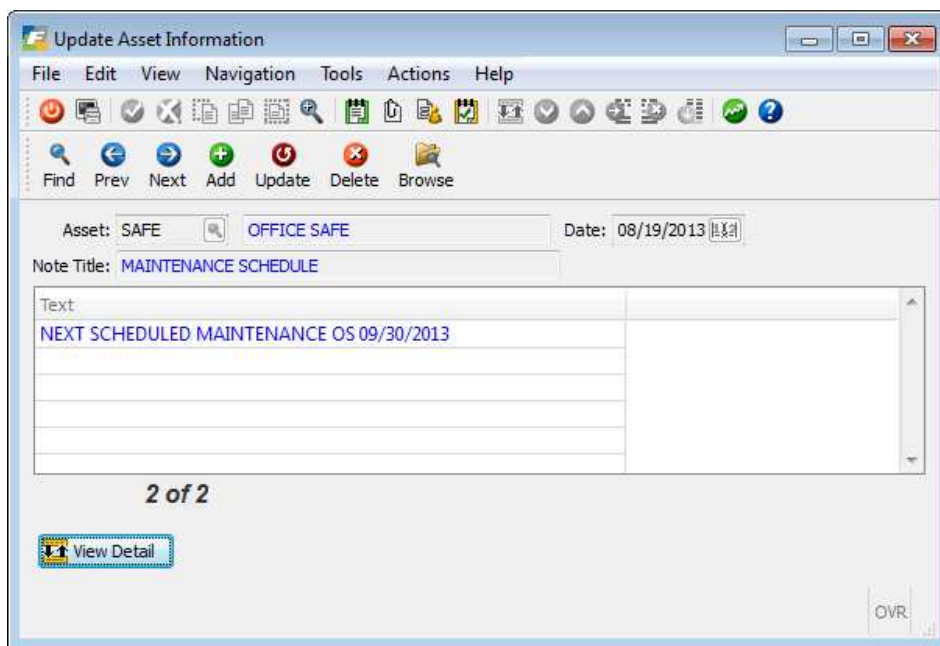


## Entering Asset History Notes

You can store notes about any asset in the database. You may want to keep notes on activity like maintenance schedules, lease records, manner of disposal, warranty information, who is responsible for the asset, and so forth.



1. Click on the History button on the Update Assets Information toolbar to launch the History screen.



2. Use the Add command to add new notes for an asset. If you want to update an existing note, use Find and Update.
3. Select the code for the asset whose notes you want to enter.
4. In the Note Title field, enter a brief title to identify the contents of the note.
5. Click on details or press Ctrl [TAB] to move to the detail section of the screen.
6. Enter your notes.
7. Click OK or press Enter to save the new note.

## **Printing Asset Information**

When you have finished entering your Assets, you may want to print this report so that you have a hard copy for your records.

You can print a hard copy or view the list on your screen.

1. Select the Print Asset Information option from the Setup Fixed Assets menu (3-b).
2. The Print Asset Information submenu appears.
3. Select the report you wish to print.



# Chapter 4

## Asset Maintenance and Reports

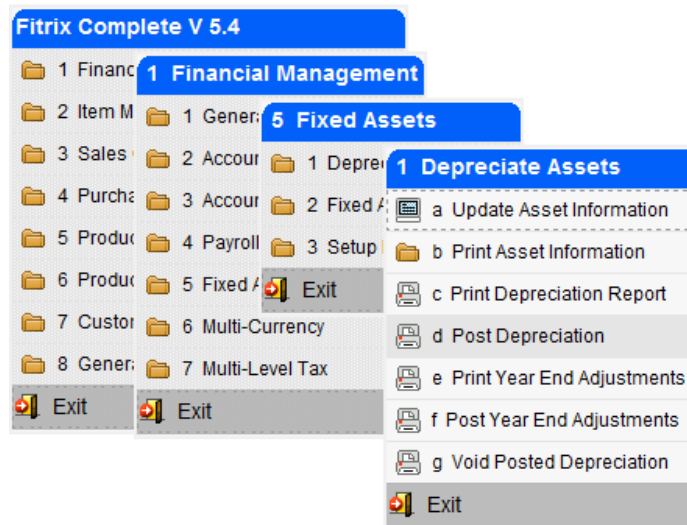
In the previous section you learned how to set up your system. In this section you will learn:

- How to add assets to your system during the accounting period;
- How to retire assets; and
- How to run informational reports.

## The Depreciate Assets Menu

For convenience, you can access the Update Asset Information option from either the Depreciate Assets menu or the Setup Fixed Assets menu. Either way, you will see the same Asset Information screen program and have access to precisely the same information.

The Depreciate Assets menu:



## Asset Maintenance

During the accounting period you will probably need to perform some routine asset maintenance. You may need to add new fixed assets to your books, retire assets, or record a capital expenditure affecting an existing fixed asset.

To perform asset maintenance, use the Update Asset Information option (1-a) or (3-a).

The Update Asset Information screen:

Update Asset Information

File Edit View Navigation Tools Actions Options Help

Book Detail Warranty History Clone

Find Prev Next Add Update Delete Browse

Asset Code:  Description:

Asset Class:

Serial Number:  PO:

Vendor:

Location:

Accounting

Asset Cost:  Bus. Use:  Service Date:

Capitalized Expenses:  Listed Asset?:

Depreciation Adjustment:

Depreciation Account:  -

Accumulation Account:  -

Retirement

Reimbursement:

Retirement Expense:

Date Retired:

Book	Prior Depr	Date	Current Depr	Date	Net Value
ACE	1715.79	11/30/2008			6291.21
AMT	2307.78	11/30/2008			5699.22
FEDXBK	1715.79	11/30/2008			6291.21
MAINBK	2964.69	11/30/2008			5042.31

6 of 7

Enter an accounting book identification code. OVR

The Asset Information form was discussed in detail in Section 3, "Setting Up Fixed Assets." The steps required for adding and updating assets are laid out briefly here for your convenience.

## **Adding Assets**

To add a new asset during the accounting period:

1. Fill in the fields in the asset information and accounting information sections on the Asset Information screen.

The Asset Information section contains basic identification information for each of your fixed assets. Enter the appropriate information in the fields in this section.

The Accounting section contains information pertaining to depreciating and posting. Enter the appropriate information into the fields in this section. The Depreciation Account and Accumulation Account fields only need to be filled in if you want to override the default information at the asset class or system default levels.

2. Click OK or press Ctrl [TAB] to move to the detail section of the screen.

3. List the books in which the new asset will be included.

Remember, every asset must be included in a minimum of four books: the Main Book, the Federal Tax Book, the AMT Book, and the ACE Book.

4. Click on the magnifying glass or press [CTRL]-[z] and choose from the available books.

5. Enter any information which you intend to override existing default information.

6. Click OK or press Enter to save the record.

## **Updating Asset Information**

If any information for an asset changes during an accounting period, update the asset's information. For example, if a capital expenditure is made for an asset, enter the information in the Capitalized Expense field.

## **Retiring Assets**

When an asset is sold, traded, or abandoned during the period, or when an asset has been fully depreciated, you will need to enter information in the Retirement section of the asset information screen. Do not delete assets from the system. When an asset is retired, it remains in the system; however, it is rendered inactive.

Remember that you must make a manual entry in the General Ledger for any gain or loss recognized as the result of retirement.

1. In the Reimbursement field, enter the amount received for the asset.

If the asset was sold, enter the amount of cash received.

If the asset was traded, enter the fair market value of the asset received in the trade.

If the asset was abandoned, enter zero.

2. In the Date Retired field, enter the date the asset was retired.

The system will internally modify this information, if necessary, according to the averaging convention being applied to the asset.

3. In the Retirement Expense field, enter the cost of retiring the asset.

Retirement expenses include such things as the expense of dismantling the asset or removing it from the premises.

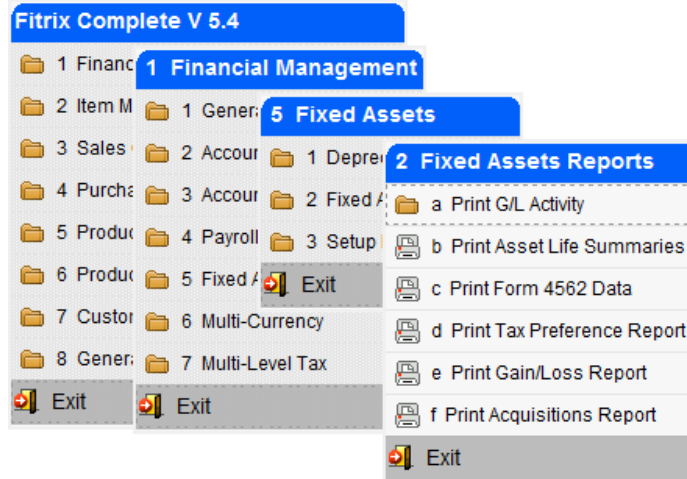
## **Printing Asset Information**

If you have added an asset to your system, changed an existing asset's information, or retired an asset, you may want to print a file copy of the changes for your records. Use the Print Asset Information option (1-b) or (3-b). Choose Print Asset Summary or Print Asset Detail from the submenu.



## The Fixed Assets Reports Menu

The Fixed Assets Reports menu:



## Printing G/L Activity Report

The G/L Activity Report prints out a list of all activity that has been posted to the General Ledger Activity file. That is, it produces a summary of depreciation posted under the main book.

1. To print the G/L Activity report, choose Print G/L Activity from the Print Fixed Assets Reports menu (2-a).
2. Select the report you want to print from the Print G/L Activity submenu.
3. Print the report, or redirect it to the screen.
4. The Selection Criteria screen displays:

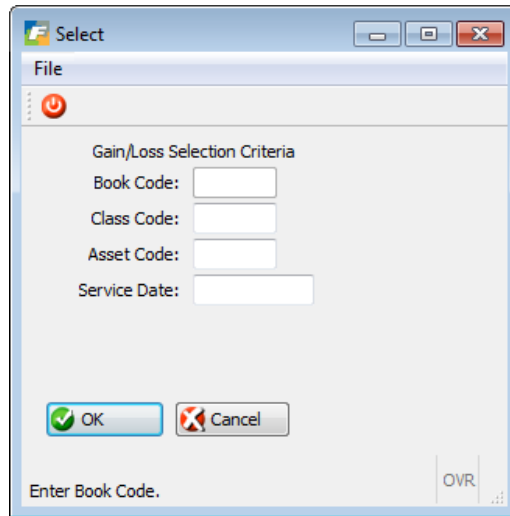


5. Enter the start and end dates for the General Ledger activity you wish to review.

## Printing Asset Life Summaries

From time to time you may want to project the depreciation figures through the estimated useful life of an asset. With the Asset Life Summaries command, you can see a projection of the depreciation for any asset, in any book.

1. To print an asset life summary, choose Print Asset Life Summary option from the Fixed Assets Reports menu (2-b).
2. Choose print, redirect the report to the screen, or some other option.
3. The selection criteria screen displays:

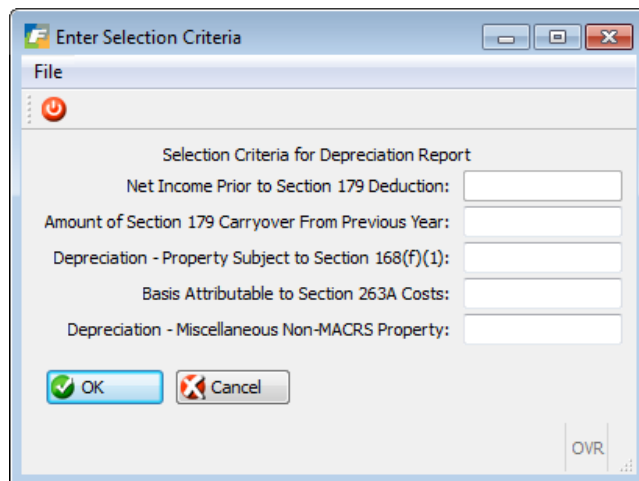


4. Enter the selection criteria for the report you want to run.

## Printing Form 4562 Data

This report prints a worksheet containing the data that you will need to complete IRS Form 4562 at year end.

1. To print the report, Select Print Form 4562 Report from the Fixed Assets Report menu (2-c).
2. Redirect the report to the screen or print the report.
3. The Selection Criteria screen appears:



**Net Income Prior to Section 179 Deduction:**

Low income may limit your ability to take a 179 deduction. Check the information provided by the IRS and enter the income amount if it is determined that it will limit the Section 179 deduction.

**Amount of Section 179 Carryover from Previous Year:**

If there is any Section 179 carryover from the previous year, enter that amount in this field. Refer to the Form 4562 instructions for current information on Section 179 carryovers.

**Depreciation - Property Subject to Section 168(f)(1):**

Enter depreciation taken for assets that fall under the description of section 168(f)(1). Generally, this includes non-MACRS/non-ACRS assets not depreciated under term-of-years (e.g., units-of-production).

**Basis Attributable to Section 263A Costs:**

Enter the amount of the basis that falls under the uniform capitalization rules. This concerns certain instances where the expenses relative to an asset are capitalized, and therefore increase the asset's basis. Consult the IRS publications for current information on this topic.

**Depreciation - Miscellaneous Non-MACRS Property:**

Enter the amount of ACRS or other depreciation for assets placed in service before 1981.

## Printing the Tax Preference Report

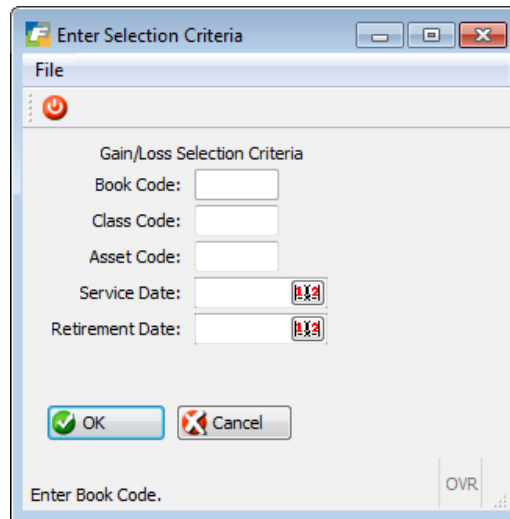
The Tax Preferences Report calculates information required in the Tax Preference items section of IRS Form 4626.

1. To print the report, select Print Tax Preference Report from the Fixed Assets Reports menu (2-d).
2. Print the report or redirect it to the screen.

## Printing the Gain/Loss Report

When a fixed asset is retired, whether sold, traded, or abandoned, the difference between the salvage value and the amount actually received for the asset will be either a gain or a loss. The Gain/Loss Report prints a summary of the gains and losses that result from the disposition of retired assets.

1. To print a report of gains and losses, select Print Gain/Loss Report from the Fixed Assets Reports menu (2-e).
2. Print the Report or redirect it to the screen. The Selection Criteria form appears:



3. Enter the information for which you want to print your report.

You can generate a report based on the following criteria or a combination: one or more books; one or more asset classes; one or more assets; assets put into service before or after a given date or between specified dates; assets retired before or after a specified date or between specified dates; or assets affecting a specified depreciation account.

## Printing Acquisition Report

Run the Acquisitions Report to see a breakdown of fixed assets purchases for the year. For example, you may want to see how many assets have been put into service in the last quarter of the year so you will know if your Federal Tax book will convert to the mid-quarter convention. To print the Acquisitions Report:

1. Choose Print Acquisitions Report from the Fixed Assets Reports menu (2-f).
2. Print the report, or redirect it to the screen.

## **Printing Depreciation Activity Report**

Run this report to see the GL activity that has been posted for each asset. To print the report:

1. Choose Print Depreciation Activity Report from the Fixed Assets Reports menu (2-g).
2. Print the report, or redirect it to the screen.

## **Printing Net Book Value by Class or Department Report**

Run this report to see the cost of each asset, its accumulated depreciation and net book value for a specified GL period and year. The report can be sorted by either asset class or asset department. To print these reports:

1. Choose Print Net Book Value Report from the Fixed Assets Reports menu (2-h or i).
2. Print the report, or redirect it to the screen.

# Chapter 5

## Posting Depreciation and End-of-Year Activity

In the previous sections you learned about setting up assets, maintaining your asset information, and how to create several informational reports. In this section you will learn:

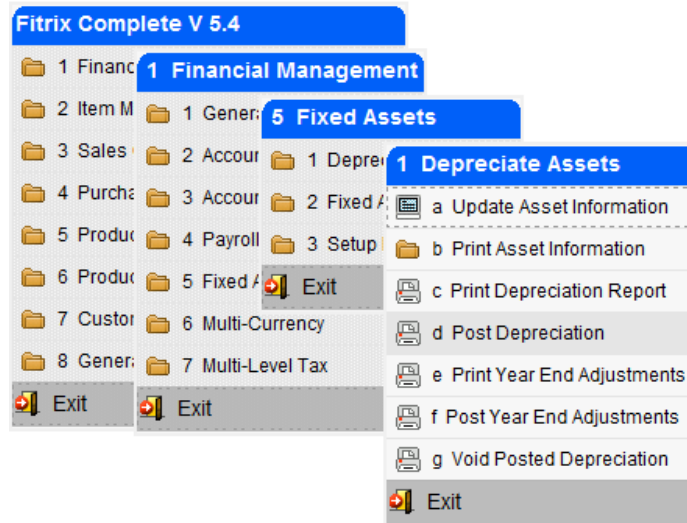
- how to run depreciation reports;
- how to post depreciation;
- how to make year-end adjustments;
- how to run end-of-period reports; and
- how to void posted depreciation.

### **The Depreciate Assets and Reports Menus**

The Depreciate Assets menu contains the options necessary to perform depreciation either at the end of each accounting period or at the end of the year.

In addition to the asset information options, which were discussed in previous chapters, the options on the Depreciate Assets menu include print options and posting options for depreciation and year-end adjustments. This is also where you will find options for voiding posted depreciation.

The Depreciate Assets menu:

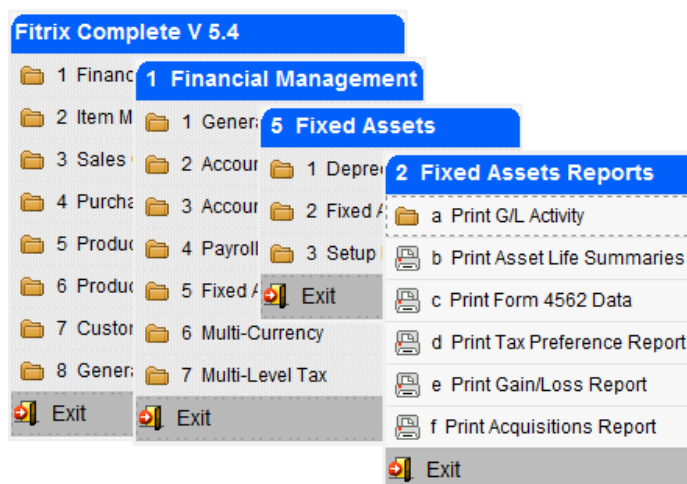


Before you can post your depreciation, you **MUST** first run a depreciation report (menu option 1-c) so that you can review the information and make any necessary changes prior to posting. Likewise, before you post year-end adjustments, you **MUST** run an adjustments report (menu option 1-e). Depreciation and year-end adjustments will post entries into your General Ledger.

If you make a mistake, you have the opportunity to void your depreciation transactions with the Void Posted Depreciation option (menu option 1-g).

After depreciation has been posted and examined, you will need to run several reports found on the Fixed Assets Reports menu discussed in Chapter 4.

The Fixed Assets Reports menu:





You will first run a Form 4562 Report (2-c), which is the IRS's required report for reporting information that summarizes the depreciation components of the Alternative Minimum Tax (AMT).

Next, the Tax Preferences Report (2-d) must be run, and then a Gain/Loss Report (2-e). Gains and losses must be posted to the General Ledger through a manual journal entry.

The steps involved in depreciating assets are:

1. Double-check your asset information.
2. Print a depreciation report edit list.
3. Post depreciation.
4. Print a year end adjustment edit list.
5. Post year-end adjustments.
6. Run 4562 Report and Tax Preferences Report.
7. Print the G/L Activity file and Gain/Loss Report.
8. Post gains and losses in the General Ledger.

## Depreciating Assets

At the end of every accounting period you will depreciate your assets.

Depreciation calculations should not span fiscal years. For example, if your fiscal year runs from January to December, do not run a depreciation report for April through March.

You may manually enter depreciation figures; however, those figures will not be overridden when you run the Print Depreciation Report option.

You depreciate assets within books; you may depreciate one book at a time or more than one book.

All books post to the Fixed Assets Activity file. Only the Main Book depreciation updates the General Ledger Activity file.

## Printing a Depreciation Report

The Print Depreciation Report option on the Depreciate Assets menu prints an edit list of depreciation (broken down by book) prior to posting. This list should be checked for accuracy prior to posting the depreciation. You must print a depreciation report before you can run the Post Depreciation option.

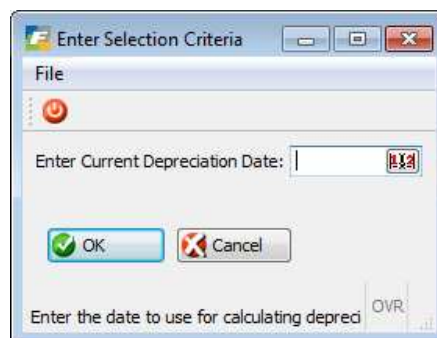
1. To print the Asset Depreciation Report, select Print Depreciation Report from the Depreciate Assets menu (1-c).

2. Print the report or redirect the report to the screen.

A prompt will appear, directing you to enter the current depreciation date.

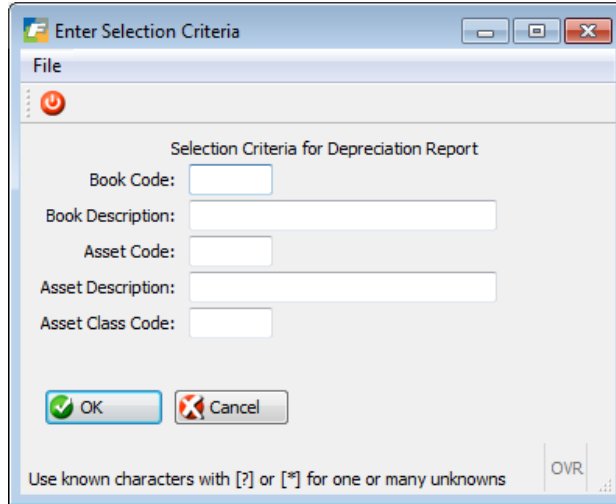
3. Enter the date for which you want to run depreciation.

Use the mm/dd/yy format. The date specified must fall within the current fiscal year.



4. Enter your depreciation criteria.

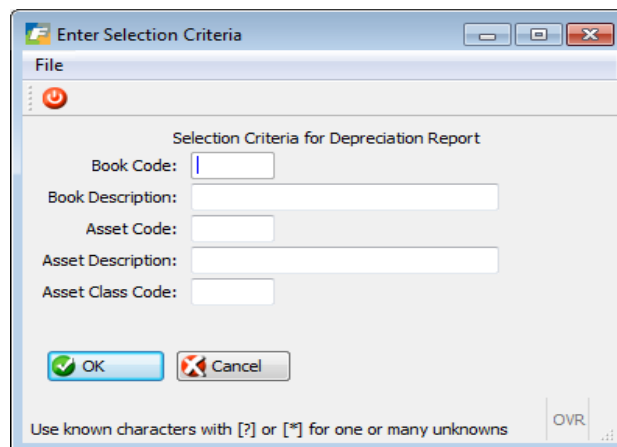
You may run depreciation on a single book or more than one book, or you may elect to run depreciation on one or more particular assets or asset classes. To run depreciation on all assets and all books, click OK or press Enter without entering any data on this screen.



## Posting Depreciation

The Post Depreciation option on the Depreciate Assets menu posts depreciation for selected assets and prints a posting report. The output from this report is broken down by accounting book. All specified depreciation is posted to the Fixed Assets Activity file, and Main Book depreciation also updates the General Ledger Activity file. Remember, you must run the Print Depreciation Reports option prior to posting depreciation.

1. To post depreciation, select the Post Depreciation option on the Depreciate Assets menu (1-d).
2. Print the report. The Selection Criteria screen displays:



3. Enter your selection criteria.

You must post the same assets and books as those for which you ran your depreciation report.

The transaction will post to the F/A Activity file (and the G/L Activity file for Main Book depreciation), and will generate a posting report showing the depreciation figures.

## Year End Adjustments

The year-end adjustment options calculate the adjustments that are required as the result of short years, and any required conversion to mid-quarter convention. In order to post year-end adjustments, you must first run the Print Year End Adjustments option.

An adjustment will be made if the MACRS 40% Rule applies. This rule states that if 40% or more of the MACRS assets placed in service in the current tax year were placed in service in the last quarter of the year, then the Mid-Quarter convention must be used for the assets placed in service in that year. The system makes this adjustment automatically when year-end adjustments are run.

## Printing Year End Adjustments

The Print Depreciation Report option on the Depreciate Assets menu prints an edit list of depreciation (broken down by book) for assets prior to posting. This list should be checked for data-entry accuracy before posting the depreciation. If the report indicates that there are no elements to process, it means that the program finds no adjustments necessary.

1. To print the Year End Adjustments Report, select Print Year End Adjustments from the Depreciate Assets menu (1-e).
2. Print the report. The selection criteria screen displays:

The screenshot shows a dialog box titled "Enter Selection Criteria" with a "File" menu and a red power button icon. The main area is titled "Selection Criteria for Depreciation Report" and contains five input fields: "Book Code:", "Book Description:", "Asset Code:", "Asset Description:", and "Asset Class Code:". At the bottom are "OK" and "Cancel" buttons. A footer note reads "Use known characters with [?] or [\*] for one or many unknowns" and there is an "OVR" field with a dropdown arrow.

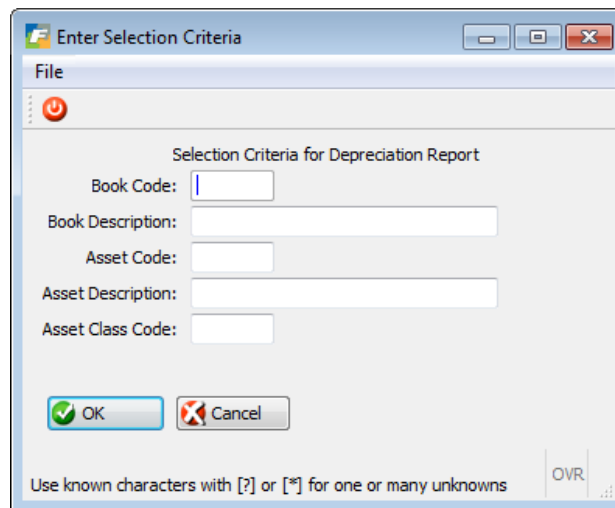
3. Enter your selection criteria.

## Posting Year End Adjustments

The Post Year End Adjustments option on the Depreciate Assets menu posts the adjustments for specified assets and prints a posting report. All adjustments are posted to the Fixed Assets Activity file, and Main Book adjustments also update the General Ledger Activity file.

Remember, you must run the Print Year End Adjustments Report option prior to posting.

1. To post adjustments, select the Post Year End Adjustments option on the Depreciate Assets menu (1-f).
2. Print the report. The selection criteria screen displays.



The screenshot shows a dialog box titled "Enter Selection Criteria" with a "File" menu bar. The main area is titled "Selection Criteria for Depreciation Report" and contains five input fields: "Book Code:", "Book Description:", "Asset Code:", "Asset Description:", and "Asset Class Code:". Below the fields are "OK" and "Cancel" buttons. At the bottom, there is a note: "Use known characters with [?] or [\*] for one or many unknowns" and a small "OVR" button.

3. Enter your selection criteria. The transaction will post to the Fixed Assets Activity file (and the G/L Activity file if Main Book adjustments were run), and a posting report will be generated.

## Printing Year End Reports

The following reports should be run after you have posted depreciation and adjustments:

- G/L Activity Report
- Gain/Loss Report
- Form 4562 Data
- Tax Preferences Report

## Void Posted Depreciation

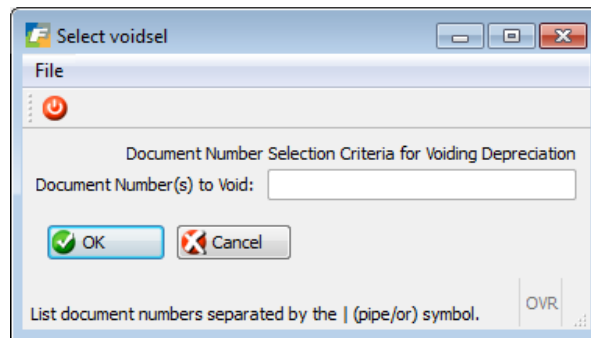
If, after posting your depreciation, you should discover that there has been a mistake, you can void the posted depreciation. Use the Void Posted Depreciation option on the Depreciated Assets menu (1-g).

1. To void a posted transaction, choose the Void Posted Depreciation option.

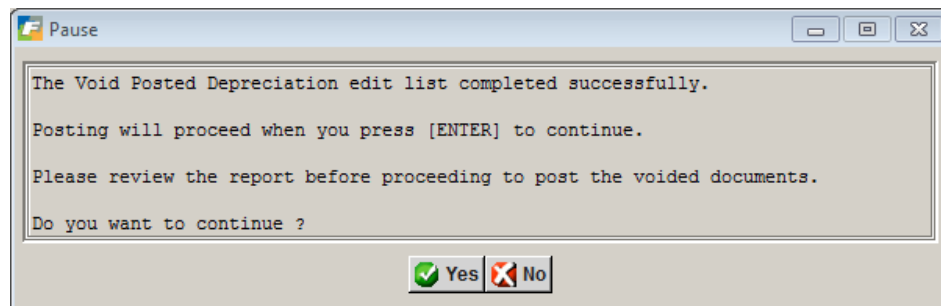
A Selection Criteria screen displays prompting you for the document number of the transactions you want to void. The document numbers can be found on the reports which were generated from posting depreciation and adjustments. Document numbers for depreciation taken under the Main Book can also be retrieved by running the Print G/L Activity Summary.

When you void a posted transaction, you must void two sets of postings: the posted depreciation and any adjustments which were posted.

The Selection Criteria screen.



2. An edit list is generated. Review this edit list for accuracy.
3. Verify that you want to go ahead, or make any necessary corrections.



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