Infor LN Financials User Guide for Fixed Assets

Important Notices

Trademark Acknowledgements

Publication Information

Document code	tffamug (U9630)
Release	10.7 (10.7)
Publication date	March 7, 2019

Table of Contents

About this document

Chapter 1 Introduction....11

Setting up parameters....11

To set up Fixed Assets....12

The prerequisites to set up Fixed Assets....13

Defining Fixed Assets parameters....13

Ledger interface parameters....13

Chapter 2 FAM Concepts....15

Using assets....15

Asset status....15

Assets and related books....16

Using books....17

Commercial Books....17

Statutory Books....18

Calculatory books....18

Using Economic Recapture....18

Special Books....19

Financial - U.S. Books....19

Federal Tax - U.S....19

Other Tax - U.S....20

Asset Book Statuses....20

Using Asset Categories....21

Defining Groups....21

Location Segments....21

Asset Class....22

Property types....22

Asset Groups....23

Transaction Inquiry Process....24

Performing Location Inquiries....24
Rules for Transferring....24
General transfer rules....24
Transferring assets....25
Quantity and percentage transfer rules:....25
Intercompany transfers....26
Asset book distributions....26
Defining Depreciation Frequencies....26
Using default books....27
Default Classification Data....27
Category Data....27
Assets by Activity Code....28
Mapping Books for Transfer....28
Calculating Asset Units Used....29
Depreciation of assets....29
Using Vintage/Group Accounts....30
Reason Codes....30

Chapter 3 Assets....31
To set up asset transactions....31
To dispose a fixed asset....32
Capitalizing Assets....33
Removing Asset Capitalization....34
Asset adjustment....34
Depreciating Assets....35
Suspending depreciation....36
Accelerated depreciation....36
Restating Depreciation for Assets....37
Disposing Assets....37
Transferring Mass Assets....38
Reporting....38
Purchasing a fixed asset....39

Registering a fixed asset....39
Registering a cost purchase invoice....39
Registering an order-related purchase invoice....39
Transferring Assets....40
Asset Adjustment Restrictions....41
Using Asset Revaluation....41
Asset distribution....42
Adding Books to Assets....42
Reverse Asset Disposal....43
Reverse Asset Book Disposal....43

Chapter 4 Asset Books....45
Using Asset Book Transactions....45
Adjusting Asset Books....45
Transferring Asset Books....46
Depreciating Asset Books....46
Disposing Asset Books....47
Disposing Mass Asset Books....48
Restating Depreciation for Asset Books....48

Chapter 5 Depreciation....51
Using Depreciation Frequencies....51
To calculate depreciation....52
Calculations and Averaging Conventions....53
U.S. averaging conventions....53
European averaging conventions....55
Using Depreciation Methods....57
Depreciation Based on Guarantee Factor....60
Cost Percentage Depreciation Method....61
Cost Percentage....61
Apply Cost Adjustment in the next Period....63
Salvage in Last Period....64

Depreciation Setup Reports....67
To calculate Sum of Year Digits depreciation....67
To calculate Remaining Life depreciation....70
To calculate Units of Production depreciation....72
Using ALT MACRS Methods....73
To calculate Alt. Modified Accelerated Cost Recovery System depr....74
ALT MACRS Table Daily....74
Example of ALT MACRS Table Daily....74
ALT MACRS Table Periodic....75
ADR and MACRS group election....76
To calculate MACRS depreciation....76
MACRS Straight-Line Formula Depreciation....77
MACRS Declining Balance Depreciation....78
To calculate MACRS table depreciation....78
MACRS Table Daily....78
MACRS Table Periodic....80
Using Accelerated Cost Recovery System (ACRS) Method....81
To calculate Accelerated Cost Recovery System depreciation....81
Calculating Declining Balance depreciation....82
Double declining balance depreciation....82
150% declining balance depreciation....83
To calculate Declining Balance with Switch to Straight Line depreciation....85
Declined balance:....86
To calculate sum of years digits with switch to SL depreciation....86
Calculating Alternative MACRS Formula Depreciation....88
To use Annuity depreciation....88
Calculating Annuity Depreciation....89
To use First Period depreciation....90
Suspending depreciation....90
Mass suspend depreciation....90
Reversing suspension of the depreciation....91

Accelerated depreciation....92
Performing accelerated depreciation....92
Reversing the accelerated depreciation....93
Reverse depreciation....93

Chapter 6 Journals....97
Capitalization Journals....97
Adjustment Journals....97
Depreciation Journals....98
Disposal Journals....99
Transfer Journals....99
Intercompany Journals....99

Chapter 7 Handling Mass Assets....101
Using Mass Transactions....101
Adjusting mass assets....101
Adjusting Mass Asset Books....102
Mass Asset Depreciation....103
Mass Restate Depreciation....103
Disposing Mass Assets....104

Chapter 8 Vintage Group or Accounts....105
Using Vintage/Group Account Transactions....105
Adjusting vintage/group accounts....105
Depreciating Vintage/Group Accounts....106
Restating Vintage/Group Accounts....106
Disposing Vintage/Group Accounts....107
Transferring Vintage/Group Accounts....107

Chapter 9 Periodic Processing....109
Using Period End....109
Using History Purge....110
History Retention Rules....110

Chapter 10 Insurance....111
Insurance....111
Chapter 11 Business Information....113
Business Information....113
Chapter 12 FAM and other Modules....115
Links with other modules....115
Appendix A Reports....117
Standard reports for fixed assets....117
Register Reports....119
Periodic Processing Reports....120
Inquiry Reports....121
Appendix B Glossary....123

About this document

This document describes the process to set up and use the fixed assets of your company.

Assumed knowledge

Understanding this document is easier if you have basic knowledge of the functionality of the various logistic LN packages.

Document summary

This document includes these chapters and appendices:

1. **Introduction**
   Overview of the Fixed Assets module and the master data setup procedures.
2. **FAM Concepts**
   Lists the frequently used FAM concepts.
3. **Assets**
   Describes the process to create, capitalize, adjust, transfer and dispose the asset.
4. **Asset Books**
   Explains the purpose of asset books.
5. **Depreciation**
   Describes different methods and ways to calculate depreciation.
6. **Journals**
   Describes various FAM related journals.
7. **Handling Mass Assets**
   Provides the details of the handling mass assets.
8. **Vintage/Group Accounts**
   Provides information about the vintage or group accounts.
9. **Period processing**
   Describes period end process in Fixed Assets.
10. **Insurance**
    Describes the process to handle the insurance of assets.
11. **Business Information**
    Describes the details of extra business information of the assets.
12. **FAM and other Modules**
    Describes the FAM links with the other modules.
13. **Glossary**
    Provides definitions of the terms and concepts used in this document.

Comments?

We continually review and improve our documentation. Any remarks/requests for information concerning this document or topic are appreciated. Please e-mail your comments to documentation@infor.com .

In your e-mail, refer to the document number and title. More specific information will enable us to process feedback efficiently.

Contacting Infor

If you have questions about Infor products, go to Infor Concierge at https://concierge.infor.com/ and create a support incident.

If we update this document after the product release, we will post the new version on the Infor Support Portal. To access documentation, select **Search Browse Documentation**. We recommend that you check this portal periodically for updated documentation.

If you have comments about Infor documentation, contact documentation@infor.com .

Chapter 1
Introduction

1

The Fixed Assets module is used to manage the fixed assets of your company. LN allows you to enter and track data for the property, plant, and equipment used by your organization. You can capitalize assets, depreciate the assets in multiple books, transfer assets within or between companies, and dispose the assets at the end of their life cycle. You can maintain periods and years of historical asset data through period-end processing.

You can track data to the original document using inquiries within products and across subsystems. You can also use the reporting capabilities of the module.

A fixed asset is linked to a group, category and up to eight hierarchical locations. You can also manage assets by quantity or by percentage.

An asset can be assigned to a any number of books, that is, an asset can cover several areas of economics, such as, life times, values, depreciation methods, and depreciation percentages. The results of financial depreciation and revaluation are posted to the General Ledger.

To handle the buying and selling of fixed assets, you can use these modules:

- General Ledger
- Accounts Payable
- Accounts Receivable
- Project Progress in Project
- Invoicing

Setting up parameters

Before you use the Fixed Assets module, you must set up its data and integrate it with the General Ledger.

To set up Fixed Assets

To set up Fixed Assets:

1. **Books**
   In the Books (tffam6500m000) session, add the books.
2. **Property Types**
   In the Property Types (tffam7180m000) session, set up the required property types.
3. **Asset Groups**
   In the Asset Groups (tffam4500m000) session, set up the asset groups.
4. **Depreciation Frequencies**
   In the Depreciation Frequencies (tffam7100m000) session, add the depreciation frequencies.
5. **Depreciation Methods**
   In the Depreciation Methods (tffam7510m000) session you can define the depreciation methods.
6. **Define FAM Parameters**
   In the FAM Parameters (tffam0100s000) session, define FAM parameters.
   Define default values for:
   - Transaction details
   - Depreciation frequencies and information
   - Exchange rate types
   - Books
   - Category
   - History Retention years and periods
7. In the FAM Parameters (tffam0100s000) session, from the appropriate menu, select **Default Books** option to start the Default Books (tffam0510m000) session, in which you can define the default books. These books are used by the Assets (tffam1500m000) session to generate asset books.
8. **Categories**
   In the Categories (tffam2500m000) session, add the categories.
9. **Location**
   In the Location Segments (tffam5510m000) session, set up the required locations.
10. **Asset Classes**
    In the Asset Class (tffam1135m000) session, select the life value of the asset. You can select a single value or range of values.
11. **Vintage Groups /Accounts**
    In the Vintage/Group Account (tffam7170s000) session, add new vintage/group accounts
12. **Reasons**
    In the Reasons (tffam6550m000) session, define reason codes for various FAM transactions such as adjustments, disposals, transfers and removals.
13. **Integrations**
    In the Mapping Scheme (tfgld4573m000) session, define the mapping scheme, to link the fixed asset transactions to the General Ledger module.

The prerequisites to set up Fixed Assets

Before you set the parameters in the FAM Parameters (tffam0100s000) session, complete these steps:

- In the Implemented Software Components (tccom0100s000) details session, select the **Financials (TF)** check box.
- In the Chart of Accounts (tfgld0508m000) session, add the ledger accounts in which the fixed asset transactions are posted.
- In the **Fixed Asset Integration** field in the Chart of Accounts (tfgld0508m000) session, select one of the following options. These types of ledger accounts are linked to the Fixed Assets module, and are used as interim accounts for the specific transactions.
  - **Investment**
  - **Maintenance Costs**
  - **Disposal**
- In the Transaction Types (tfgld0511m000) session, define the transaction types for the various fixed asset transactions. The **Transaction Category** must be **Journal Vouchers** and the **History Update Mode** must be **Batch Processing**.
- In the Exchange Rate Types (tcmcs0140m000) session, add the exchange rate types if they are different for FAM.

Defining Fixed Assets parameters

You use the FAM Parameters (tffam0100s000) session to set parameters for the Fixed Assets module for a specified company.

For each company, you set parameters in the Fixed Assets module that contain the following:

- Default general ledger transaction type
- Default history retention years and periods
- Default depreciation frequencies
- Default depreciation information
- Default exchange rate types
- Default books
- Default category

The parameters include a transaction type through which all fixed asset transactions are posted.

Ledger interface parameters

Ledger interface parameters specify how journals are created in LN for asset data for each company.

In the FAM Parameters (tffam0500m000) session, you can set these posting parameters:

- **Memo for Each Distribution Line**
  This parameter enables the **Reference** field in the Asset Distributions (tffam1520m000) session:
  - If this check box is selected, the **Memo** fields are displayed in the distribution lines for assets. The data you enter in the field is sent with asset journals posted to the General Ledger.
  - If this check box is cleared, the **Memo** field is not available in the distribution lines for assets.
- **Allow Suppress Journal Entry**
  This parameter controls the option to suppress General Ledger posting of FAM transactions:
  - If this check box is selected, you can suppress journal entries when running a process such as depreciation, adjustment, or disposal. This can be useful when you are still setting up Fixed Assets.
  - If this check box is cleared, you cannot suppress the journal entries.

Chapter 2
FAM Concepts

2

In Fixed Assets, these concepts are used frequently:

Using assets

Fixed assets include property, buildings, and equipment that are expected to reduce your company's costs or increase its income. In the Fixed Assets module, you record data about the fixed assets your company owns. You record asset data to keep track of the assets your company uses and to record transactions for the assets.

You assign one or more books to an asset. A book determines how an asset depreciates, and stores all transactional data for the asset. When you associate a book with an asset, you create a relationship between the asset and that book, called an asset book.

After you enter assets, you can record transactions for them. You use transactions to capitalize an asset to depreciate the asset's cost, to adjust capitalized assets that you can no longer directly change manually, to (partial) dispose of an asset that you no longer own, or to transfer an asset to another location.

Asset status

In Fixed Assets, an asset goes through several statuses. The status of the asset determines the actions you can perform on it. You can view the status of each asset in the Assets (tffam1500m000) session.

These are the asset statuses:

- **Entered**
  The asset data was entered into LN, but the asset has not yet been capitalized and is not depreciating.

  In most cases, you can edit or delete entered assets. You cannot manually delete assets if they originate from an investment transaction in Accounts Payable or the General Ledger, or if the current cost and/or the current quantity are above zero.

- **Acquired**
  The asset was entered and capitalized, and is eligible for depreciation.

  You cannot delete or edit an acquired asset, but you can perform transactions on it. For example, you can create an adjustment transaction to edit the asset's data, or a disposal transaction to begin the process of deleting the asset from LN.
- **Disposed**
  The depreciating asset was sold, transferred, donated, or otherwise disposed of, and is eligible for purging.

  You cannot edit or perform transactions on a disposed asset.
- **Removed**
  The depreciating asset was removed.

  After removal, an asset can still have transactions posted to the General Ledger. Remove capitalization is meant for changing some data, and then capitalize again. However, you can also use the **Removed** status to archive or delete assets via the Archive/Delete Disposed Assets (tffam8208m000) session. This allows you to delete assets without disposing them, which precludes disposal transactions for these assets. You can still change the status from **Removed** to **Entered**.

Assets and related books

When you create an asset, one or more books can be assigned to the asset. Fixed Assets uses the information within each book to determine how an asset depreciates and to record transactional data for the asset. Each book that is assigned to an asset can contain different data about that asset, and the asset can depreciate differently in each book.

LN assigns a set of default books to each new asset upon creation in the Asset Books (tffam1510m000) session. If a book is not required, you can remove the association with the default book. You can add an association with a book that is not a default book.

Each company's assets must have a relationship with a financial or commercial type book that is specified as the default General Ledger posting book in the FAM Parameters (tffam0100s000) session. The default-posting book is the primary book from which LN draws asset data when you send journal entries to the General Ledger. You cannot remove or change the default-posting book from an asset.

Note

If an asset is in a vintage/group account, it must be associated with the ADR book.

Using books

You use books to record depreciation and other transactional data for your company's assets. When you enter an asset into LN, you assign one or more books to the asset. You must set up books before you can set up the FAM Parameters (tffam0100s000) session for your company.

For each book you create, you specify whether assets associated with the book will depreciate or not. An asset can depreciate differently in different books, or not depreciate at all in a book. You also specify the type of book. There are several types of books you can specify.

These types of books are used in the United States:

- **Financial**
  Used to record data that is not subject to tax reporting regulations, such as General Ledger data.
- **Federal Tax**
  Used to record data that is subject to federal tax reporting regulations, such as adjusted current earnings or alternative minimum tax. For each federal tax book, you can also specify whether the book records data for alternative minimum tax (AMT) reporting or adjusted current earnings (ACE) tax reporting.
- **Other Tax**
  Used to record data that is subject to tax reporting regulations other than federal, such as state tax or insurance replacement.

These types of books are used in countries other than the United States:

- **Commercial**
  Used to record data that is not subject to tax reporting regulations, such as General Ledger data.
- **Calculatory**
  Used for methods of depreciation specific to European requirements, for example, the **Annuity** method.
- **Special**
  Used for specific depreciation methods (either custom depreciation or excess depreciation) to be posted. The **Special** parameter supplements **Commercial** or **Statutory** depreciation.
- **Statutory**
  Allows you to report depreciation for tax reporting purposes for **Calculatory**, **Commercial**, and **Special** book types.

Commercial Books

The **Commercial** book is the standard financial book for the non-United States countries. It is used to post journal entries to the General Ledger, or to capture other values used for financial reporting. This book can be the posting book and additional posting is allowed. This allows extra posting of a fixed amount and/or method.

Commercial books have no sub types and use the section 179 value in depreciation calculation, if the value is entered. Both the **Annuity** depreciation method and **Economic Recapture** are invalid for this book type. It posts to the depreciation expense account as a debit and to the accumulated depreciation account as credit.

Statutory Books

The **Statutory** book is a tax book for non-United States countries. It is intended to report depreciation for tax reporting purposes. This book is not allowed to become the posting book but additional posting is allowed. This allows extra posting of a **Fixed** amount and/or method.

Statutory books have no subtypes and use the section 179 value in depreciation calculation, if the value is entered. Both **Annuity** depreciation and **Economic Recapture** are invalid for this book type. It uses the statutory account type in the Integration Schemes to determine the debit accounts and the credit accounts for posting.

Calculatory books

The **Calculatory** book type permits methods of depreciation specific to European requirements. This book is not allowed to become the posting book in the FAM Parameters (tffam0500m000) session. You can select a check box in the Asset Books (tffam1510m000) session to enable posting. Additional posting is allowed, which allows extra posting of a fixed amount and/or method. Both economic recapture and additional posting amounts will always post.

Calculatory books have no subtypes and they use the section 179 value in depreciation calculation if entered. **Economic Recapture** is valid for only this book. **Economic Recapture** posts the total of depreciation and additional posting to economic recapture accounts indefinitely. This book type uses the calculatory account type in the integration mapping scheme to determine debit and credit accounts for posting. The **Annuity** depreciation method is valid for only this book type. This is principal depreciation based on an interest rate.

Using Economic Recapture

Economic recapture is available for calculatory books. When the economic recapture check box is checked and the asset is fully depreciated (which means its net-book-value is zero), depreciation will continue to occur. The depreciation is posted to an economic recapture account rather than the normal depreciation expense or calculatory depreciation account.

Economic recapture always uses a straight line method based on the asset book life and the asset cost at the time the book was fully depreciated. It continues until you deselect the economic recapture check

box, or until the transfer or disposal of asset. Economic recapture does not increase the life-to-date or year-to-date accumulated depreciation of the asset book.

Remaining life displayed on the asset book is always zero during economic recapture. The last depreciation date is updated as economic recapture progresses. This allows you to determine through what date economic recapture has occurred.

Restate depreciation can undo or recalculate economic recapture. If the additional posting check box is checked during economic recapture, the additional periodic posting amount is added to the amount of economic recapture and the sum is posted to the economic recapture account(s). If an additional posting method is supplied, this is ignored since economic recapture is always based on the straight depreciation method.

Special Books

The **Special** book type, which is a non-United States book type, permits specific depreciation methods to be posted to the general ledger. It supplements **Commercial** or **Statutory** depreciation.

You cannot use this book as the posting book in the FAM Parameters (tffam0100s000) session, however you can use a check box in the Asset Books (tffam1510m000) session to enable posting. Additional posting is allowed which allows extra posting of a **Fixed Amount** amount and/or method.

Special books have no subtypes and use section 179 values in depreciation calculation if entered. Both the **Annuity** depreciation method and **Economic Recapture** are invalid for this book type. This book uses the special account type in the Integration Schemes to determine the debit accounts and the credit accounts for posting.

Financial - U.S. Books

The **Financial** book is used to record data that is not subject to tax reporting regulations, such as general ledger data. You can use the **Financial** book as the posting book but no additional posting is allowed.

The **Financial** book has no subtypes and the section 179 amount is not allowed. The amount posts to the depreciation expense account as a debit and to the accumulated depreciation account as a credit. **Annuity** and **Economic Recapture** are invalid for this book.

Federal Tax - U.S.

The **Federal Tax** book is used to record data that is subject to United States Internal Revenue Service (IRS) tax reporting regulations. IRS regulations dictate specific depreciation methods that are used for varying circumstances, such as adjusted current earnings and alternative minimum tax.

You can specify whether the book records data for alternative minimum tax (AMT) reporting and adjusted current earnings (ACE) tax reporting.

You can define three separate federal tax book types:

- Standard
- ACE
- AMT

The separate book types can be attached to the same asset, and depreciate based on different federal tax types. If you want a book to be an ADR book, the book must be the **Federal Tax** book.

You cannot use this book as the posting book and no additional posting is allowed. It uses the section 179 value in depreciation calculation if entered. Both **Economic Recapture** and the **Annuity** depreciation method are invalid for this book type.

Other Tax - U.S.

The **Other Tax** book is used to record data that is subject to tax reporting regulations other than federal, such as property tax or insurance replacement. You cannot use this book as the posting book and no additional posting is allowed for it.

The **Other Tax** book has no sub types. The **Other Tax** book to use is the selected section 179 value in depreciation calculation. Both **Economic Recapture** and the **Annuity** depreciation method are invalid for this book type.

Asset Book Statuses

LN uses information from the asset and its related books to determine how an asset depreciates and to record transactional data for the asset. When you perform a transaction on an asset, you can pick individual books to transact against or you can transact for all books associated with the asset. LN records the original value for each asset book and any changes that result from the transaction.

As you process assets, the books associated with those assets go through several statuses. The status of the related books determines the actions you can perform on the asset. These are the asset book statuses:

- **Entered**: The book has been associated with the asset, but the asset has not yet been capitalized. LN has not recorded any depreciation in the selected book.
- **Acquired**: The asset with which the book is associated has been capitalized but is not depreciating. The asset is eligible to begin depreciating in the selected book at any time.
- **Depreciating**: The asset is accumulating depreciation in the selected book.
- **Fully Depreciated**: The asset has fully depreciated in the selected book.

- **Disposed**: The asset has been removed from service in the book and is no longer depreciating. No further transactions can be recorded against the asset in this book.

Using Asset Categories

Categories, which are required for asset entry, classify assets and provide data entry defaults during asset entry. When you create a category, you indicate default depreciation data such as a default life and depreciation method. Depreciation information entered in a category is applied to each book associated with an asset automatically. You can change some of this default data if it does not apply to a specific asset or book associated with an asset.

Example you create a category called COMPUTERS for all computing equipment used in your organization's offices. You enter the most commonly used depreciation method and property type for this category. LN then assigns this default data to each computer asset you create.

When you add an asset, you assign a predefined category to the asset. The category provides default data for each of the books you associate with an asset. You choose a subcategory for the selected category to further classify the asset for reporting and inquiry purposes.

Example an accountant at your company enters an asset to record the purchase of a dryer used to manufacture newsprint. The accountant assigns it the category DRYERS and the subcategory NEWSPRINT. If the accountant later wants to perform an inquiry to determine the total depreciation for dryers for the newsprint product, he can select all assets with the category Dryers and the subcategory Newsprint.

Defining Groups

You use groups to classify your organization's assets for reporting and inquiry. You enter a unique code and a description for each group. You can define groups and assign them to an asset at any time. For example, you can define the group VEHIC for all of the vehicles used by your company.

Location Segments

A location defines the physical site of an asset within the Fixed Assets module. You use locations when you enter assets, process asset transactions, print reports and perform inquiries.

Each location shares a common format called the location format. The segments of the location format contain information about the physical site of an asset. The order in which the segments are displayed is specified by the location format. The location format can contain a maximum of eight segments.

You can define location segments in the Location Segments (tffam5510m000) session. For each location segment, you must define a set of valid values called segment codes.

A location segment contains segment codes to track information of organization's assets. When you enter assets in LN, you select a segment code for each segment in the location format.

Example you can set up the location segment COUNTRY, and define segment codes by using two characters for each country in which your organization maintains assets. When you enter an asset that is located in the Netherlands, you can select, the segment code NE for the segment COUNTRY.

The segment codes and the segment defaults are defined in the Location Segment and Segment (tffam5100m000) session, and the order of the location format is defined in the Define Location Format (tffam5210m000) session. Example, you can add the location segment BLDG to identify the building in which an asset is located. You would then define a segment code for each specific building in your organization.

Asset Class

The Asset Class (tffam1135m000) session is used to specify the life of the assets which are in a class. The life of an asset determines its recovery period, method of depreciation, and convention. Life of an asset can be specified as a single life value, or as a range of values from which the life can be selected.

If you select ADR (asset depreciation range) as the account type, you enter the lower class life, midpoint class life, and upper class life for ADR vintage accounts. If you select modified accelerated cost recovery system (MACRS) as the account type, you enter the alternative depreciation life, general depreciation life, and class life for the MACRS group accounts. An asset class used by a vintage or group account cannot be modified.

Property types

A property type is a classification of fixed assets for legal U.S. tax depreciation requirements. You can select a property type for each asset book. The specified property type is used for information purpose only. The property type is required, if the book is the vintage/group account book and the asset belongs to a vintage/group account. The property type must be set to **Real** or **Personal** and match the property type of the vintage/group account to which the asset belongs.

The following property types are available:

- **Real**: Property is immovable.
- **Personal**: Property is movable.
- **Amortize**: Systematic reduction or writing off of an account, such as an account balance, over a specific number of time periods. Amortization is a form of depreciation. It is the recovery of certain capital expenditures, including goodwill and other intangible assets. This property type is not available for expenditures for which a current business deduction may be claimed, or those, which are capitalized and depreciated.
- **Others**

The property sub-type enables you to further classify property types. Sub-types are used for tax reports. The options are:

- **Real property**
  - **Listed**
  - **Conservation**
  - **Energy**
  - **Farms**
  - **Housing**
- **Personal property**
  General
- **Amortize**
  - **Sec 179 Assets**
  - **Sec 169 Assets**
  - **Bond Premiums**
  - **Lease Acquisitions**
  - **R&D**
  - **Business Startup**
  - **Corp. Org Costs**
  - **Partnership Org Costs**
- **Public**
  Public Utility
- **Others**
  N/A

Asset Groups

An asset group is a collection of assets. Use groups to classify your organization’s assets for reporting and inquiry. You can associate assets from multiple categories into the same groups. You can also enter a default group for each category. The asset group cannot be deleted, if it is in use by an asset or assigned to a category.

Asset groups do not affect processing; they enable query and facilitate reporting on subsets of the company's asset data.

You must specify an unique code and a description for each group. You can define groups and assign them to an asset at any time. Example, you can define the group VEHIC for all of the vehicles used by your company. The asset group can also be used for the integration with Ledger Accounts and/or Dimensions.

Transaction Inquiry Process

The transaction inquiry process involves selecting a company and book, then locating the information you need about the transactions for the company and book in LN. For example, you may want to view depreciation amounts in the federal tax book for a particular company for federal tax purposes.

You can retrieve total amounts by period or year for capitalization, depreciation, adjustment, transfer, and disposal transactions. You can then summarize transaction information by period or year.

If you view totals by period, you view transaction amounts for each period in the current fiscal year. If you view totals by year, you view transaction amounts for each year for which you currently retain historical data.

Performing Location Inquiries

A location defines the physical location of an asset. You use locations when you enter assets, process asset transactions, print reports, and perform inquiries in LN.

The location inquiry process involves selecting a location, then viewing depreciation data for each book related to the assets associated with the location in LN. For example, you can want to view the costs in the state tax book for a particular district, or view accumulated depreciation for each division in your organization. You can retrieve total cost and total accumulated depreciation for each book related to assets at a selected location. You can also view summary cost and accumulated depreciation for each book related to the assets associated with the selected location.

Rules for Transferring

You can indicate the transfer amount as a quantity or as a percentage. You can also transfer assets according to the location or account. The rules that apply to asset transfers are described below.

General transfer rules

The following general transfer rules apply:

- Additional posting does not affect asset transfer.
- No additional posting or economic recapture data transfers with an asset. Therefore, if you want to continue additional posting or economic recapture in the destination asset, you must process an adjustment for that asset or those assets.
- The shift factor is not carried forward to the new asset, but is automatically reset.
- Distribution memos are not copied into the destination asset.

Transferring assets

If you transfer by percentage, you specify the percentage of the asset's total cost that LN must transfer. If you transfer by quantity, you specify the portion of the asset's total quantity that LN must transfer.

Note

If you transfer a group of assets through the Transfer Assets (tffam8211m000) session, you must transfer by percentage regardless of how the assets are distributed.

Quantity and percentage transfer rules:

The following rules apply to transfer by quantity and by percentage:

- You cannot transfer more than the total quantity of the asset, and you cannot transfer a fractional quantity (such as 1.5).
- For an asset with a total quantity of one, you cannot record a partial transfer. In a full transfer of an asset with a total quantity of one, LN sets the total quantity of the destination to one and the source to zero.
- If you transfer by quantity for an asset distributed by quantity, the destination quantity you enter for each distribution line cannot exceed the source quantity of that line.
- If you transfer an asset distributed by percentage by quantity, the sum of the destination quantities you enter for each distribution line cannot exceed the total quantity of the source asset, but otherwise bears no relationship to the percentage on each line.
- If you transfer by percentage, the sum of the destination percentages you enter cannot exceed 100%, but can be less than 100%. For each distribution line, the destination percentage can exceed the percentage entered for the source asset.
- If you transfer by percentage, the destination percentages you enter indicate the percentage of the source asset's total cost you want to transfer, not the percentage of the amount on each line that you want to transfer.
- If you transfer a single asset by quantity, LN calculates the percentage that the quantity represents and applies it to the cost. If the resulting quantity is a fraction, LN rounds it to a whole number. The result of this calculation is the quantity that LN transfers.
- In mass transfer, LN transfers the records in which all criteria are met and rejects the records that do not meet all the criteria.

For example, if you have an asset with a total quantity of four and a cost of 10,000, and you transfer a quantity of three, LN calculates that this percentage is 75%, and reduces the source asset's cost to $2,500. The destination asset gets a total cost of $7,500.

Intercompany transfers

In both single and mass transfer, part or all of an asset's intercompany distribution must be transferred. Before you can process an intercompany transfer, you must define the relationship between the source and destination company in the Inter-Company Relations (tfgld0515m000) session.

If an intercompany relationship exists, you will need to specify if it is a financial or logistic transfer.

These intercompany transfers or distributions are permitted:

- Transfers between two companies within the same group.
- Transfers from a company to its base company.
- Transfers between two base companies.

Asset book distributions

When you add an asset, you record one or more distribution lines for it.

Distribution lines contain this data:

- The company associated with the distribution line. You can create an intercompany transaction by distributing lines of an asset to another company.
- The physical location of the asset.
- The quantity or percentage of the asset distributed to the indicated location.
- The source of the asset's account information, whether by **Transaction Schedule** or **Integration Scheme**.

Defaults for location data come from the location codes specified in the Location Segment and Segment (tffam5100m000) session. You can accept these defaults or select a different location.

You add book detail information for each book you assign to an asset. Book detail information determines how an asset depreciates in a book. Some book data appears by default when you associate an asset with a book. This data comes from the company and the category you assign to the asset. You can accept or change the default data.

You add distribution data in the Asset Distributions (tffam1520m000) session.

Defining Depreciation Frequencies

You specify a default depreciation frequency for each type of book that LN supports. When you enter an asset and associate it with a book, LN applies the appropriate default depreciation frequency for that type of book.

Using default books

When you specify default books, you indicate which books are required and which book is the default posting book or default ADR book. When you create an asset, an asset book relationship is created for all the default books. Required books are associated with all assets for a company and cannot be removed from assets with which they have been associated.

The default-posting book sends journal entries to the posting book for all assets for the company. Only one book can be the default posting book. This book must be of the **Financial** or **Commercial** book type.

The default ADR book updates the vintage account for the assets cost, accumulated depreciation, and salvage value. These values are updated during capitalization, disposal, adjustment, and appreciation. Only one book can be the default ADR book. This book must be a **Federal Tax** book.

Note

You must set up books in the Books (tffam6500m000) session before you can specify default books. To specify default books, select **Default Books** from the appropriate menu in the FAM Parameters (tffam0100s000) session.

Default Classification Data

You can classify assets for reporting and inquiry purposes. You specify a default group for a category in the Categories (tffam2500m000) session. When you select a category during asset entry, LN automatically applies the default group to the asset. For example, you have a category called LOWEND for computer systems under $5,000. Since most assets in the LOWEND category will be computers, you can assign the group COMP as the default group for the category. LN will apply the COMP group to all assets to which you assign the LOWEND category.

Note

Upon entering a new asset, the default group can be modified.

Category Data

When you select a category during asset entry, LN applies the default data associated with the category to the asset, and the following fields are displayed in the asset record:

- **Category** When you add a new category, LN automatically creates a subcategory with the same name as the category and selects it as the default subcategory for the category. When you select a category during asset entry, LN automatically applies the default subcategory to the asset. For example, in the category VEHICLES, you enter subcategories for tractors, trailers, and trucks used for shipping and for trucks used for snowplowing or other emergency

road service. You can then select TRACTORS as the default subcategory. When you enter a new asset and apply the category VEHICLES to the asset, LN also applies the default subcategory TRACTORS to the asset. LN also applies some data associated with the category to the asset books. In the Categories (tffam2500m000) session, you enter default depreciation methods for all types of books. When you enter a new asset, these default depreciation methods are assigned to the asset books according to their book type.

- **Subcategory** Subcategories provide additional classification of assets within a category. A category can have several subcategories associated with it. You indicate which subcategory should act as the default for the category during asset entry. You can modify these defaults in the asset record.
- **Asset Group** Groups classify assets for reporting and inquiry purposes. You specify a default group for a category in the Categories (tffam2500m000) session. When you select a category during asset entry, LN automatically applies the default group to the asset. For example, you have a category called LOWEND for computer systems under $5,000. Since most assets in the LOWEND category will be computers, you can assign the group COMP as the default group for the category. LN will apply the COMP group to all assets to which you assign the LOWEND category.

You set up groups in Asset Groups (tffam4500m000) session. For more information, see the *Defining Groups (p. 21)* topic.

Assets by Activity Code

The activity codes for assets are used as a reference to the asset. According to the Portugese law, the codes must be printed on the MAPAS reports.

The activity codes are defined in the Activity Codes (tffam2180m000) session, and are linked to assets using the Assets by Activity Code (tffam2581m000) session.

Mapping Books for Transfer

If you transfer assets from one company to another, you can map the asset books of the source company to the target company. In the Mapping Books for Transfer (tffam0520m000) session, link the source and the destination books for all valid companies before you transfer assets.

The asset books in the destination company are created using the values in the source company's asset books. If the destination book is a posting book, then the source book must also be a posting book.

Calculating Asset Units Used

You can track an asset's life in units, rather than in years and months. Before you can depreciate any asset with a life in units, you must enter the units used for that asset since the last time depreciation occurred.

For example, a company can track the estimated life of an electric forklift in machine hours. In one period, the forklift used a total of 150 machine hours out of an estimated useful life of 72,120 units. Before the accountant at the company can calculate depreciation for this period, he must record that 150 units were used for the asset.

You record units used for assets in the Record Asset Units Used (tffam1145s000) subsession and for books in the Record Asset Units Used (tffam1245m000) subsession of the Record Asset Units Used (tffam1145m000) session.

The current units shown for the asset represent the total units used to date for the asset in the default general ledger book. The number of units you enter is the new cumulative total of units used to the current date. LN uses this value to replace the previous units used for the asset in all of its books.

For example, to increase the units used by 250 - from 10,500 to 10,750 - you enter 10,750 as the new units used and LN overwrites the previous value.

If you leave a row blank, LN interprets this as zero units used. If you enter a number of used units that is equal to or greater than the current life in units that the asset contains in any book, LN interprets this to mean that the asset is fully used in that book. The next time you calculate depreciation, LN fully depreciates the asset, but does not overwrite the previous value with zero.

Note

Assets that belong to a vintage/group account are not subject to units of production. These assets depreciate with a life of months and years.

Depreciation of assets

Depreciation is a cost that decrease the value of an asset due to obsolescence or use. The depreciation of your fixed assets is periodically calculated and posted to the General Ledger module using the integration mapping scheme.

There are various methods to calculate depreciation. For more information, refer to *Using Depreciation Methods (p. 57)*.

Using Vintage/Group Accounts

You can create two types of vintage or group account:

- *MACRS group accounts*, for any MACRS asset placed into service after 1994.
- *Vintage accounts*, for assets placed into service prior to 1980.

For each vintage/group account you create, you set parameters to determine what assets the account can be associated with and how LN depreciates those assets. All assets that you associate with a vintage/group account must share these parameters.

Assets in a vintage/group account are depreciated as a group, and are subject to different disposal rules than assets that are not part of an account. For more information, refer to *Disposing Vintage/Group Accounts (p. 107)*.

Reason Codes

You use reason codes to categorize:

- Adjustments
- Disposals
- Transfers
- Removals

Reason codes are grouped by types, according to the process to which they apply. When you perform a process that requires a reason code to be entered, the reason-code lookup shows only those reason types that are valid for that process.

Reason codes do not affect processing, but provide information during inquiry and reporting. The codes are used during asset transaction processing and mass transaction processing. Reason codes can be a criteria to define the dimensions, to which the transaction is posted. You cannot delete reason codes if they are in use in any of the following subsystems:

- Acquisition
- Adjustment
- Disposal
- Removal

You can delete one or multiple of reason codes that are not in use.

Chapter 3
Assets

3

Fixed Assets enables you to handle assets, that is, it allows you to capitalize, transfer, modify or dispose an asset.

To set up asset transactions

Transactions are actions you can perform on an asset or asset book to record data about different stages in the asset's life. Transactions are a record of the processing an asset undergoes after you enter it into LN. The transactions you can perform on an asset are:

- Capitalization
- Adjustment
- Depreciation
- Disposal
- Restate depreciation
- Transfer
- Remove capitalization

The transactions you can perform at the asset-book level are:

- Depreciation
- Adjustment
- Disposal
- Depreciation
- Revaluation

For Example, after you enter an asset, you capitalize it to record that it is in use and to make it eligible for depreciation. You then depreciate the asset on a regular basis until it is time to remove it from service. When you remove the asset from service, you dispose of it.

There are several types of transactions you can record on the asset. They are as follows:

- *Capitalizing Assets (p. 33)*, to indicate that an asset has been placed into service and can begin depreciating in LN.
- *Asset adjustment (p. 34)*, to modify information that is no longer directly editable.

- *Depreciating Assets (p. 35)*, to calculate and record the periodic decrease in expense due to wear and tear over time.
- *Restating Depreciation for Assets (p. 37)*, to recalculate depreciation due to an error in data input.
- *Disposing Assets (p. 37)*, to remove all or part of an asset from service.
- *Transferring Assets (p. 40)*, to move all or part of an asset to another location.

There are several types of transactions you can record on the asset book. They are as follows:

- *Adjusting Asset Books (p. 45)*, to modify information that is no longer directly editable.
- *Depreciating Asset Books (p. 46)*, to calculate and record the periodic decrease in expense due to wear and tear over time.
- *Restating Depreciation for Asset Books (p. 48)*, to recalculate depreciation due to an error in data input.
- *Disposing Asset Books (p. 47)*, to remove all parts of an asset from service.
- Asset Book Revaluation, to revaluate the current asset cost by using the defined revaluation index.

When you enter a transaction, LN records information about the transaction on the asset and/or asset book. It also saves a record of the original values. This allows you to track the changes that have been made throughout an asset's life.

In addition to these transactions, there are other tasks you can perform on an asset. You may need to record the business mileage on an automobile asset or record the units used on an asset whose life is tracked in units instead of in months and years. You can also record mass transactions to make changes to a large number of assets at once. For more information, see the topic *Using Mass Transactions (p. 101)*. You can also perform certain transactions on a vintage or on a MACRS group account to make transactions on all the assets the account contains. For more information, see the *Using Vintage/Group Account Transactions (p. 105)* topic.

To dispose a fixed asset

A fixed asset can be discarded or disposed using three different modules:

- Accounts Receivable
- Fixed Assets
- Invoicing

To dispose a fixed asset in the Accounts Receivable module, use the following sessions:

- **Sales Invoices (tfacr1110s000)**
  Specify the quantity and asset number on the **Miscellaneous** tab. Select the credit ledger account which has fixed-asset disposal integration.
- **Finalization Run Numbers (tfgld1519m000)**
  Finalize the batch with sales invoice transaction, the status of the asset is set to **Disposed** in the Fixed Assets module.

To dispose a fixed asset in Invoicing, use the following sessions:

- **Manual Sales Invoices (cisli2520m000)**
  Specify the header details and, from the appropriate menu, select **Lines**. The Manual Sales Invoice Lines (cisli2125m000) opens.
- **Manual Sales Invoice Lines (cisli2125m000)**
  Select the **Asset Disposal** check box and specify the values of **Ledger Account**, **Asset Number** and **Asset Extension** fields. Save the details and, from the appropriate menu, select **Confirm**.
- **Manual Sales Invoices (cisli2520m000)**
  To finalize the batch and post the disposal transactions, from the appropriate menu, select **Direct Processing**. Review the reports generated.

Capitalizing Assets

Asset capitalization is the process of recognizing that an asset has been placed into service in your company and is eligible for depreciation. Until an asset has been capitalized, it cannot depreciate in any of its related books.

You can capitalize assets that have the **Entered** status or the **Removed** status.

When you capitalize an asset, its status and the status of each of its related books changes from **Entered** to **Acquired**. If the asset book contains accumulated depreciation and is capitalized, the status of the asset book becomes **Depreciating**. After you capitalize an asset, you can begin depreciating it at any time.

You can recapitalize assets that have the **Removed** status. If no depreciation has started for he asset, you can remove the capitalization of a capitalized asset. After you made the required changes to the asset, you must capitalize the asset again. All the subsequent FAM transactions such as depreciation and transfer will be based on the changed values.

LN records the date you enter for the capitalization as the accounting period and year for the asset. The date you enter cannot be in a fiscal period prior to the asset's in-service date, must be an open period, and must fall within the start and end dates for the company with which the asset is associated.

After you capitalize an asset, you can no longer directly change some of the information associated with it. You can make changes to this data by making an adjustment. For more information, see *Asset adjustment (p. 34)*.

Note

You can continue to add related books to an asset after capitalization. LN automatically sets the status of each book to **Acquired** when you save your changes. You cannot remove existing books from an asset after capitalization. To remove a book after capitalization, you must dispose of the asset in that book. For more information, see *Disposing Asset Books (p. 47)*.

LN records journal entries for each asset you capitalize, using the values of the asset in its default general ledger book. You can prevent the journal entry from being made by using the **Suppress Journal**

Entries check box in the Capitalization (tffam1200m000) session. For more information, see *Capitalization Journals (p. 97)*.

Note

If you capitalize an asset that should never have been placed into service, you can remove the capitalization status from it in the

Remove Capitalization (tffam1201m000) session. This removes an asset from service and prevents it from depreciating. For more information, see *Removing Asset Capitalization (p. 34)*.

Removing Asset Capitalization

You remove capitalization from an asset when you capitalized an asset that should not have been placed into service. You can remove capitalization from one or more assets at a time. When you remove capitalization from an asset, its status changes from **Acquired** to **Entered**.

LN cannot depreciate assets with a status of **Entered**, and you cannot record transactions against them.

You can recapitalize assets that have the **Entered** status. For example, you can make corrections to the asset's details and then capitalize the asset again.

Note

You can remove capitalization from only those assets that have not yet begun to depreciate. If the asset has already started to accumulate depreciation in any of its related books, you can adjust the asset life or cost to zero to prevent further depreciation, or you can dispose of the asset. For more information, refer to *Asset adjustment (p. 34)*.

If the asset capitalization had been suppressed, you can suppress the remove capitalization journal entry also by selecting the **Suppress Journal Entries** check box in the Remove Capitalization (tffam1201m000) session.

Asset adjustment

An adjustment transaction makes changes to asset values that can no longer be directly changed after the asset is capitalized. LN saves the new value to the asset and records the former value of that field for historical purposes. This allows you to perform an asset inquiry to view all the changes made to the asset throughout its life.

You cannot adjust an asset after it has been removed from capitalization or after it has been disposed. You can adjust values associated with the asset or values associated with specific books related to the asset.

You enter a date for each adjustment to determine when the change takes effect, and a reason code that explains why you made the adjustment. Although you cannot adjust the account directly, you can obtain account information.

Note

The effective date for an asset adjustment cannot be prior to the asset's in-service date.

In addition to recording adjustments on an asset basis, there are two other types of adjustments you can make:

- *Mass adjustments*, to make a similar change to a large number of assets at once.
- *Vintage/group account adjustments*, to adjust assets subject to ADR or MACRS group tax reporting, by adjusting the vintage/group account to which they belong.

Depreciating Assets

Depreciation is a way of allocating the cost of an asset over its useful life for tax and record-keeping purposes. Over time, the value of an asset decreases due to wear and tear. You depreciate assets to record this loss of value on a periodic basis. You can depreciate an asset at any time after capitalization and prior to full disposal or the removal of capitalization. Only vintage and group account assets can accumulate depreciation after they have been disposed.

LN uses a frequency to determine whether an asset is eligible for depreciation and how often depreciation should be calculated, and it uses a depreciation method assigned to each book to determine how depreciation should be calculated. For more information on methods, see the *Using Depreciation Methods (p. 57)* topic.

To depreciate the ADR book for assets that are in a vintage or MACRS group account, you must use the Depreciate Vintage/Group Account (tffam7272m000) session. For more information, see the *Depreciating Vintage/Group Accounts (p. 106)* topic.

You cannot depreciate beyond the end of the current fiscal year without first closing the last period through the Period End (tffam8205m000) session. You can restate depreciation for prior periods. For more information on restating depreciation, see the *Restating Depreciation for Assets (p. 37)* topic.

Depreciation runs by a through date equal to a particular period and year. You indicate a through date to tell LN how far depreciation should be run. If you specify a date prior to the last depreciation date, nothing happens. When computing depreciation, LN calculates and compares the new value to the existing value. The difference is recorded as the depreciation transaction for that period.

After determining in which books the selected assets are eligible for depreciation, LN performs these actions on each asset and book that qualifies:

- Changes the status of the book from **Acquired** to **Depreciating** in the Asset Books (tffam1510m000) session, if depreciation has not previously been calculated for that relationship.
- Calculates and records the depreciation amount for the periods you indicate.

- Adds the calculated depreciation amount to the accumulated and year-to-date depreciation.
- Changes the last depreciation date to the date through which LN calculated depreciation.
- Changes the remaining life to indicate how much of the life remains to be depreciated.
- LN creates a journal entry, when appropriate.

Note

Assets for which the **Depreciate Below Salvage** check box is selected in the Asset Books (tffam1510m000) session can depreciate below their salvage value until cost equals zero.

An asset depreciates based on the life recorded in its related books. Most assets measure life in years and months, but some assets track their life in units of production. Before you can depreciate any asset with a life measured in units of production in its related books, you must indicate the units used since the last time LN calculated depreciation for the asset and its related books. You record units used in the Record Asset Units Used (tffam1245m000) session. For more information, see the *Calculating Asset Units Used (p. 29)* topic.

Note

Assets subject to ADR or MACRS group depreciation can be depreciated in the Depreciate Vintage/Group Account (tffam7272m000) session. For more information, see the *Depreciating Vintage/Group Accounts (p. 106)* topic.

Suspending depreciation

You can suspend depreciation in two ways:

- To globally suspend depreciation for a depreciation method for all asset books, you can use the Suspended Periods (tffam7120m000) session. If you use this method, periods for which you suspend the depreciation are included in the remaining asset life. For details, refer to Suspended Periods (tffam7120m000)
- You can use the Mass Suspend Depreciation (tffam1207m000) session to suspend the depreciation of a range of asset books for a range of years and periods. For details, refer to *Suspending depreciation (p. 90)*

Accelerated depreciation

Accelerated depreciation is to depreciate an asset by an extra amount in a specific year. In some countries, accelerated depreciation is allowed to a maximum of 100 percent of the yearly standard depreciation amount, until the asset value becomes zero. Accelerated depreciation reduces the depreciation time. Accelerated depreciation transactions must be posted to specific ledger accounts.

Accelerated depreciation follows the same rules as the standard depreciation. If the standard depreciation is suspended, the accelerated depreciation is also suspended. If the actual use of the asset changes, you can reduce or suspend the accelerated depreciation accordingly.

You can use the Mass Accelerated Depreciation (tffam1208m000) session to depreciate a range of asset books by an additional amount. You can do this only once a year.

Restating Depreciation for Assets

You restate asset depreciation when you want to recalculate depreciation that occurred in a prior period for all of an asset's related books. For example, if you import an asset into LN but you did not import its transactions, you may want to restate depreciation for the entire asset for the last year. You can also restate depreciation for an asset in one or more of its related books. For more information, see the *Depreciation Journals (p. 98)* topic.

Note

If an asset is in its economic recapture phase, you can only restate depreciation manually.

When you restate, you must specify the period and year range for which you want to restate depreciation. If you keep the default value (1/0000) in the From period and year, depreciation is restated from the in-service date. LN recalculates the depreciation for each asset in its ADR book for the period you specify.

LN reverses any depreciation that was calculated starting from the From period you specified. Depreciation is then (re)calculated up to the specified To period. The new depreciation transactions are posted in the period range you specified, replacing the old transactions that were reversed.

Disposing Assets

An asset disposal removes or reduces an asset from service in one or more of an asset's related books. It also prevents the asset from accumulating any more depreciation in those books. You can dispose of part of, or all of an asset's quantity or cost, or you can dispose of the asset in some but not all of its related books. For example, you may want to remove an asset from your financial books before you remove it from your federal tax books due to timing differences based on federal tax regulations.

Note

Due to complexities in tax law, you may want to retain the asset in some books but not in others. This requires you to make an asset disposal by book.

You can dispose of the full quantity of the asset or of a portion of it. You indicate the amount to dispose of on each distribution line. LN makes sure that depreciation has been calculated up until the date on which the disposal takes effect, then it removes the indicated quantity from service in all of the asset's related books.

Example

If you dispose of an asset in March 2001 but periodic depreciation was last calculated in December 2000, LN must generate depreciation for January and February before it disposes of the asset. If you dispose of an asset in June, but make the disposal effective for a previous month, LN must reverse any depreciation that occurred in the months after the effective date.

As a result of a disposal, LN changes the status of all disposed books from **Depreciating** to **Disposed** in the Asset Books (tffam1510m000) session. You can purge disposed assets from LN by processing the Archive/Delete Disposed Assets (tffam8208m000) session. If an asset is only partially disposed of, you can still adjust, transfer, and depreciate it.

LN creates journal entries from disposals by using the values in the default-posting book. In addition to recording disposals on an asset-by-asset or book basis, you can record mass disposals. Assets subject to ADR or MACRS group tax reporting have additional disposal options available.

Transferring Mass Assets

A mass transfer differs from a single asset transfer in that you can transfer a larger number of assets at once. You can mass transfer assets at any point after capitalization. In a transfer, assets move from the source asset/category to a destination asset/category. LN transfers all of the indicated books for the selected assets and creates any additional books required by the destination asset. For more information, see the *Transferring Asset Books (p. 46)* topic.

You can transfer all or part of the selected assets. In a full transfer, LN transfers the total quantity of all selected assets to the destination asset. In a partial transfer, LN transfers a portion of each asset to the destination asset and leaves a portion in the source asset. All other options for mass transfer are identical to single asset transfer.

You enter a date for the transfer to determine when it takes effect. If the transfer date is in a prior period, LN must reverse any depreciation that occurred for the source asset between the transfer date and the present.

You can enter distribution line information as a mapping scheme in order to instruct LN where a source distribution line must be transferred. For example, you can enter a record that indicates New York as the location, and the asset must be transferred to the location San Francisco. If LN could not find a mapping scheme for the asset distribution record, the source distribution information is used to create the destination asset- distribution record.

Reporting

You run reports at various times during the year to analyze your data and determine how your business is performing. For example, every six months you can run a Depreciation Expense Register to determine which assets accumulated depreciation in a specific period.

You can print a report as is so that LN retrieves all available data for that report, or you can modify the range of the report to retrieve a different set of data using the selection range fields.

Each report retrieves different data from the database. For example, the Acquisition Register report lists all of a company's assets that have been capitalized but have not begun depreciating and the Cost Reconciliation reports list a summary of all asset transactions for a specific period.

Purchasing a fixed asset

A fixed asset can be purchased using two modules:

- Fixed Assets
- Accounts Payable
  In the Accounts Payable module, invoices related to fixed assets are registered in two ways:
  - Cost purchase invoice
  - Order-related purchase invoice

Registering a fixed asset

An asset can be created directly in the Fixed Assets module.

To create a fixed asset:

1. In the Assets (tffam1500m000) session, create a new asset and specify the required values.
2. Review the asset status. The **Asset Status** field is set to **Entered**. The default values for the asset books and the locations are based on the FAM parameters.
3. Continue with the capitalization process. For more information, refer to *Capitalizing Assets (p. 33)* process.

After the capitalization process the **Asset Status** field is set to **Acquired**

Registering a cost purchase invoice

In the Accounts Payable module, when you register a purchase invoice for an asset, you can create an asset without an asset code. A new fixed asset number and extension is created in the Fixed Assets module.

To register a cost purchase invoice:

1. Review the asset created in the Assets (tffam1500m000) session of the Fixed Assets module.

The **Asset Status** field is set to **Acquired**.

Registering an order-related purchase invoice

In the Purchase Invoice Entry (tfacp2600m000) session, register the purchase invoice and match the invoice with the purchase order.

To register an order-related purchase invoice:

1. In the Match Purchase Order Lines (tfacp2541m000) session, select the order line.
2. On the appropriate menu, select **Cost Items**. The Matched Purchase Invoice/Statement Line Transactions (tfacp1133s000) session opens.

3. In the Matched Purchase Invoice/Statement Line Transactions (tfacp1133s000) session, specify a value in the **Ledger Account** field.
4. Click the **Period** tab.
5. Specify the values in the **Quantity 1** and the **Asset Number** fields.

After you create a fixed asset, finalize the transactions, and review the asset created in the Fixed Assets module.

Note

The ledger account selected for the invoice must have the **Fixed Asset Integration** field in the Chart of Accounts (tfgld0508m000) session set to **Investment**.

Transferring Assets

An asset transfer records the movement of part or all of an asset from one location to another.

You can transfer an asset after it has been capitalized and before it is disposed. For each transfer, you must indicate the date on which the transfer must take effect. If this date is in a prior period, LN must reverse any depreciation that occurred in the source asset from that period till the current period.

You can transfer all or part of the asset. If you transfer the full quantity or percentage cost of an asset, this is a complete transfer. If you enter less than 100% of the quantity or percentage cost as the transfer criteria, LN performs a partial transfer and retains a percentage of the cost, accumulated depreciation, quantity and other values of the source and in most cases transfers the remainder to the destination.

As a result of transfer, LN adjusts the values of the source asset and creates a new destination asset. LN also creates journal entries for the source and destination assets based on the values in the asset's General Ledger (GLD) book. For more information, see *Transfer Journals (p. 99)*.

You enter a date for each transfer to determine when it takes effect. If the transfer date is in a prior period, LN must reverse any depreciation that occurred between the transfer date and the present. If the transfer date you enter is in a current period, LN uses this date on any journals it creates.

Note

Transfer does not consider the tax implications of the transfer, any gain or loss encountered through the transfer, or the fair market value of transferred assets.

In addition to recording transfers on an asset-by-asset basis, you can record mass transfers if you need to transfer a large number of assets at once. For more information, see *Transferring Mass Assets (p. 38)*. Assets subject to asset depreciation range (ADR), or modified accelerated cost recovery system (MACRS) group tax reporting, have additional transfer options available.

Asset Adjustment Restrictions

There are several restrictions to the type of adjustments you can make:

- You cannot adjust a positive or negative cost for an asset past zero dollars.
- You cannot adjust a positive or negative cost, salvage value, or accumulated depreciation for an asset past zero dollars.
- The net book value that results from adjustments to cost, salvage value, and/or accumulated depreciation cannot go past zero dollars.

Adjustments can have the following effects:

- If you change from a depreciation method that contains an embedded life to a depreciation method that does not, you must also enter a value in the **Life (in months)** field so that LN can accept the adjustment.
- If you adjust the cost on an asset that depreciates by using modified accelerated cost recovery system (MACRS) table rates, LN will switch to a MACRS formula calculation for all future depreciation.
- If the asset is in a vintage/group account, you cannot adjust the life, method, frequency, or the setting of the **Deprec Below Salvage** check box in the ADR book or select or clear the **New** check box. Use the Adjust Vintage/Group Account (tffam7271m000) session to make these changes. Any changes you make to cost, accumulated or year-to-date depreciation, or salvage value will also be changed for the account.
- If you adjust the **Current Cost** field in the Asset Book Adjustment (tffam1214m000) session, you will effect the results of running the Asset Book Revaluation (tffam3200m000) session.

Using Asset Revaluation

Fixed assets cannot only decrease (depreciate), but can also increase in value. Revaluation is the process of updating the book value of fixed assets, because the prices of similar assets have increased. Like depreciation, you can maintain the increase in value and post it to the general ledger.

Revaluation allows the creation and maintenance of index data used to perform mass adjustments on asset book values. You can define revaluation indices and establish them for specific years. The asset revaluation process executes a mass adjustment based on values you enter, such as cost values. It adjusts previously calculated depreciation if necessary, and then recomputes depreciation expense and records it for each asset book match.

You can link a revaluation system to an asset book in the Asset Books (tffam1510m000) session.

Use the Revaluation sessions to:

- Maintain the indices needed for revaluation.
- Calculate revaluation using annual index values.
- View revaluation results.

Asset distribution

When you add an asset, you record one or more distribution lines for it.

Distribution lines contain this data:

- The company associated with the distribution line.
- The physical location of the asset.
- The source from which ledger accounts are taken.
- The quantity or percentage of the asset distributed to the indicated location and account.

Location data defaults from the location codes specified in the Location Segments (tffam5510m000) and the Location Segment and Segment (tffam5100m000) sessions. The depreciation expense account is selected by default from the integration scheme that is used. You can accept these defaults or select a different location. You add distribution data in the Asset Distributions (tffam1520m000) session.

Adding Books to Assets

When you save a company's FAM parameters, LN prompts you to add the default books to the company's assets. You can assign an existing book as a template book when creating a new book. The template book is the source book from which values will be drawn when the books are added to the assets. The template book you select must always be a required book, and is already assigned to all assets for the company.

If the template book assigned to a default book is of the same book type as the default book, LN performs the following tasks when it adds the books to the assets:

- Copies the status of the template book to the new book.
- Copies cost and other dollar values from the template book to the new book.
- Creates one transaction for each necessary transaction type. For example, if the template book has depreciated, the depreciation value is copied to the new book for all assets created for the company and one depreciation transaction is created in the current period for the new book.

If the template book assigned to a default book is of a different book type than the default book, LN performs the following tasks when it adds the books to the assets:

- Copies default data from the asset's category to the new book.
- Sets all dollar values in the new book to zero. For example, cost in the new book will be zero.
- Copies the status of the asset to the new book. For example, if the status of the asset is **Entered**, the status of the new book will be **Entered**.

If the status of an asset is **Disposed**, or the asset has been removed, the book is not added to the asset.

Reverse Asset Disposal

The disposal process can be reversed, when an asset is disposed by mistake or by the data error.

Note

The reversal process of asset entries can be performed only if the status of the asset is **Disposed**.

Reverse Asset Book Disposal

The disposal process of the asset books can be reversed using the Reverse Asset Book Disposal (tffam1225m000) session. The disposal journals of the asset book are reversed. The status of the asset book changes to **Acquired** from the status **Disposed**.

To reverse the disposal process of an asset book, in the Reverse Asset Book Disposal (tffam1225m000) session, select the asset book and select appropriate > **Reverse Asset Book Disposal**.

Chapter 4
Asset Books

4

Asset books are linked to an asset. You can record depreciation and other transactional data for the asset.

Using Asset Book Transactions

Asset book transactions are the actions you can perform on an asset book to record data about different stages in the asset's life. It is a record of the processing an asset undergoes after you enter it into LN.

There are several types of transactions you can record in the asset book. They are as follows:

- *Adjusting Asset Books (p. 45)*, to modify information that is no longer directly editable.
- *Depreciating Asset Books (p. 46)*, to calculate and record the periodic decrease in expense due to wear and tear over time.
- *Restating Depreciation for Asset Books (p. 48)*, to recalculate depreciation due to an error in data input.
- *Disposing Asset Books (p. 47)*, to remove all or part of an asset book from service.
- *Transferring Asset Books (p. 46)*, to move all or part of an asset to another location.
- Asset Book Revaluation, to revaluate the current asset cost by using the defined revaluation index.

For information on transactions that you can perform on the asset, see the *To set up asset transactions (p. 31)* topic.

Adjusting Asset Books

You adjust assets by book to make changes to those values on an asset that can vary from book to book. For example, each of an asset's related books can contain a different depreciation method, cost, and life. To adjust one of these values, you must choose the specific books that you want to adjust.

Note

You can also make changes to values that apply to the entire asset by making an asset adjustment. For more information, see *Asset adjustment (p. 34)* topic.

When you make an adjustment by book, you enter operators and values for each field that you want to adjust. For example, if you want to increase the asset life by 10 periods, you would choose the plus sign (+) operator in the row for the **Asset Life (Units)** field, then enter 10 as the change value. After you enter the operators and values, you select the books to which LN should apply the changes. LN applies your changes and records the former values of the assets in each book for historical purposes. This allows you to perform an inquiry to view all the changes made to an asset and its related books throughout its life.

Transferring Asset Books

You can transfer an asset after it has been capitalized and before it has been disposed of. For each transfer, you indicate the date on which the transfer must take effect. If this date is in a prior period, LN must reverse any depreciation that occurred from that period until the present.

During a transfer, LN transfers all of the books associated with the selected asset. If you do not need all the books, you can dispose of them. In addition, LN must create any books that are not associated with the source asset but are required in the Default Book (tffam0110m000) session for the destination asset. LN uses the destination category, and the parameters to populate these new books with the necessary values.

Note

If a disposed asset book is transferred, the book status of the destination asset is set to **Disposed**.

Depreciating Asset Books

You depreciate assets by book when you want to record an asset's cost against revenues for one or more but not all of an asset's related books. When you depreciate assets by book, you indicate the period and year through which LN must calculate depreciation and the books in which depreciation must occur. LN determines which of the indicated assets and books are eligible for depreciation in the selected periods, then calculates the appropriate depreciation amounts.

LN calculates depreciation separately for each of an asset's related books. You can depreciate an asset in all of its books at once, or you can depreciate the asset in one or more of its related books.

Note

You can also calculate depreciation for all of an asset's related books at once. For more information, see the *Depreciating Assets (p. 35)* topic.

An asset can depreciate in a book only until its remaining cost is equal to its salvage value, or until its remaining life is equal to zero. Assets with a negative cost accumulate negative depreciation and cannot depreciate past zero. When an asset reaches these limits, the asset and its related books stop depreciating.

Note

You cannot depreciate the ADR book for any asset that is part of a vintage/group account. To depreciate the ADR book, you must use the Vintage/Group Accounts (tffam7570m000) session and depreciate the account to which the asset belongs.

For each book, LN first determines whether it is time to depreciate. It does this by looking at the depreciation frequency and at the last depreciated date. If it is a period in which the asset book is supposed to depreciate, and no depreciation has already occurred in this period, LN calculates depreciation. For example, if the frequency indicates that the asset was supposed to depreciate in January, February, and March and it is currently April, LN checks the last depreciation date to see if depreciation has been run through March. If not, it runs it for all periods that need to have it run. If the general ledger is closed for any of the periods, LN books the depreciation as one large transaction to the current period. However, if the general ledger is open, one transaction is created for each period.

Note

You must not depreciate beyond the end of the current fiscal year without first closing the last period through the Period End (tffam8205m000) session.

Depreciation has the following effects in the Fixed Assets module:

- LN creates a journal entry using the depreciation in the Asset Books (tffam1510m000) session.
- The asset book status changes from **Acquired** to **Depreciating**, if this is not already set.
- LN sets the **Last Depreciation Date** for the asset book to the date you depreciated the asset.
- Year to date, **Accumulated Depreciation**, and **Book Value** change for the asset, as does remaining life.

Disposing Asset Books

Disposals are performed on a book-by-book basis for an asset. There are several types of disposals that can be recorded against an asset. The impact on financial reporting varies according to the type of disposal.

You dispose of assets by book when you want to remove a depreciating asset from service in one or more but not all of its related books. For example, you can depreciate assets for an additional two months in your federal tax - U.S. book after you take them out of service in your financial - U.S. book due to timing differences in federal tax guidelines. You can dispose of the assets in their financial books, but not in their federal tax books.

Note

First, select the books in which LN must dispose of the asset. Then, enter the disposal information. LN removes the asset from service in each book you specify. When you dispose of an asset by book, LN verifies that depreciation has been calculated up to the period in which the disposal takes effect. For example, if you dispose of an asset in March 2002, but periodic depreciation was last calculated in December 2001, LN must generate depreciation for January and February before it disposes of the asset in the indicated books. If you dispose of an asset in July 2002, but make the disposal effective from the previous February, LN must reverse any depreciation that occurred between February and the present.

When you dispose of an asset-book relationship within an asset, the asset-book entry still appears on the asset. LN does not delete the asset-book relationship, but changes its status. The status of the asset-book relationship changes to indicate that it has been disposed of. It stops depreciating and no other transactions can be recorded against that asset book.

Disposing Mass Asset Books

You record a mass disposal by book when you want to remove a large number of depreciating assets from service in one or more of their related books.

After you enter the disposal information, you select the books in which LN must dispose of the assets. When you dispose of assets by book, LN verifies that depreciation has been calculated up to the period in which the disposal takes effect.

Example

If you mass dispose of a set of assets and their related books in March 2002, but depreciation was last calculated in December 2001, LN must generate depreciation for January and February before it disposes of the assets.

Note

You can process a mass book disposal by percentage only, not quantity.

Restating Depreciation for Asset Books

You restate depreciation by book when you want to recalculate depreciation that occurred in a prior period for one or more of an asset's related books. You can also restate depreciation for all of an asset's related books at once. For more information, see the *Restating Depreciation for Assets (p. 37)* topic.

When you restate, you must specify the period and year range for which you want to restate depreciation. LN recalculates the depreciation for each selected asset book.

Before recalculating depreciation, LN reverses any depreciation that was calculated starting from the **Year / Period** you specified. Depreciation is then (re)calculated up to the specified **Year / Period**. The new depreciation transactions are posted in the period range you specified, replacing the old transactions that were reversed.

You cannot recalculate depreciation in the ADR book for any asset that belongs to a vintage/group account. To recalculate depreciation in the ADR book for these assets, you must use the Restate Vintage/Group Account (tffam7273m000) and restate depreciation for the account to which the asset belongs. For more information, see the *Restating Vintage/Group Accounts (p. 106)* topic.

Chapter 5
Depreciation

5

The depreciation of asset is an important concept of the Fixed Assets module. Over time, the value of an asset decreases due to wear and tear. You depreciate assets on a periodic basis to record the loss of value . You can depreciate an asset at any time after capitalization and prior to full disposal or the removal of capitalization. Only the vintage and group account assets can accumulate depreciation after they are disposed.

As a part of the depreciation process, you must:

- Define the depreciation procedures.
- Calculate the depreciation results.
- Post the depreciation results to the General Ledger.

Using Depreciation Frequencies

Depreciation frequencies identify when depreciation must be run and recorded for assets and their related books. When depreciation is run, LN uses the frequency to determine whether the asset books are eligible for depreciation. You assign default depreciation frequencies to book types in the FAM Parameters (tffam0100s000) session. LN applies the defaults to all the books related to an asset during asset entry. You can change the default frequency for an asset book.

LN checks the frequencies each time you run depreciation. For example, you are depreciating an asset whose related book uses a quarterly frequency. LN checks to make sure you are at the end of the quarter each time you run depreciation for that asset and the related book. If you are at the end of a quarter, LN calculates depreciation for each period in that quarter and records one transaction for the total of these amounts. If you are not, depreciation does not occur.

Note

If you select a vintage/group account for the asset, LN defaults the depreciation frequency for the ADR book to the depreciation frequency for the account and you cannot change it.

Depreciation frequencies are calendar-dependent. A calendar is defined in the Periods (tfgld0105m000) session. You must indicate whether you want LN to record depreciation periodically, quarterly,

semiannually, or annually. You must be able to evenly divide the number of periods in the selected calendar by the recording frequency. The following restrictions apply:

- Calendars with an odd number of periods support only periodic and annual recording frequencies.
- Calendars with an even number of periods support periodic, semiannual, and annual recording frequencies.
- Calendars with a number of periods that can be evenly divided by four support all frequencies. The correction period is not counted as a period.

For example:

- A 14 period calendar supports periodic, semiannual, and annual recording frequencies.
- A 13 period calendar supports only periodic and annual recording frequencies.
- A 12 period calendar supports all recording frequencies.

Depreciation frequencies also indicate which periods, if any, are suspended for an asset and its related books. When a period is suspended, LN does not accumulate depreciation for any assets and their related books in that period.

For example, you want an asset to depreciate in every month except June. The company that owns the asset uses a 12 period calendar that runs from January to December. You would create a depreciation frequency that uses the same 12 period calendar, select **Periodic** as the recording frequency, and suspend depreciation in period 6, June.

Note

Assets subject to ADR and MACRS group depreciation are not subject to suspended periods when they depreciate. LN depreciates each period for these assets even if the frequency indicates that the period is suspended.

To calculate depreciation

LN uses formulas when it calculates depreciation amounts for assets or its related books. Formulas are part of the depreciation methods assigned to an asset and its related books. These are the formulas used by depreciation methods in LN:

- *To calculate Remaining Life depreciation (p. 70)*
- *Calculating Declining Balance depreciation (p. 82)*
- *To calculate Declining Balance with Switch to Straight Line depreciation (p. 85)*
- *To calculate Sum of Year Digits depreciation (p. 67)*
- *To calculate sum of years digits with switch to SL depreciation (p. 86)*
- *To calculate Units of Production depreciation (p. 72)*
- *To calculate MACRS depreciation (p. 76)*
- *To calculate MACRS table depreciation (p. 78)*
- *To calculate Alt. Modified Accelerated Cost Recovery System depr. (p. 74)*

- *To calculate Accelerated Cost Recovery System depreciation (p. 81)*
- *To use Annuity depreciation (p. 88)*
- *To use First Period depreciation (p. 90)*
- Fixed Amount depreciation
- Net Book Value (NBV)-oriented depreciation
- Custom method
- No depreciation method

All depreciation formulas vary based on the calculation mode you set for each type of book in LN. If the calculation mode is periodic, LN considers each period to have the same number of days. If the calculation mode is daily, LN uses the exact number of days in each period.

Note

LN calculates depreciation for each period in your company's calendar, regardless of the calculation mode. For example, if the calendar has twelve periods, LN calculates depreciation twelve times a year, regardless of whether the calculation mode is daily or periodic.

LN uses the frequency assigned to each of an asset's related books to determine how often to record the resulting transactions. For example, if the frequency is quarterly, LN groups the calculated amounts into quarterly amounts and records the results once a quarter. For more information on depreciation, see the topic, *Depreciating Assets (p. 35)*.

Calculations and Averaging Conventions

Averaging conventions are used to determine the beginning and end of an asset's recovery period. The recovery period determines how much an asset depreciates in the first and last year of service. Rather than using the asset's in-service dates, LN uses these dates to calculate the depreciation amounts for the first and last year. The averaging conventions are used as information-only and are stored in the Fixed Assets module for use with the federal and other tax books.

LN distinguishes the following averaging conventions:

- U.S. Averaging conventions.
- European averaging conventions.

U.S. averaging conventions

These are the types of averaging conventions used by Infor LN to determine the asset's recovery period, as standard in the Unites States:

- None
- Mid-month
- Mid-quarter

- Half year
- Modified half-year

None

The start date of depreciation is equal to the in-service date.

Mid-month

The start date of depreciation is calculated as the midpoint of the month in which the asset is placed in service.

Mid-quarter

The start date of depreciation is calculated as the midpoint of the quarter in which the asset is placed in service.

Half year

The start date of depreciation is calculated as the midpoint of the fiscal year in which the asset is placed in service.

Modified half-year

The start date of depreciation is calculated as the first day of the actual (following) fiscal year in which the asset is placed in service if the in-service date is in the first (second) half of a fiscal year.

Period in service

The start date of depreciation is calculated as the first day of the fiscal period in which the asset is placed in service.

Example

If you are using monthly periods and the in-service date is December 12, 2002, then the start date is December 1, 2002.

First day in-service year

The start date of depreciation is calculated as the first day of the fiscal year in which the asset is placed in service.

Example

Example: If you are using monthly periods and the in-service date is December 12, 2002, then the start date is January 1, 2002.

Day after in-service year

The start date of depreciation is calculated as the first day following the end of the fiscal year in which the asset is placed in service.

Example

If the fiscal year ends June 30, 2002 and the in-service date is July 1, 2002, then the start date is July 1, 2002.

Period after in-service date

The start date of depreciation is calculated as the first day following the end of the fiscal period in which the asset is placed in service.

Example

An asset with a three-year life is placed in service on March 11, 2001. LN uses April, 2002 as the beginning of the recovery period.

First/second half of year

The start date of depreciation is calculated as the first day of the fiscal year (second half of the fiscal year) in which the asset is placed in service if the in-service date is in the first (second) half of a fiscal year.

Second half of in-service year

The start date of depreciation is calculated as the first day of the second half of the fiscal year in which the asset is placed in service.

European averaging conventions

These are the types of averaging conventions used by Infor LN to determine the asset's recovery period, as standard in the European region:

- None
- Mid-month
- Mid-quarter
- Half year
- Modified half-year
- Period in service

None

The start date of depreciation is equal to the in-service date.

Mid-month

The start date of depreciation is calculated as the midpoint of the month in which the asset is placed in service.

Mid-quarter

The start date of depreciation is calculated as the midpoint of the quarter in which the asset is placed in service.

Half year

The start date of depreciation is calculated as the midpoint of the fiscal year in which the asset is placed in service.

Modified half-year

The start date of depreciation is calculated as the first day of the actual (following) fiscal year in which the asset is placed in service if the in-service date is in the first (second) half of a fiscal year.

Period in service

The start date of depreciation is calculated as the first day of the fiscal period in which the asset is placed in service.

Example

If you are using monthly periods and the in-service date is December 12, 2002, then the start date is December 1, 2002.

First day in-service year

The start date of depreciation is calculated as the first day of the fiscal year in which the asset is placed in service.

Example

If you are using monthly periods and the in-service date is December 12, 2002, then the start date is January 1, 2002.

Day after in-service year

The start date of depreciation is calculated as the first day following the end of the fiscal year in which the asset is placed in service.

Example

If the fiscal year ends June 30, 1998 and the in-service date is July 1, 2001, then the start date is July 1, 2002.

Period after in-service date

The start date of depreciation is calculated as the first day following the end of the fiscal period in which the asset is placed in service.

Example

An asset with a three-year life is placed in service on March 11, 2001.

LN uses April, 2002 as the beginning of the recovery period.

First/second half of year

The start date of depreciation is calculated as the first day of the fiscal year (second half of the fiscal year) in which the asset is placed in service if the in-service date is in the first (second) half of a fiscal year.

Second half of in-service year

The start date of depreciation is calculated as the first day of the second half of the fiscal year in which the asset is placed in service.

The end date of depreciation is calculated as the start date of depreciation plus the life of the asset minus one day.

Using Depreciation Methods

LN supplies depreciation methods that define types of depreciation. You apply these methods to the asset books when you set up categories in the Category (tffam2100s000) session. You cannot modify the methods provided by LN, but you can create methods to depreciate assets for which existing methods are not suitable. If you run depreciation for assets with a method you created, LN uses the percentages in the method to calculate depreciation.

LN determines what depreciation formula to use based on the method you assign to each of an asset's related books. The following methods are available:

- Straight-line method
- Declining balance method
- Declining balance with a switch to straight-line method
- Sum of years digits method
- Sum of years digits with a switch to straight-line method
- Units of production method
- Fixed amount method
- Annuity method
- First period depreciation method
- NBV-oriented depreciation method

- Custom method
- None method

Straight-line method

Uses the straight-line formula to depreciate an asset in its related books. You specify an amount to depreciate over the course of the asset's life. For more information on the straight-line formula, refer to *To calculate Remaining Life depreciation (p. 70)*

Note

Some declining balance and MACRS methods switch to the straight-line method at some point during the asset's life. For a list of these methods, refer to *To calculate Declining Balance with Switch to Straight Line depreciation (p. 85)*.

Some declining balance methods switch to straight line at some point during the asset's life. For a list of these methods, refer to *To calculate Declining Balance with Switch to Straight Line depreciation (p. 85)*.

Several sum of years digits methods switch to the straight line method at some point during the asset's life. For a list of these methods, refer to *To calculate sum of years digits with switch to SL depreciation (p. 86)*.

Declining balance method

This method uses the declining balance formula to depreciate an asset in its related books. Over the course of the asset's life, the amount the asset depreciates will reduce. For more information on the declining balance formula, refer to *Calculating Declining Balance depreciation (p. 82)*.

Note

Some declining balance methods switch to straight line at some point during the asset's life. For a list of these methods, refer to *To calculate Declining Balance with Switch to Straight Line depreciation (p. 85)*.

Several sum of years digits methods switch to the straight line method at some point during the asset's life. For a list of these methods, refer to *To calculate sum of years digits with switch to SL depreciation (p. 86)*.

Example

Declining balance with a switch to straight-line method

This method uses the declining balance with a switch to straight line formula to depreciate an asset in its related books. The asset will depreciate in its related books with the declining balance method until the point where it is more beneficial to depreciate the asset by using the straight-line method. At this point,

LN automatically switches the form of depreciation to straight line. For more information on the declining balance formula, refer to *To calculate Declining Balance with Switch to Straight Line depreciation (p. 85)*.

Note

Several sum of years digits methods switch to the straight line method at some point during the asset's life. For a list of these methods, refer to *To calculate sum of years digits with switch to SL depreciation (p. 86)*.

Sum of years digits method

There are multiple depreciation methods that use the sum of years digits formula. You can assign one of these methods to any of an asset's related books. For more information on the sum of years digits formula, refer to *To calculate Sum of Year Digits depreciation (p. 67)*.

Note

Several sum of years digits methods switch to the straight line method at some point during the asset's life. For a list of these methods, refer to *To calculate sum of years digits with switch to SL depreciation (p. 86)*.

Sum of years digits with a switch to straight-line method

There are multiple depreciation methods that use the sum of years digits formula. You can assign one of these methods to any of an asset's related books. For more information on the sum of years digits formula, refer to *To calculate sum of years digits with switch to SL depreciation (p. 86)*.

Units of production method

There is only one method that uses the units of production formula. To use units of production as your depreciation calculation, you must assign the UOP method to one or more of an asset's related books. For more information on depreciation calculations for units of production, refer to *To calculate Units of Production depreciation (p. 72)*.

Fixed amount method

The depreciation is a fixed yearly amount that you assign. The asset depreciates in its related books for this amount until the end of the asset life or until the asset's salvage value is reached.

Annuity method

The depreciation amount is a fixed amount per period, but increases progressively for the annuity. The annuity consists of interest and depreciation.

LN does not process the interest amounts, nor does it calculate interest on the remainder value. For more information on the annuity calculations, refer to *Calculating Annuity Depreciation (p. 89)*.

First period depreciation method

The depreciation of an asset in its related books occurs entirely in the first period.

NBV-oriented depreciation method

The asset value is calculated by subtracting the accumulated depreciation from the current cost. The net book value is the asset value stored in the asset's related books. When you calculate or update the depreciation, or when you adjust either the cost or accumulated depreciation, the value for every asset's related book changes. If the Federal Tax book type is used, the section 179 value is also subtracted from the above calculation. For more information on calculating the NBV-oriented depreciation, refer to Net Book Value (NBV)-oriented depreciation.

Custom method

This method is a freely definable depreciation method based on percentages, monthly or yearly, to cover user-specific requirements.

None method

No depreciation method is defined. You can use this method when an asset cannot be depreciated, for example: real estate.

Depreciation Based on Guarantee Factor

The **Depreciation Based on Guarantee Factor** depreciation method is introduced to handle legal regulations in Japan for asset depreciation.

The **Depreciation Based on Guarantee Factor** depreciation method is similar to the Declining Balance method till the asset book value equals the **Guarantee Value**.

When the asset book value depreciates to a value less than the **Guarantee Value**, the depreciation is calculated in one of the following methods:

- The Straight Line method uses the number of years specified in **No of Years Beyond Guarantee Factor** field.
- Using the percentage value specified in the **Revi Dep Beyond Guarantee Factor** field, instead of the value defined in the **Declining Bal. Percent** field.

Guarantee Value

The **Guarantee Value** is defined in the Asset Books (tffam1510m000) session.

The Guarantee value is calculated as follows:

Guarantee Value = **Original Cost** of the Asset * percentage of **Guarantee Factor**.

When you assign **Depreciation Based on Guarantee Factor** depreciation method to an asset book in the Depreciation Method (tffam7110s000) session, the **Guarantee Value** field is enabled in the Asset Books (tffam1510m000) session.

The **Guarantee Factor** is specified in the Depreciation Method (tffam7110s000) session.

The **Guarantee Value** does not change for an asset book cost adjustment. The value is fixed and is calculated when you capitalize the asset. When an asset is transferred partially, the guarantee value proportionate to the asset's original cost is also transferred.

Cost Percentage Depreciation Method

Cost Percentage

When the depreciation amount of an asset is calculated based on the cost percentage, the **Depreciation Method** field is set to **Cost Percentage** in the Depreciation Method (tffam7110s000) session. The **Cost Percentage** must also be specified in this session as the depreciation amount is always calculated as a percentage of the current asset cost, instead of the asset life. When the **Depreciation Method** is specified, LN checks if the adjustment date is within the life of the asset. However, this check is not applicable for the **Cost Percentage** method of depreciation. The **Calculation Base** field is used to indicate whether the percentage is applied on a **Yearly** or **Periodically** basis.

Example

	Example 1	Example 2
Depreciation Method	Straight Line	Cost Percentage
Cost Percentage	Not Applicable	50
Calculation Base	Not Applicable	Yearly
Asset Life	2 Years	2 Years
Acquistion Cost 2015 / 1	2400	2400
Depr 2015 / 1	100	100
Depr 2015 / 2	100	100
Depr 2015 / 3	100	100
Depr 2015 / 4	100	100
Depr 2015 / 5	100	100
Depr 2015 / 6	100	100
Depr 2015 / 7	100	100
Depr 2015 / 8	100	100
Depr 2015 / 9	100	100
Depr 2015 / 10	100	100
Depr 2015 / 11	100	100
Depr 2015 / 12	100	100
Cost Adjustment 2016 / 1	1200	1200
Depr 2016 / 1	200	150

Depr 2016 / 2	200	150
Depr 2016 / 3	200	150
Depr 2016 / 4	200	150
Depr 2016 / 5	200	150
Depr 2016 / 6	200	150
Depr 2016 / 7	200	150
Depr 2016 / 8	200	150
Depr 2016 / 9	200	150
Depr 2016 / 10	200	150
Depr 2016 / 11	200	150
Depr 2016 / 12	200	150
Depr 2017 / 1		150
Depr 2017 / 2		150
Depr 2017 / 3		150
Depr 2017 / 4		150
Acc. Depreciation	3600	3600

Apply Cost Adjustment in the next Period

You must select the **Apply Cost Adjustment in next Period** check box in the Depreciation Method (tffam7110s000) session, to ensure that the depreciation calculation considers all cost changes in a certain period to be applied on the start date of the next period.

Example

	Example 1	Example 2
Apply Cost Adjustment in next Period	No	Yes
Cost Percentage	20	20
Calculation Base	Yearly (12 periods)	Yearly (12 periods)
Acquisition Cost 2015 / 11	100000.00	100000.00
Depr 2015 / 11	1666.67	1666.67
Depr 2015 / 12	1666.67	1666.67
Depr 2016 / 1	1666.67	1666.67
Cost Adjustment start date of 2016 / 2	2000.00	2000.00
Depr 2016 / 2	1700.00	1666.67
Depr 2016 / 3	1700.00	1700.00

Salvage in Last Period

If the **Salvage in last Period** check box is cleared in the Depreciation Method (tffam7110s000) session, the asset is depreciated to a Net Book Value which is equal to the salvage value. Consequently, the Net Book Value is calculated by subtracting the salvage value from the cost amount before calculating the depreciation amount.

If the **Salvage in last Period** check box is selected, the depreciation is calculated based on the calculation method, when **Depreciate Below Salvage** check box is selected in the Asset Books (tffam1510m000) session, that is, considering that there is no salvage value of the asset. However, when the accumulated depreciation is greater than the cost minus salvage value, the depreciation amount is corrected with the salvage value.

	Example 1	Example 2	Example 3	Example 4
Depreciate Below Salvage	Yes	No	No	No
Salvage in Last Period	No	No	Yes	Yes
Salvage Value	48	48	48	360
Cost Percentage	50	50	50	50
Calculation Base	Yearly	Yearly	Yearly	Yearly
Acquisition Cost 2015 / 1	2400	2400	2400	2400
Depr 2015 / 1	100	98	100	100
Depr 2015 / 2	100	98	100	100
Depr 2015 / 3	100	98	100	100
Depr 2015 / 4	100	98	100	100
Depr 2015 / 5	100	98	100	100
Depr 2015 / 6	100	98	100	100
Depr 2015 / 7	100	98	100	100

Depr 2015 / 8	100	98	100	100
Depr 2015 / 9	100	98	100	100
Depr 2015 / 10	100	98	100	100
Depr 2015 / 11	100	98	100	100
Depr 2015 / 12	100	98	100	100
Depr 2016 / 1	100	98	100	100
Depr 2016 / 2	100	98	100	100
Depr 2016 / 3	100	98	100	100
Depr 2016 / 4	100	98	100	100
Depr 2016 / 5	100	98	100	100
Depr 2016 / 6	100	98	100	100
Depr 2016 / 7	100	98	100	100
Depr 2016 / 8	100	98	100	100
Depr 2016 / 9	100	98	100	40
Depr 2016 /	100	98	100	

10				
Depr 2016 / 11	100	98	100	
Depr 2016 / 12	100	98	52	
Acc. Depreciation	2400	2352	2352	2040

Depreciation Setup Reports

These are the depreciation reports that you can run:

- Frequencies List: Lists depreciation frequencies defined in LN.
- Custom Methods List: Lists methods you created and defined in LN.

To calculate Sum of Year Digits depreciation

In the sum of Years Digits depreciation method, a fraction of an asset's depreciable cost is written off each year. The fraction is formed by a numerator equal to the remaining life of the asset, and a denominator equal to the sum of the number of the years of the asset's life.

LN considers whether the asset has a life that ends evenly on a year-end boundary when it calculates the sum of years in the life. If the life ends in the middle of a year, LN uses a decimal amount in the sum of years calculation. For example, if you have an asset with a life of five years, LN calculates a denominator of fifteen, computed as follows:

(5 + 4 + 3 + 2 + 1) = 15

For an asset with a life of five years and three months, the sum of the years digits is 16.25, computed as follows:

(5.25 + 4.25 + 3.25 + 2.25 + 1.25) = 16.25

LN uses the resulting fraction to determine the annual depreciation amount. After calculating the annual depreciation expense, LN then proportionally divides each year's expense across the number of periods for that year.

Example

Years of depreciation = 5

cost = $ 10,000

Depreciation:

```
year 1:   $ 10,000 * 5 / 15 = $ 3,333.33

year 2:   $ 10,000 * 4 / 15 = $ 2,666.67

year 3:   $ 10,000 * 3 / 15 = $ 2,000.00

year 4:   $ 10,000 * 2 / 15 = $ 1,333.33

year 5:   $ 10,000 * 1 / 15 = $   666.67

Sum:                          $10,000.00
```

Note

If the asset for which you are calculating depreciation contains an averaging convention, LN adjusts the depreciation expense for the first half-year, quarter, or month calculation. For more information, refer to *Calculations and Averaging Conventions (p. 53)*.

Sum of Years Digits (SYD) has two variations based on the calculation mode in use for the asset in its related books:

- SYD daily
- SYD periodic

SYD daily

In the Sum of Years Digits Daily formula, LN considers the exact number of days in each period when calculating the depreciation expense for each period. LN performs three steps each time it calculates depreciation:

1. Determines the annual depreciation expense for the current year and the next year.
2. Calculates the change per period.
3. Calculates the exact depreciation amount for the current period, based on the annual expense and the change value.

The following formulas are used:

- U.S. tax books:

```
Depreciation = (cost - salvage - Sec179) * (business percentage/100) *
(remaining years in life / sum of years)
```

- Other books:

```
Depreciation = (cost - salvage) * (remaining years in life / sum of years)
```

For MACRS and ACRS the salvage value is not applied to depreciation of U.S. tax and commercial books.

To calculate the current period's depreciation:

```
[(current year's depreciation / 365) * days in period] +
[change per period * (x - y - days in the period)]
```

The following applies to the above formula:

```
change per period = (current year's depreciation - next year's depreciation)
 / 365 / 365

x = [ ( 184 - days from the start of the year to the start of the current
period) *
( 185 - days from the start of the year to the start of the current period)
 ] / 2

y = [ ( 184 - days from the start of the year to the start of the current
period
days in the current period) * ( 185 - days from the start of the year to the
start of the current period - days in the current period) ] / 2
```

SYD periodic

In the Sum of Years Digits Periodic formula, LN considers the exact number of days in each period when calculating the depreciation expense for each period. LN performs three steps:

1. Determines the annual depreciation expense for the current year and the next year.
2. Calculates the change per period.
3. Uses this value to calculate the exact depreciation amount for the current period.

The following formulas are used:

- U.S. tax books:

```
Depreciation = (cost - salvage - Sec179) * (business percentage / 100) *
(remaining years in life / sum of years)
```

- Other books:

```
Depreciation = (cost - salvage) * (remaining years in life / sum of years)
```

For MACRS and ACRS the salvage value is not applied to depreciation of U.S. tax and commercial books.

- To calculate the current period's depreciation:

```
( current year's depreciation / 12) + (change per period * [ (number of
periods + 1) / 2 ] - current period number)
```

The following applies to the above formula:

change per period = (current year's depreciation - next year's depreciation) / 12 / 12

current period number = The position of the current period in the current year of the asset's life. For example, in a fiscal year beginning in January, February is 2.

To calculate Remaining Life depreciation

In straight-line depreciation, an equal portion of an asset's cost is depreciated in each period of its life. Using the straight-line method, LN reduces the asset's cost by its salvage value and accumulated depreciation, then divides the result by the number of periods in the asset's remaining life in order to come up with the depreciation amount for each period.

Note

The straight-line formula always considers remaining life and remaining value when calculating depreciation. If you have not made any adjustments to life, the calculation produces the same results as the standard straight-line depreciation would. If you do adjust life, LN recognizes this and continues to depreciate appropriately.

Example

A pickup truck used for maintenance at your company has a cost of $20,000, a salvage value of $1,500, and an estimated useful life of 60 periods. This is the computation of the annual depreciation expense for this asset in the first year:

```
(cost - salvage value - accumulated depreciation)
_____________________________________________ = annual depreciation expense
 per year
            remaining years of life
```

or

```
($20,000 - $1,500)
__________________ = $3,700
   5
```

Note

If the asset for which you are calculating depreciation contains an averaging convention, LN adjusts the depreciation expense for the first half-year, quarter, or month calculation. For more information, see the *Calculations and Averaging Conventions (p. 53)* topic.

Straight line (SL) has two variations based on the calculation mode:

SL Daily

The SL Daily formula is used when the calculation mode for the selected book is daily. LN calculates the depreciation amount for each period based on the exact number of days the period contains. LN considers remaining cost and remaining value in this calculation.

The SL Daily formula:

```
 (cost - salvage value - accumulated depreciation) *
    (days in period / remaining life in days)
```

Example

Your company has a conveyor with a cost of $10,000, a salvage value of $1,000, and an estimated life of 3 years or 36 periods. The service date for the asset is January 12, 2002. In the first period of the asset's life, the asset was in service for only 20 days. The calculations in the first period are:

```
  ($10,000 - $1,000) * (20 / 1095) = $164.38  ($10,000 - $1,000 - $164.38)
* [ 28 / (1095 - 20) ] = $230.14 The
    accumulated depreciation after two periods is $394.52.
```

In the second period of the asset's life, there were 28 days. The calculations in the second period are:

```
($10,000 - $1,000 - $164.38) * [ 28 / (1095 - 20) ] = $230.14
```

The accumulated depreciation after two periods is $394.52.

SL Periodic

The SL Periodic formula is used when the calculation mode for the selected book is periodic. LN divides the year evenly into the number of periods your calendar specifies, then calculates depreciation for each resulting period. LN considers remaining cost and remaining value in this calculation.

The SL Periodic formula:

```
(cost - salvage value - accumulated depreciation) /
   remaining life in periods
```

Example

Your company has an asset with a cost of $300,000, a salvage value of $45,000, and an estimated life of 10 years or 120 periods. In the first period of the asset's life, the depreciation amount is calculated:

```
($300,000 - $45,000) * ( 1 / 120) = $255,000 * .0083333 =
   $2,125.00
```

The depreciation amount accumulated in the first period is $2,125.00. In each subsequent period, LN subtracts the accumulated depreciation from the cost and salvage value and decreases the remaining life. For example, in the second period, this is how LN calculates the depreciation amount:

```
($300,000 - $45,000 - $2,124.99) * (1 / 119) = $2125.00
```

The accumulated depreciation after two periods is $4250.00.

Your company has an asset with a cost of $300,000, a salvage value of $45,000, and an estimated life of 10 years or 120 periods. In the first period of the asset's life, the depreciation amount is calculated as follows:

```
($300,000 - $45,000) * ( 1 / 120) = $255,000 * .0083333 = $2,125.00
```

The depreciation amount accumulated in the first period is $2,125.00.

In each subsequent period, LN subtracts the accumulated depreciation from the cost and salvage value and decreases the remaining life. For example, in the second period, this is how LN calculates the depreciation amount:

```
($300,000 - $45,000 - $2,124.99) * (1 / 119) = $2125.00
```

The accumulated depreciation after two periods is $4250.00.

To calculate Units of Production depreciation

Units of production (UOP) is a depreciation method for an asset whose life is recorded in units rather than periods.

This method must be used only when total units of output of an asset can be estimated with accuracy over the life of the asset.

The calculation bases depreciation on the relative amount of units used since the last depreciation, compared to the life of the asset expressed in units.

For example, an asset using a UOP method has a cost of $100,000 and a life of 20,000. If you depreciate 100 units during this period, the depreciation amount results in $100,000 * (100/20,000) = $500.

Depreciating an asset by using the units of the production method requires you to allocate the number of units used evenly over the time being depreciated. Usually, you enter units used and the depreciation for one period. When this happens the units used are depreciated in that single period.

You can also enter the units used value and run depreciation for more than one period. This spreads the depreciation of those units evenly over the periods being depreciated.

For example, if you enter units used of 96 units, and then depreciate from 1/1/99 thru 2/28/99, the 96 units are spread evenly over the two periods:

- Using periodic depreciation you have 48 units depreciated each period.
- Using daily depreciation you have 31/59 * 96 = 50.44 rounded to 50 units the first period and 28/59 * 96 = 45.55 rounded to 46 units for the second period.

The following formulas are used:

- U.S. tax books:

```
Depreciation = (cost - salvage - sec179) * (business percentage/100)*(units
 to
depreciate/total units)
```

- Other books:

```
Depreciation = (cost - salvage) * (units to depreciate/total units)
```

For MACRS and ACRS the salvage value is not applied to depreciation of U.S. tax and commercial books.

Using ALT MACRS Methods

Alternative Modified Accelerated Cost Recovery System (ALT MACRS) methods use the alternative MACRS formula. You can assign one of these methods to any of an asset's related books. ALT MACRS methods usually apply to only Alternative Minimum Tax (AMT) and Adjustment Current Earnings (ACE) type books. Each method contains an automatic switch to straight line remaining life. LN uses the class life in each method as the life for the asset and book to which the method is assigned.

To calculate Alt. Modified Accelerated Cost Recovery System depr.

Alternative Modified Accelerated Cost Recovery System (ALT MACRS) table depreciation uses the monthly or yearly rate information to determine the depreciation percentages for each year in an asset's life. The percentage is applied and the result is then divided across each period in the year to come up with the appropriate depreciation expenses. ALT MACRS calculations usually apply to only Alternative Minimum Tax (AMT) and Adjustment Current Earnings (ACE) type books. These methods should be used in accordance with United States Internal Revenue Service rules and tax regulations. There are two variations of ALT MACRS table depreciation:

- ALT MACRS Table Daily
- ALT MACRS Table Periodic

ALT MACRS Table Daily

In the ALT MACRS Table Daily formula, the yearly depreciation amount determined using a percentage from the LN rate tables is divided across the periods in the year using the following formula:

```
yearly depreciation = yearly depreciation percentage * cost
```

To calculate the depreciation for each period:

```
period depreciation = yearly depreciation amount * (days in period / days in
 year)
```

Example of ALT MACRS Table Daily

- Year one

Your company uses a truck subject to alternative MACRS tax reporting. The truck has a cost of 28,500, a class life of 5.0 years and a in-service date of February 13, 1998. It is depreciated using the half year convention, and it was placed in service during the first half of the fiscal year. Management decides to depreciate it using the ALT MACRS tables.

LN uses the rate tables to determine the percentage used in calculating the annual percentage in each year. In the first year, the rate is 15% and LN calculates depreciation as follows:

```
(15% * $28,500) = $4,275
```

LN then calculates the depreciation expense for each period in that year according to the number of days in each period. In the first period of the asset's life, there were only 15 days, and there were only 321 days in the first year.

LN performs the following calculation for the first period:

```
$4,275 * (15 / 321) = $4,275 * .046758972 = $199.77
```

In the second period of the first year, there were 31 days. LN calculates depreciation as follows:

```
 $4,275 * (31 / 321) = $4,275 * .084931507 = $363.08
```

- Year two

For the second year, LN uses the rate tables to determine that the rate for this year should be 25.50%. It calculates the yearly depreciation expense as follows:

```
(25.50% * 28,500) = $7,267.50
```

In the first period of year two, there are 31 days, so LN calculates depreciation for the period as follows:

```
$7,267.50 * ( 31 / 365) = $617.07
```

ALT MACRS Table Periodic

In MACRS Table Periodic formula, the yearly depreciation amount determined from the LN rate tables is divided evenly across each period in the year using the following formula:

```
yearly depreciation = yearly depreciation percentage * cost
```

To calculate the depreciation for each period:

```
Period depreciation = early depreciation amount / periods in year
```

Example of ALT MACRS Table Periodic

- Year One

Your company has a truck subject to alternative MACRS tax reporting. The truck has a cost of 28,500, a class life of 5.0 years and a in-service date of February 13, 1998. It is depreciated using the half year convention, and it was placed in service during the first half of the fiscal year. Management decides to depreciate it using the ALT MACRS tables.

LN uses the rate tables to determine the percentage used in calculating the annual percentage in each year. In the first year, the rate is 15% and LN calculates depreciation as follows:

```
(15% * $28,500) = $4,275
```

LN then calculates the depreciation expense for each period in the year, without regard to the number of days in each period. There are only eleven periods in the first year of the asset's life. For each period in the first year, LN performs the following calculation:

$4,275 / 11 = $388.64

LN records a depreciation expense of $388.64 in each period of year one.

- Year Two

For the second year, LN uses the rate tables to determine that the rate for this year should be 25.5%. It calculates the yearly depreciation expense as follows:

```
(25.50% * $28,500) = $7,267.50
```

For each period in the second year, LN performs the following calculation:

```
$7,267.50 / 12 = $605.63
```

LN records a depreciation expense of $605.63 in each period of year two.

ADR and MACRS group election

During asset entry, you can make an asset eligible for asset depreciation range (ADR) or modified accelerated cost recovery system (MACRS) group tax reporting by assigning a vintage/group account to the asset in the Asset Details (tffam1600m000) session. You can also assign a vintage/group account to an asset that has been capitalized by performing an adjustment on it.

When you assign a vintage/group account, LN ensures that the in-service year on the asset is the same as the year on the account. If the in-service year matches, LN adds the asset to the vintage/group account and sets the asset's life, frequency, depreciation method, and depreciate below salvage fields in the ADR book to the same values set for the account.

Assets in a vintage/group account depreciate as a unit instead of individually, and are subject to different disposal and transfer options.

To calculate MACRS depreciation

MACRS formula depreciation uses either a declining balance formula or a straight-line formula.

- MACRS straight line formula depreciation
- MACRS declining balance depreciation

MACRS Straight-Line Formula Depreciation

In the MACRS straight-line method, LN calculates a new applicable percentage of depreciation in each year of the asset's life. The MACRS SL formula uses the asset's remaining life rather than its original depreciation life in the calculation.

In MACRS straight line, LN calculates the percentage for a year by dividing one depreciation period by the remaining life of the asset, and then applying this amount with the averaging convention to determine the depreciation amount for that year.

In the first year, LN divides the resulting annual depreciation amount evenly across each period from the beginning of the recovery period to the end of the year. In subsequent years, LN divides the depreciation amount evenly across each period in the year.

Note

If the asset for which you are calculating depreciation contains an averaging convention, LN adjusts the depreciation expense for the first half-yearly, quarterly, or monthly calculation. For more information, refer to *Calculations and Averaging Conventions (p. 53)*.

MACRS straight line formula:

```
depreciation =  (cost - accumulated depreciation) * (1 / remaining life)
```

Example

Your company has an asset with a cost of $10,000, an estimated life of seven years, and a half year averaging convention. Because of the averaging convention, LN must calculate the full annual depreciation for the first year but record only half of the resulting depreciation. The annual depreciation for the first year of the asset's life is calculated as:

```
[ $10,000 * (1 / 7) ]/2 = $714.29
```

LN divides this amount evenly from the in-service date to the end of the first fiscal year.

In the second year of the asset's life, the remaining life is now 6.5 years. LN calculates the annual depreciation as follows:

```
[ ($10,000 - $714.29) * (1 / 6.5) ] = $1428.57
```

LN divides this amount evenly across the twelve periods in the calendar year which results in a depreciation amount of $119.05 in each period of the second year.

In the third year of the asset's life, the remaining life is now 5.5 years. LN calculates the annual depreciation as follows:

```
[ ($10,000 - $2142.86) * (1 / 5.5) ] = $1428.57
```

LN divides this amount evenly across the twelve periods in the calendar year which results in a depreciation amount of $119.05 in each period of the third year.

Note

If the asset for which you are calculating depreciation contains an averaging convention, LN adjusts the depreciation expense for the first half-yearly, quarterly, or monthly calculation. For more information, refer to *Calculations and Averaging Conventions (p. 53)*.

MACRS Declining Balance Depreciation

The formula used by MACRS declining balance is the same as the formula used in the regular declining balance formula with a switch to straight line. LN uses declining balance for the first portion of the asset's life, then switches to straight line with remaining life.

Note

If the asset for which you are calculating depreciation contains an averaging convention, LN adjusts the depreciation expense for the first half-yearly, quarterly, or monthly calculation. For more information, refer to *Calculations and Averaging Conventions (p. 53)*.

To calculate MACRS table depreciation

Modified Accelerated Cost Recovery System (MACRS) table depreciation uses the rate tables in LN to determine the yearly depreciation percentages for each year in an asset's life. In the first year, the yearly percentage is applied and the result is then divided across each period from the beginning of the recovery period to the end of the year. In subsequent years, the result is divided across each period in the year to come up with the appropriate depreciation expenses. There are two variations of MACRS table depreciation:

- *MACRS Table Daily (p. 78)*
- *MACRS Table Periodic (p. 80)*

MACRS Table Daily

In the MACRS Table Daily formula, the yearly depreciation amount determined using a percentage from the LN rate tables is divided across the periods in the year using the following formulas:

```
yearly depreciation = yearly depreciation percentage * cost

depreciation for each period =
yearly depreciation amount * (days in period / days in tax year)
```

Example of MACRS Table Daily

- Year One

Your company uses a conveyor with a cost of $10,000, a life of five years, and a in-service date of 1/1/2002. Management decides to depreciate it under the MACRS 200% declining balance method with a half year averaging convention. LN uses the rate tables to determine the percentage used in calculating the annual percentage in each year.

In the first year, the rate is 20% and LN calculates depreciation as follows:

```
(20% * $10,000) = $2,000
```

LN then calculates the depreciation expense for each period in that year according to how many days were in each period. In the first period of the asset's life there were only 25 days, so LN performs the following calculation for that period:

```
 $2,000 * (25 / 365) = $136.99
```

In the second period of the first year, there were 31 days. LN calculates depreciation as follows:

```
$2,000 * ( 31/365) = $169.86
```

LN records a depreciation expense of $136.99 in the first period of year one, and an expense of $169.86 in the second period. If an asset is placed in service at any time other than the first day of the tax year, LN substitutes the number of days from the in-service date to the end of the tax year for the number 365 in the calculations listed above.

For example, if the asset were placed in service on November 6, 2002, LN calculates that there were only 56 days in the first tax year. LN would use 25/56 in the first calculation and 31/56 in the second calculation.

- Year Two

For the second year, LN uses the rate tables to determine that the rate for this year should be 32%. LN calculates the yearly depreciation expense as follows:

```
(32% * $10,000) = $3,200
```

The first period in year two has 31 days, so LN calculates depreciation for the period as follows:

```
$3,200 * (31 / 365) = $271.78
```

MACRS Table Periodic

In MACRS Table Periodic formula, the yearly depreciation amount determined from the LN rate tables is divided evenly across each period in the year, using the following formulas:

```
yearly depreciation = yearly depreciation percentage * cost

depreciation for each period = yearly depreciation amount / periods in year
```

Example of MACRS Table Periodic

- Year One

Your company uses a conveyor with a cost of $10,000, a life of five years, and a in-service date of January 1, 2001. Management decides to depreciate it under the MACRS 200% declining balance method with a half year averaging convention. LN uses the rate tables to determine the percentage used in calculating the annual percentage in each year.

In the first year, the rate is 20% and LN calculates depreciation as follows:

```
(20% * $10,000) = $2,000
```

LN then calculates the depreciation expense for each period in the year, without regard to the number of days in each period. For each period in the first year, LN performs the following calculation:

```
$2,000 / 12 = $166.67
```

LN divides this amount evenly from the in-service date to the end of the first fiscal year.

- Year Two

For the second year, LN uses the rate tables to determine that the rate for this year should be 32%. It calculates the yearly depreciation expense as follows:

```
(32% * $10,000) = $3,200
```

For each period in the second year, LN performs the following calculation:

```
 $3,200 / 12 = $266.67
```

LN records a depreciation expense of $266.67 in each period of year two.

Using Accelerated Cost Recovery System (ACRS) Method

ACRS methods use the ACRS tables as the basis of their calculations. You can assign one of these methods to any of an asset's related books. LN uses the class life in each method as the life for the asset and book to which the method is assigned. For more information on ACRS depreciation, see the *To calculate Accelerated Cost Recovery System depreciation (p. 81)* topic.

To calculate Accelerated Cost Recovery System depreciation

LN uses formulas when it calculates depreciation amounts for assets or its related books. Formulas are part of the depreciation methods assigned to an asset and its related books. These are the formulas used by ACRS depreciation methods in LN:

- ACRS Formula Calculations
- ACRS Table Calculations

ACRS Formula Calculations

ACRS formula calculations apply ACRS depreciation to an asset by using the straight line remaining life formula. ACRS depreciation allows assets to be depreciated over periods shorter than their useful lives without regard to salvage value. ACRS applies to assets placed in service after 1980 and before 1987.

ACRS uses the cost of an asset to determine the class to which the asset belongs and the recovery period for the asset.

No other formulas besides straight line remaining life are available for ACRS formula calculations. For more information on straight line remaining life calculations, refer to *To calculate Remaining Life depreciation (p. 70)*.

Note

If the asset for which you are calculating depreciation contains an averaging convention, LN adjusts the depreciation expense for the first half-year, quarter, or month calculation. For more information, refer to *Calculations and Averaging Conventions (p. 53)*.

Example of ACRS Formula Calculations

Your company has a stirrer worth $250,000 that was placed in service on May 31, 1985. The asset has a life of 18 years. Management decides to depreciate this asset under the ACRS table method.

LN determines that the appropriate percentage for the first year of the asset's life is 8%. LN calculates an annual depreciation expense of $20,000 for the first year.

ACRS Table Calculations

ACRS Table depreciation uses the rate tables in LN to determine the yearly depreciation percentages for each year in an asset's life. The yearly percentage is applied and the result is then divided across each period in the year to come up with the appropriate depreciation expenses.

ACRS depreciation allows assets to be depreciated over periods shorter than their useful lives without regard to salvage value. ACRS applies to assets placed in service after 1980 and before 1987. ACRS uses the cost of an asset to determine the class to which the asset belongs and the recovery period for the asset. The annual depreciable amount in ACRS is determined by multiplying the cost of the asset by the appropriate percentage for the tax year.

Example of ACRS Table Calculations

Your company has a stirrer worth $250,000 that was placed in service on May 31, 1985 The asset has a life of 18 years. Management decides to depreciate this asset under the ACRS table method.

LN determines that the appropriate percentage for the first year of the asset's life is 8%. LN calculates an annual depreciation expense of $20,000 for the first year.

Calculating Declining Balance depreciation

In the Declining Balance method, LN calculates each year's total depreciation by applying a constant percentage to the asset's net book value. The declining balance methods allocate the largest portion of an asset's cost to the early years of its useful life. It does not depreciate the asset to its salvage value. You must do it manually.

Note

If the asset for which you are calculating depreciation contains an averaging convention, LN adjusts the depreciation expense for the first half year, quarter, or month calculation.

Double declining balance depreciation

The depreciation rate for double declining balance method = Straight line depreciation rate *200 percent

Example

On April 1, 2011, Company A purchased an equipment at the cost of $140,000. This equipment is estimated to have 5 year useful life. At the end of the 5th year, the salvage value (residual value) will be $20,000. Company A recognizes depreciation to the nearest whole month. Calculate the depreciation expenses for 2011, 2012 and 2013 using double declining balance depreciation method.

Asset Life = 5 years. Hence, the straight line depreciation rate = 1/5 = 20% per year.

Depreciation rate for double declining balance method = 20% * 200% = 20% * 2 = 40% per year.

The depreciation amounts for the asset are calculated as follows:

- **Year 2011**
  Depreciation = $140,000 * 40% * 9/12 = $42,000.
- **Year 2012**
  Depreciation = ($140,000 - $42,000) * 40% * 12/12 = $39,200 .
- **Year 2013**
  Depreciation = ($140,000 - $42,000 - $39,200) * 40% * 12/12 = $23,520
- **Year 2014**
  Depreciation = ($140,000 - $42,000 - $39,200 - $23,520) * 40% * 12/12 = $14,112
- **Year 2015**
  Depreciation = ($140,000 - $42,000 - $39,200 - $23,520 - $14,112) * 40% * 12/12 = $8,467.

Note

The depreciation for the Year 2015 must be taken as $1,168 but not $8,467, in order to maintain the book value same as the salvage value.

$21,168 - $20,000 = $1,168 (At this point, depreciation stops.)

A-Year	B- Book Value at the beginning	C-Depreciation Rate	D- Depreciation Amount (D=B*C*Number of months /12)	E-Book Value at the year-end
2011	$140,000	40%	$42,000	$98,000
2012	$98,000	40%	$39,200	$58,800
2013	$58,000	40%	$23,520	$35,280
2014	$35,280	40%	$14,112	$21,168
2015	$21,168	40%	$1,168	$20,000

150% declining balance depreciation

The depreciation rate for 150% declining balance method = Straight line depreciation rate *150 percent

Example

On April 1, 2011, Company A purchased an equipment at the cost of $140,000. This equipment is estimated to have 5 year useful life. At the end of the 5th year, the salvage value (residual value) will be $20,000. Company A recognizes depreciation to the nearest whole month. Calculate the depreciation expenses for 2011, 2012 and 2013 using 150 percent declining balance depreciation method.

Asset Life = 5 years. Hence, the straight line depreciation rate = 1/5 = 20% per year.

Depreciation rate for 150 percent declining balance method = 20% * 150% = 20% * 1.5 = 30% per year.

The depreciation amounts are calculated as follows:

- **Year 2011**
  Depreciation = $140,000 * 30% * 9/12 = $31,500.
- **Year 2012**
  Depreciation = ($140,000 - $31,500) * 30% * 12/12 = $32,550 .
- **Year 2013**
  Depreciation = ($140,000 - $31,500 - $32,550) * 30% * 12/12 = $22,785
- **Year 2014**
  Depreciation = ($140,000 - $31,500 - $32,550 - $22,785) * 30% * 12/12 = $15,950
- **Year 2015**
  Depreciation = ($140,000 - $31,500 - $32,550 - $22,785 - $15,950)*30% *12/12 = $11,165.
- **Year 2016**
  Depreciation = ($140,000 - $31,500 - $32,550 - $22,785 - $15,950 -$11,165)*30% *12/12 = $7,815.

Note

Depreciation for the Year 2016 must be taken as $6,051 but not $7,815, in order to maintain the book value same as the salvage value.

$26,051 - $20,000 = $6,051 (At this point, depreciation stops.)

A-Year	B- Book Value at the beginning	C-Depreciation Rate	D- Depreciation Amount (D=B*C*Number of months /12)	E-Book Value at the year-end
2011	$140,000	30%	$31,500	$108,500
2012	$108,500	30%	$32,550	$75,950
2013	$75,950	30%	$22,785	$53,165
2014	$53,165	30%	$15,950	$37,216
2015	$37,216	30%	$11,165	$26,051
2016	$26,051	30%	$6,051	$20,000

To calculate Declining Balance with Switch to Straight Line depreciation

The declining balance with a switch to straight line is a formula in which declining balance is used for the first portion of an asset's life, then LN switches to the straight line formula to depreciate the asset to its salvage value based on its remaining life. The switch occurs in the first period in which the straight line remaining value calculation results in a larger depreciation amount than the declining balance calculation.

This formula is useful if you want to maximize the tax deduction for depreciation expense on your company's income tax returns. This method lets you book a large portion of an asset's depreciation in the early years of its life, then depreciate it to its salvage value. In the declining balance formula without a switch to straight line, the salvage value is disregarded.

If a depreciation method is applied with the **Switch to SL** check box selected in the Depreciation Methods (tffam7510m000) details session, then the straight line calculation with remaining-life / remaining-value or the normal straight line calculation is applied according to the Straight Line (SL) Switch criteria defined in the FAM Parameters (tffam0100s000) session.

The following formulas are used:

- U.S. tax books:

```
NBV = (Cost - Salvage - Sec179) * (Business Percentage / 100) - AD
```

- Other books:

```
NBV = Cost - Salvage - AD
```

where:

NBV = Net Book Value

AD = Accumulated Depreciation

Declined balance:

```
Daily Depreciation = NBV * (Declined Balance Percentage / 100) * Days
Depreciated / Days in Fiscal
    Year Periodic Depreciation = NBV * (Declined Balance Percentage / 100)
* Periods Depreciated / Periods in Fiscal Year
```

- Normal Straight Line:

```
Daily Depreciation = NBV * Days Depreciated / Days in Fiscal Year Periodic
Depreciation = NBV *
   Periods Depreciated / Period in Fiscal Year
```

- Straight Line with Remaining-Life / Remaining-Value:

```
Daily Depreciation = NBV * Days Depreciated / Remaining Life Days Periodic
Depreciation = NBV * Periods Depreciated / Remaining Life Periods
```

For MACRS and ACRS the salvage value is not applied to depreciation of U.S. tax and commercial books.

Note

If the asset for which you are calculating depreciation contains an averaging convention, LN adjusts the depreciation expense for the first half year, quarter, or month calculation. For more information, see the topic, *Calculations and Averaging Conventions (p. 53)*.

To calculate sum of years digits with switch to SL depreciation

The sum of years digits with a switch to straight line is a formula in which sum of years digits is used for the first portion of an asset's life, then LN switches to the straight line formula to depreciate the asset to its salvage value based on its remaining life. The switch occurs in the first period in which the remaining value calculation of the straight line results in a larger depreciation amount than the sum of years digits calculation.

If a depreciation method is applied while the **Switch to SL** checkbox is selected in the Depreciation Methods (tffam7510m000) details session, the normal straight line calculation is applied independent of the **SL Switch Criteria** defined in the FAM Parameters (tffam0500m000) session. The straight-line calculation with remaining-life/remaining-values is not applied, because the large accumulated depreciation at the beginning of the life causes the RL/RV straight-line amount to be reduced, so that the switch never occurs.

The following formulas are used:

- **US tax books**

  ```
  DF = (cost - salvage - sec179) * (business percentage/100)

  NBV = (cost - salvage - sec179) * (business percentage/100) - AD
  ```

- **Other books**

  ```
   DF = cost - salvage

  NBV = cost - salvage - AD
  ```

- **Sum of Years Digits**

  ```
  depreciation = DF * (remaining years in life/sum of years)
  ```

- **Normal Straight Line**

  ```
  daily depreciation = NBV * (days depreciated/days in fiscal year)

  periodic depreciation = NBV * (periods depreciated/period in fiscal
  year)
  ```

where:

DF = Depreciation Factor

NBV = Net Book Value

AD = Accumulated Depreciation

For MACRS and ACRS the salvage value is not applied to depreciation of US tax and commercial books.

Note

If the asset for which you are calculating depreciation contains an averaging convention, LN adjusts the depreciation expense for the first halfyearly, quarterly, or monthly calculation. This formula is useful if you want to maximize the tax deduction for the depreciation expense on your company's income tax returns. This method lets you book a large portion of an asset's depreciation in the early years of its life, then depreciate it to its salvage value.

Calculating Alternative MACRS Formula Depreciation

The Alternative Modified Accelerated Cost Recovery System (ALT MACRS) formula calculates depreciation using the declining balance formula with a switch to straight line and a fixed percentage of 150%. LN uses declining balance for the first portion of the asset's life, then switches to straight line with remaining life. ALT MACRS calculations usually apply to only Alternative Minimum Tax (AMT) type books and Adjustment Current Earnings (ACE) type books. These methods should be used in accordance with United States IRS rules and tax regulations.

Note

If the asset for which you are calculating depreciation contains an averaging convention, LN adjusts the depreciation expense for the first half-year, quarter, or month calculation. For more information, see the *Calculations and Averaging Conventions (p. 53)* topic.

To use Annuity depreciation

A depreciation method that is based on interest rates and that meets European requirements. During the asset life, the depreciation amount increases. The amount is calculated in the calculation book. If there is no depreciation amount in the calculation book, depreciation is not taken into account. The annuity depreciation is calculated as follows:

Annuity = Basis * i * {(1 + i) to the power n} / ({(1 + i) to the power n} - 1)

Depreciation = Annuity - i * Basis of Year

where:

Basis = book value at the first year

Basis of Year = book value at the beginning of the actual year

i = interest percentage / 100

n = number of years with annuity depreciation

Example

Basis = 200,000

i = 8 % / 100 = 0.08

n = 5 years

Annuity = 200,000 * 0.08 * 1.08 5 / (1.08 5 - 1) = 50,091.29

Year	Annuity calculation	Annuity
1	50,091.29 - 0,08 * 200,000.00	34,091.29
2	50,091.29 - 0.08 * 165,908.71	36,818.59
3	50,091.29 - 0.08 * 129,090.12	39,764.08
4	50,091.29 - 0.08 * 89,326.04	42,945.21
5	50,091.29 - 0.08 * 46,380.83	46,380.82
Sum		199,999.99

Calculating Annuity Depreciation

Annuity is a method commonly used to meet European requirements. Similar to the concept of a loan, the amount recorded for depreciation is based on the interest rate. The amount of depreciation increases over the life of the asset. The interest amount is calculated in the Calculatory book only, otherwise, it is ignored.

The depreciation for an annuity method is calculated as follows:

$$\text{Annuity} = \frac{i * \text{total depreciation amount} * (1+i)^n}{(1+i) - 1^n}$$

```
Depreciation = annuity - (i * book value start of year)
```

where:

i = Interest rate percentage / 100

n = Annuity number of years

To use First Period depreciation

A depreciation method that entirely depreciates the asset in the first period. This depreciation is used for low-value assets.

You can define the maximum value for First Period Depreciation in the Unit Max Value field of the FAM Parameters (tffam0100s000) subsession.

If an asset with First Period Depreciation exceeds the maximum value, a warning appears in the Capitalization (tffam1200m000) session (a subsession of the Assets (tffam1500m000) session). You can decide to ignore the warning and continue the depreciation.

Suspending depreciation

You can suspend depreciation in two ways:

- To suspend depreciation generally for a depreciation method for all asset books, you can use the Suspended Periods (tffam7120m000) session. This method changes the depreciation amount for the periods after a suspended period, and the asset's last in-service date does not change. For details, refer to Suspended Periods (tffam7120m000).
- You can use the Mass Suspend Depreciation (tffam1207m000) session to suspend the depreciation of a range of asset books for a range of years and periods.

Mass suspend depreciation

In some countries, you can suspend depreciation for periods during which the asset is not used for any reason. You can perform the depreciation in later periods.

Before LN can suspend the depreciation for a period, the asset must have been depreciated up to the beginning of the first period for which you suspend the depreciation and no deprecation must exist for later periods.

To ensure this, depending on the last depreciation date of the asset book, LN performs normal depreciation for the preceding periods or reverses the depreciation as required for any later periods if you run the Mass Suspend Depreciation (tffam1207m000) session.

LN creates a **Suspend Depreciation** transaction for each period for all asset books in the range. These types of transactions are not posted to the general ledger because the transaction amount is zero. In the Asset Book Transaction Inquiry (tffam8501m000) session, **Suspend Depreciation** transactions are shown with a transaction amount of zero.

For the generated regular depreciation transactions or reversed regular depreciation transactions, LN creates journal entries if you cleared the **Suppress Journal Entries** check box in the Mass Suspend Depreciation (tffam1207m000) session.

If the depreciation suspension was successful, LN sets the **Last Depreciation Date** of the asset book to the last day of the last period for which you suspended the depreciation, and updates the **Count of Suspended Periods**.

If you have suspended the depreciation, you can depreciate the asset at later periods. Periods for which you suspend the depreciation are *not* included in the remaining asset life. In the Asset Books (tffam1510m000) session, the **Count of Suspended Periods** field displays the number of periods for which the asset was not depreciated because you suspended the depreciation in the Mass Suspend Depreciation (tffam1207m000) session.

Note

If you suspend depreciation of an asset for a period in a specific location and during the suspended period you transfer the asset to a new location, depreciation of the asset is *not* automatically suspended in the new location. You must use the Mass Suspend Depreciation (tffam1207m000) session to suspend depreciation of the asset again in the new location.

The **Count of Suspended Periods** field in the Asset Books (tffam1510m000) session is not affected by suspended depreciation that you perform using the Suspended Periods (tffam7120m000) session.

Example

For example, you put an asset into service on January 1 2005. The asset life is one year which consists of 12 periods.

You do not use the asset in the periods 2005/5 and 2005/6 and during these periods, you suspend the depreciation. For all other periods in 2005, you perform regular depreciation. On December 31 2005, the asset is not fully depreciated. You can still depreciate the asset in periods 2006/1 and 2006/2.

Reversing suspension of the depreciation

If you reverse the suspension of the depreciation, LN reverses the suspended depreciation *as well as the regular depreciation of any periods following the latest period for which you suspend the depreciation.*

If you reverse the suspended depreciation for a range of periods in the past, you must manually perform the regular depreciation for the periods following the last period for which you reversed the suspended depreciation.

For generated reversal transactions, LN only creates journal entries if journal entries exist for the original transactions, independent of whether you select or clear the **Suppress Journal Entries** check box in the Mass Suspend Depreciation (tffam1207m000) session.

If you reverse the suspension of the depreciation, LN updates the **Count of Suspended Periods** field in the Asset Books (tffam1510m000) session.

Example

You suspend depreciation for the periods 2005/1, 2005/2, and 2005/3 and you perform normal depreciation for period 2005/4 and post the depreciation transactions to the general ledger.

Next, you must reverse the suspended depreciation, starting at period 2005/2.

Take the following steps:

1. Select the **Reverse Depreciation** check box.
2. In the **Year/Period From** fields, enter 2005/2. You cannot enter a value in the To fields.

LN reverses the suspended depreciation of the periods 2005/2 and 2005/3, *as well as the regular depreciation of period 2005/4.*

You must manually perform depreciation for the periods 2005/2, 2005/3, and 2005/4.

Accelerated depreciation

Accelerated depreciation is to depreciate an asset by an extra amount in a specific year. In some countries, accelerated depreciation can reach a maximum of 100 percent of the yearly standard depreciation amount, until the asset value reaches zero. Accelerated depreciation reduces the depreciation time. Accelerated depreciation transactions must be posted to specific ledger accounts.

You must enter the accelerated depreciation amount expressed as a percentage of the accumulated depreciation. The percentage cannot exceed 100.

Accelerated depreciation follows the same rules as the standard depreciation. If the standard depreciation is suspended, the accelerated depreciation is also suspended. If the actual use of the asset changes, you can reduce or suspend the accelerated depreciation accordingly.

Note

Accelerated depreciation does not change the regular depreciation amount for subsequent periods.

Performing accelerated depreciation

You can use the Mass Accelerated Depreciation (tffam1208m000) session to depreciate a range of asset books by an additional amount. You can do this only once a year.

Before you can perform accelerated depreciation for a period, the asset must have been depreciated up to the beginning of the first period for which you perform accelerated depreciation and no deprecation must exist for later periods.

To ensure this, depending on the last depreciation date of the asset book, LN performs normal depreciation for the preceding periods or restates the depreciation as required for any later periods if you run the Mass Accelerated Depreciation (tffam1208m000) session.

If you perform accelerated depreciation, LN calculates and posts accelerated and additional depreciation.

In the Asset Books (tffam1510m000) session, the **Accelerated Depreciation** check box indicates whether you performed accelerated depreciation on the asset.

Reversing the accelerated depreciation

If you reverse the accelerated depreciation, LN reverses the accelerated depreciation *as well as the regular depreciation of any periods following the transaction date of the accelerated depreciation.* After reversal, you must manually perform depreciation, starting at the year for which you performed the reversal process.

If you reverse the accelerated depreciation for a range of years in the past, you must manually perform the regular depreciation for the periods later than the last period for which you reversed the suspended depreciation.

For generated reversal transactions, LN only creates journal entries if journal entries exist for the original transactions, independent of whether you select or clear the **Suppress Journal Entries** check box in the Mass Accelerated Depreciation (tffam1208m000) session.

If you reverse all the accelerated depreciation performed for the asset, LN clears the **Accelerated Depreciation** check box in the Asset Books (tffam1510m000) session.

Reverse depreciation

LN posts all the journal entries of fixed asset depreciation transactions to General Ledger module for the posting-book defined in the FAM Parameters (tffam0100s000) session. The book must be a financial book or a commercial book.

In addition to the posting book, you can also post the depreciation transactions for additional or non-posting books defined in the FAM Parameters (tffam0100s000) session to General Ledger module. If you select the **Depreciation Postings to General Ledger** check box in the Asset Books (tffam1510m000) session, you can post the depreciation transactions for additional books to General Ledger module.

If the asset is disposed, the accumulated depreciation postings to General Ledger module are reversed for the posting book. In addition, to these reverse entries, LN generates the journal entry for reversal of accumulated depreciation amount for the additional posting books.

Example

The value of an asset $12000. Asset's life is 1 year. The following journal entries are defaulted when you clear the **Depreciation Postings to General Ledger** check box in the Asset Books (tffam1510m000) session. LN generates the following journal entries for the additional posting book.

Transaction	Type	Ledger Account	Amount
Asset Capitalization	Debit	Asset account (from IDT FAM_ASSE)	12000
	Credit	Capital Accumulation account (from IDT FAM_CAPA)	12000
Asset Depreciation for Period 1	Debit	Depreciation Expense account (from IDT FAM_DEPR)	1000
	Credit	Accumulated Depreciation account (from IDT FAM_ACCU)	1000
Asset Depreciation for Period 2	Debit	Depreciation Expense account (from IDT FAM_DEPR)	1000
	Credit	Accumulated Depreciation account (from IDT FAM_ACCU)	1000
Asset Disposal after period 2 for 9000	Credit	Asset account (from IDT FAM_ASSE)	12000
	Debit	Accumulated Depreciation account (from IDT FAM_ACCU)	2000
	Debit	Asset Sales proceed account (from FAM_PROC)	9000
	Debit	Loss account (from FAM_LOSS)	1000

The following journal entries are defaulted when you select the **Depreciation Postings to General Ledger** check box in the Asset Books (tffam1510m000) session. LN generates the following journal entries for the additional posting book.

Transaction	Type	Ledger Account	Amount
Asset Capitalization	Debit	Asset account (from IDT FAM_ASSE)	12000
	Credit	Capital Accumulation account (from IDT FAM_CAPA)	12000
Asset Depreciation for Period 1	Debit	Depreciation Expense account (from IDT FAM_DEPR)	1000
	Credit	Accumulated Depreciation account (from IDT FAM_ACCU)	1000
	Debit	Debit account for Calculatory Depreciation account (from IDT FAM_CALC)	1000
	Credit	Credit account for Calculatory Depreciation account (from IDT FAM_CALC)	1000
Asset Depreciation for Period 2	Debit	Depreciation Expense account (from IDT FAM_DEPR)	1000
	Credit	Accumulated Depreciation account (from IDT FAM_ACCU)	1000
	Debit	Debit account for Calculatory Depreciation account (from IDT FAM_CALC)	1000
	Credit	Credit account for Calculatory Depreciation account(from IDT FAM_CALC)	1000
Asset Disposal after period 2 for 9000	Credit	Asset account (from IDT FAM_ASSE)	12000
	Debit	Accumulated Depreciation account (from IDT FAM_ACCU)	2000
	Debit	Asset Sales proceed account(from FAM_PROC)	9000
	Debit	Loss account (from FAM_LOSS)	1000
	Debit	Debit account (from IDT FAM_ADDL)	2000
	Credit	Credit account from IDT FAM_ADDL	2000

Chapter 6
Journals

6

When a transaction occurs in Fixed Assets, the journals are created in the default posting books.

Capitalization Journals

LN identifies data for journal creation each time you capitalize an asset. Capitalization journals debit the asset account and credit the capital accumulation account. For example, a company has an asset record for a parking garage project that cost $850,000. When the capital staff accountant capitalizes the asset, LN records the cost of the asset in preparation for creating a journal entry.

The accounts used to create the capitalization journal are stored in an integration scheme or transaction schedule. When journals are created for capitalization, LN performs validation on the accounts and periods affected to ensure the entry is correct. A journal will not be created if the **Suppress Journal Entries** check box is selected.

Adjustment Journals

LN identifies data for journal creation each time you adjust cost, accumulated depreciation, method, or life for an asset. Different journal entries result depending on the type of adjustment you make:

- For adjustments that increase cost, LN debits the asset account and credits the capital accumulation account.
- For adjustments that reduce cost, LN credits the asset account and debits the capital accumulation account.
- For adjustments that increase accumulated depreciation, LN credits the accumulated depreciation account and debits the depreciation expense account for each line in the asset's distribution.

- For adjustments that decrease accumulated depreciation, LN debits the accumulated depreciation account and credits the depreciation expense account for each line in the asset's distribution.
- For retroactive adjustments to life, LN debits or credits the accumulated depreciation account and credits or debits the depreciation expense account for the difference, depending on whether the adjustment increased or decreased life. For prospective adjustments to life, no journal results.
- For adjustments to depreciation methods, LN debits or credits the depreciation expense account and credits the accumulated depreciation account, depending on the change made.

For example, a capital staff accountant at a company is asked to increase the cost of a propane forklift from $75,000 to $77,500, due to a clerical error during the original entry. The following journal is created:

Journal Number 4040

Account

F.Assets Machinery and Eqpt - None - None 2,500 debit

Acquisition, Mach. and Eqpt - None - None 2,500 credit

The adjustment was made effective from the asset's in-service date, so LN also adjusts the accumulated depreciation and the related depreciation expense. New depreciation journals are created for those changes.

Note

For intercompany assets, adjustments that cause a restatement of depreciation cause additional journal entries.

Depreciation Journals

LN identifies data for journal creation each time you depreciate an asset in its default posting book. Depreciation journals debit the depreciation expense account and credit the accumulated depreciation expense account.

LN also creates journals when you restate depreciation for an asset in its default posting book. If you restate depreciation for a prior period, LN recalculates depreciation expenses by using the current method and life for the asset's posting books. After calculating the depreciation, LN first generates a reversing journal entry that credits the depreciation expense account for its former amount and then debits the accumulated depreciation account. LN then generates the standard depreciation entries.

The accounts used to create the depreciation journal are stored on the asset distribution line (in the integration scheme). If journals are created, LN performs validation on the accounts and periods affected to ensure the entry is correct. A journal is not created if the **Suppress Journal Entries** check box is selected.

Disposal Journals

LN identifies data for journal creation each time you dispose of an asset in its default posting book. LN creates multiple journals, depending on the type of disposal:

- For all types of disposals, LN credits the asset account and debits the accumulated depreciation account.
- In sale, trade-in, casualty loss, or theft, LN records the difference between the net book value and the proceeds as gain or loss to the appropriate account.
- In a charitable contribution, LN records the difference between the net book value and the proceeds recorded by debiting the charitable contribution account with the amount of the proceeds and crediting the gain or debiting the loss to the appropriate account.
- In an abandonment, LN debits the scrap account for the net book value.
- In a sale, LN credits the asset account, debits accumulated depreciation, debits the proceeds account for the amount of sale, and either debits the loss account or credits the gain account.

Transfer Journals

LN identifies data for journal creation each time you transfer an asset. LN creates two journals for each transfer:

- For the company transferring the asset, LN credits the asset account, debits the accumulated depreciation account, and debits the intercompany account with the destination company.
- For the company receiving the asset, LN debits the asset account, and credits the intercompany account. For transfers within legal companies, LN also credits the accumulated depreciation account.

Note

For transfers of assets with intercompany distribution lines, LN makes no special entries in addition to the ones listed above. Any restatement of depreciation as a result of transfer will cause a reversal of previous journal entries for both companies.

Intercompany Journals

When you depreciate or restate depreciation for assets with intercompany distribution lines, LN makes additional journal entries to offset part of the transaction to the intercompany accounts. For each depreciation transaction, LN debits the depreciation expense account for each company, credits accumulated depreciation for the parent company, debits the intercompany account for the parent, and credits intercompany for the distribution company.

The accounts used to create the intercompany journals are stored in the asset distribution lines (in the transaction schedule or integration scheme). When journals are created, LN performs validation on the accounts and periods affected to ensure the entry is correct. A journal will not be created if the **Suppress Journal Entries** check box is selected.

Chapter 7
Handling Mass Assets

7

Mass Assets handles the transactions of a group of assets.

Using Mass Transactions

Mass transactions are transactions that you record for a large number of assets at one time. The results of mass transactions are the same as single transactions. These are the several types of mass transactions:

- *Adjusting mass assets (p. 101)*
- *Adjusting Mass Asset Books (p. 102)*
- *Mass Asset Depreciation (p. 103)*
- *Mass Restate Depreciation (p. 103)*
- *Disposing Mass Assets (p. 104)*
- *Disposing Mass Asset Books (p. 48)*
- *Transferring Mass Assets (p. 38)*

In mass transactions, quantity or percent fields cannot be completed without the corresponding location also being present. For example, if you want to enter a current quantity, you must have a current location entered. If you want to enter a new quantity, you must have a new location. If you enter a current quantity, a new quantity is required.

Adjusting mass assets

Mass adjustments permit you to perform adjustments on a large number of assets at one time. You can mass adjust assets at any point after they have been capitalized and before they have been disposed. You can record a mass adjustment for values associated with assets or with specific books related to the assets. Regardless, LN records journal entries from the mass adjustment using the values in the assets' default general ledger books.

Note

The same restrictions that apply to asset adjustment apply to mass adjustment. For more information, see the topic.

For each mass adjustment you enter, LN applies your changes to the assets and books that match your transaction criteria, and it records the former values of each asset for historical purposes. This allows you to perform an inquiry to view all the changes made to an asset and its related books throughout its life.

You enter a date for each mass asset adjustment to determine when the change takes effect. Based on the values you adjust, LN can have to restate depreciation. For changes to owner code or business percentage, LN restates from the effective date. LN does not restate depreciation for changes to vintage/group account, auto or listed status, location, distribution, quantity, or ITC method. However, depending on the effective date, LN can make an adjusting entry.

Note

The effective date you enter cannot be prior to the assets in-service date.

In addition to recording mass adjustments, there are two other types of adjustments you can make:

- *Single adjustments*, to make a similar change to one or more assets individually.
- *Vintage/group account adjustments*, to adjust assets subject to ADR or MACRS group tax reporting by adjusting the vintage/group account to which they belong.

Adjusting Mass Asset Books

You record adjustments by book to change those values on assets that can vary from book to book. You record a mass adjustment by book to change a large number of assets in one or more of their related books.

When you identify the fields and values to adjust, you enter operators and values for each field. For example, if you want to increase asset life from 10 to 15 periods, you can choose the plus sign (+) operator in the row for the **Asset Life (Units)** field and enter 5 as the change value, or you can choose the replace operator and enter 15 as the change value.

After you enter operators and values, you choose the books to which LN should apply your changes and enter a date to determine when the adjustment takes effect. Based on the values you adjust, LN can have to restate depreciation. For adjustments to any value, LN restates from the adjustment's effective date.

Note

The effective date you enter cannot be prior to the asset's in-service date.

Mass Asset Depreciation

You mass depreciate assets to record the loss of value on a periodic basis for a large number of assets at one time. You can depreciate an asset at any time after capitalization and prior to full disposal or the removal of capitalization. Only vintage and group account assets can accumulate depreciation after they have been disposed.

You can record mass depreciation for values associated with assets or with specific books related to the assets. For information about depreciating specific books, see the *Depreciating Asset Books (p. 46)* topic.

For each book selected, LN first determines whether it is time to depreciate. It does this by looking at the depreciation frequency and the last depreciated date. If it is a period in which the asset book is supposed to depreciate, and no depreciation has already occurred in this period, LN passes the necessary depreciation information to the depreciation process.

Example

The frequency indicates that the asset was supposed to depreciate in January, February, and March and it is now currently April. LN then checks the last depreciation date to see whether depreciation has been run through March. If not, it runs depreciation for all remaining periods.

If the ledger is closed for any of the periods, LN processes the depreciation as one large transaction to the current period, but if the ledger is open, one transaction for each period is created. Depreciation is calculated through the end date of the period selected.

Note

You cannot depreciate beyond the end of the current fiscal year without first closing the last period through the Period End (tffam8205m000) session.

Mass Restate Depreciation

You mass restate depreciation when you want to recalculate depreciation that occurred in a prior period for a large number of assets at one time. You remove capitalization from an asset when you have capitalized an asset that should not have been placed into service. You can remove capitalization from only those assets that have not yet begun to depreciate.

You must specify the period and year range for which you want to restate depreciation. If you keep the default value (1/0000) in the From period and year, depreciation is restated from the in-service date. LN recalculates the depreciation for each asset in its ADR book for the period you specify.

LN reverses any depreciation that was calculated starting from the From period you specified. Depreciation is then (re)calculated up to the specified To period. The new depreciation transactions are posted in the period range you specified, replacing the old transactions that were reversed.

Disposing Mass Assets

You record the mass disposal of assets when you want to remove a large number of depreciating assets from service in all of their related books. You can mass dispose of assets at any point after they have been capitalized. You can dispose of part or all of the selected assets, or you can dispose of the assets in one or all of their books. For more information about mass disposal of assets in their books, see the *Disposing Asset Books (p. 47)* topic. Regardless, LN records journal entries for the mass disposal using the values in the assets' default books.

Note

Mass disposal has the same available disposal types as asset disposal. For more information, see the *Disposing Assets (p. 37)* topic.

A mass disposal changes the status of all disposed books from **Depreciating** to **Disposed**. If all of the assets' books have been disposed, the status of the assets becomes **Disposed**. You can purge disposed assets from LN by running the Archive/Delete Disposed Assets (tffam8208m000) session.

Note

You can process a mass disposal by percentage only, not quantity.

When LN processes the mass disposal, it ensures that depreciation has been calculated up to the date on which the disposal takes effect. For example, if you record a mass disposal in March 2002, but depreciation was last calculated in December 2001, LN generates depreciation for January and February before it disposes of the assets. If you record a mass disposal in June 2002 but make the disposal effective for a previous month, LN must reverse out any depreciation that occurred in the months following the effective date.

Chapter 8
Vintage Group or Accounts

8

Vintage and group accounts are used to associate and maximize the United States tax deduction for assets subject to ADR and MACRS (modified accelerated cost recovery system) group depreciation.

Using Vintage/Group Account Transactions

Transactions are the actions you can perform on a vintage/group account. It is a record of the processing an ADR Vintage or MACRS Group account undergoes after you enter it into LN.

You can record the following transaction types:

- *Adjusting vintage/group accounts (p. 105)*
- *Depreciating Vintage/Group Accounts (p. 106)*
- *Restating Vintage/Group Accounts (p. 106)*
- *Disposing Vintage/Group Accounts (p. 107)*
- *Transferring Vintage/Group Accounts (p. 107)*

Adjusting vintage/group accounts

You adjust vintage/group accounts to make changes to the parameters you set for a vintage/group account. When you adjust a vintage/group account, LN first makes the specified changes to the account. Then LN makes the same changes to the ADR book of all assets that the account contains.

For example, if you change the life on a vintage account from 11.0 years to 11.5 years, LN first changes the account's life to 11.5, and then changes the life in the ADR book of each asset in the account.

You enter a date for each adjustment to determine when the change occurs, and a reason code that explains why you made the adjustment. Based on the values you adjust, LN can have to restate depreciation for the assets in the vintage/group account in their ADR books.

The following restrictions apply to adjusting an asset that is part of a vintage/group account:

- You are able to adjust a vintage/group account only within the first fiscal year in which it is created.
- If you remove an asset from a vintage/group account through an adjustment, you can not place the asset into a vintage/group account again.

Note

The United States' IRS publishes restrictions governing the removal of assets from an ADR Vintage or MACRS Group account election. For more information, consult United States IRS tax regulations and other authoritative publications before executing a transaction that removes an asset from an ADR Vintage or MACRS Group account.

Depreciating Vintage/Group Accounts

You depreciate a vintage/group account to record the cost of the assets in the account against their revenues for specific periods. When you depreciate a vintage/group account, you depreciate the ADR book for the assets that the account contains. LN calculates the depreciation for each asset in its ADR book, then adds the assets' depreciation to the accumulated and year-to-date totals maintained for the account. Assets that belong to a vintage/group account must depreciate as part of the account, instead of individually.

When you depreciate vintage/group accounts, you indicate the period and year through which LN should calculate depreciation. LN uses the frequencies assigned to the vintage/group account to determine which vintage/group accounts are eligible for depreciation in the indicated period, then uses the account's depreciation method to calculate depreciation.

When you depreciate a vintage/group account, LN calculates depreciation for each asset in the group, then adds the resulting amounts to create a total for the account. LN updates the account's cumulative year-to-date and accumulated depreciation each time depreciation for the account is run. LN also updates the assets in their ADR books, and creates transactions for each asset processed.

Note

Assets in a vintage/group account are not subject to suspended depreciation. LN calculates depreciation for all indicated periods, whether the periods are suspended for regular assets or not.

Restating Vintage/Group Accounts

You restate depreciation for a vintage/group account when you want to recalculate depreciation that occurred in a prior period for all the assets in the specified account. You must specify the period and year range for which you want to restate depreciation. If you keep the default value (1/0000) in the From

period and year, depreciation is restated from the in-service date. LN recalculates the depreciation for each asset in its ADR book for the period you specify.

LN reverses any depreciation that was calculated starting from the From period you specified. Depreciation is then (re)calculated up to the specified To period. The new depreciation transactions are posted in the period range you specified, replacing the old transactions that were reversed.

When you restate, you indicate the date from which restatement should begin. You can restate from the in-service date of the account or from any other date between the in-service date and the present. First, LN adjusts the depreciation amounts for each asset in the vintage/group account. Then LN adjusts the accumulated depreciation, year-to-date depreciation, and net book value for the vintage/group account to reflect the changes.

Disposing Vintage/Group Accounts

Assets in a vintage account are subject to normal, ordinary, or extraordinary disposal. Assets in a MACRS group account must be disposed of through extraordinary ADR disposal. You dispose of assets in a vintage account, by using the same steps as you do for other assets, but you have an additional option for ADR assets. For assets in a vintage/group account, you must select the ADR disposal type in addition to your other disposal criteria. The ADR disposals types are as follows:

- **Ordinary** ADR disposal, where LN gives the asset a status of **Disposed** in its ADR book. However, the asset remains in the vintage/group account and continues to depreciate until all assets in the account have been either extraordinarily disposed, or fully depreciated.
- **Extraordinary** ADR disposal, where LN removes the asset from the vintage account and subtracts the asset's total cost, accumulated depreciation, year-to-date depreciation, and salvage value from the vintage/group account. LN gives the asset a status of **Disposed** in its ADR book.

Transferring Vintage/Group Accounts

When you transfer an asset that is part of a vintage/group account), the source account and destination account must have the same criteria. However, if the source account is defined to contain new assets, the destination account is defined to contain used assets.

If you know what the destination account of the asset must be associated with, you can specify the account in your transfer criteria. If you do not specify a destination vintage/group account, LN creates a new account during the transfer, using the source criteria as a guide. During the transfer, LN associates the asset with the newly-created account.

Chapter 9
Periodic Processing

9

The periodic processing performs system and asset maintenance including period closing, purging history data, and mass processing of FAM transactions.

Mass processing of transactions is similar to mass depreciation processing.

All necessary journal entries are created automatically for posting to the General Ledger, based on the parameter settings.

Using Period End

You run period end at the close of each fiscal period. This process closes the current fiscal period of your accounting cycle in the Fixed Assets module. You must run period end for FAM before you can run period end in the General Ledger module.

During period end, LN purges the company's historical data for fully-disposed assets and asset transactions by using the history retention periods specified. You can run period end for current or previous periods only. However, you can close the period you are currently working in at any time of the month. After you close a period, you cannot run asset transactions for that period.

Once LN validates that the previous period is closed, LN performs the following tasks during period end:

- Removes data for fully-disposed assets based on the history retention periods specified.
- Removes capitalization, depreciation, adjustment, transfer, and disposal transaction data based on the history retention periods specified.
- Increments the current period for the selected companies to the next period in the fiscal year.
- Detects the last period in the fiscal year and resets year-to-date depreciation to zero for all assets and their books in the current company.
- Inactivates the former period.

The currently open period is displayed in the FAM Parameters (tffam0100s000) session. The Period End (tffam8205m000) session in Fixed Assets has been run for all previous periods.

Note

LN does not purge data from the ADR books for assets subject to ADR or MACRS group tax reporting, even if the retention periods have been exceeded. LN will purge the ADR books for these assets when all the assets in the vintage/group account have been disposed of.

Using History Purge

History purge allows you to remove data from LN without running period end. You can use history purge to remove data that period end did not remove. You can also run history purge to remove data that you restored beyond the normal history retention periods but do not want to retain until the next period end.

When you run period end for selected companies, LN automatically purges historical data based on the history retention rules specified for each company. You can override these rules when running history purge to remove restored historical data for a company. If you have restored historical data in LN, you must modify the history retention rules in order to retain the additional data when you run period end. For more information, see the *History Retention Rules (p. 110)* topic.

You can purge summary data, detail data, or both summary and detail data during history purge.

Note

For assets subject to ADR or MACRS group tax reporting, LN does not purge data from the ADR books, even if the retention periods have been exceeded. LN will purge the ADR books for these assets when all the assets in the vintage/group account have been disposed.

History Retention Rules

History retention rules determine how long LN retains historical asset data for each company.

When you run the Period End (tffam8205m000) session, LN purges summary information older than the number of years you specify. You must set the years of summary history rule to a value greater than zero, or LN will purge all information, except the current period's information.

The periods of asset history rule specifies the number of accounting periods for which you want to retain an asset after you have disposed it. When you run the Period End (tffam8205m000) session and the Archive/Delete Disposed Assets (tffam8208m000) session, LN purges assets that are fully-disposed and are older than the number of periods you specify.

The periods of transaction history rules specify the number of accounting periods for which you want to retain historical data for capitalization, adjustment, depreciation, transfer, and disposal transactions. When you run the Period End (tffam8205m000) session and the Archive/Delete Disposed Assets (tffam8208m000) session, LN purges transactions older than the number of periods you specify for each type of asset transaction.

Chapter 10
Insurance

10

The assets of a company are normally insured. However, as the asset is depreciated periodically the net book value of the asset also reduces. Therefore, the amount an asset is insured must be declined periodically.

Insurance

Use the Insurance section of Fixed Assets to update the insurance policy of the asset using the actual net book value of the assets.

The sessions used for insuring the fixed assets are:

- **Insurance Master Data (tffam1560m000)**
  Create a new insurance policy and specify the policy number, description, and insurance agent details.
- **Insured Fixed Assets (tffam1161m000)**
  Link your fixed assets to an appropriate insurance policy.
  For each fixed asset, you can specify :
  - The value for which the asset is insured.
  - The sum of the insured casco in the **Sum Insured Casco** field.
  - The insurance premium.
- **Policy and Book Value of Insured Fixed Assets (tffam1561m000)**
  - Review the policy and book values of assets and other information specified in the Insurance Master Data (tffam1560m000) session.
  - Review the asset insurance information and book values for a specified period and year. You can view current cost and net book value of an asset book.
- **Print Policy and Book Value of Insured Fixed Assets (tffam1471m000)**
  Print policy and book value of insured fixed assets based on the following parameters:
  - Range of policies
  - Asset number
  - Fiscal year and
  - Period

Chapter 11
Business Information

11

In business information, additional non-financial information about your fixed assets of your company is stored.

Business Information

The business information is based on a group of fields whose attributes are user defined. The data is identified by a business code, which may be linked directly to an asset or to an asset category.

To create and maintain the business information of the asset, use the following sessions:

- **Business Information Codes (tffam2540m000)**
  For each business information code, you can define up to eight levels of information. The business information code can be text (field type string), date (field type Date), or amount (field type Amount).
  Example: The business information code for your vehicles can be:
  - Additional vehicle information
  - Driver of the car
  - Mileage
  - Maintenance history
- **Business Information by Category (tffam2542m000)**
  If you want to define you business information on a higher level, you can link business information by asset category by creating a new record and specifying category information and required business information. To define your business information at a detailed level, you can link a business information to an individual asset.
- **Business Information by Asset (tffam2543m000)**
  After you set up the business information structure, you can enter the actual information for each individual asset. You can add 99 records for each Business Information by Asset. Use the Assets (tffam1500m000) session to view business information for a specific asset.
- **Print Business Information by Asset (tffam2443m000)**
  Print the business information for the specified range of assets or business information codes.

Chapter 12
FAM and other Modules

12

An asset can be assigned to many books. The transactions can be posted to the General Ledger module depending on the book type.

To handle the buying and selling of fixed assets, you can use the Accounts Payable module, the Accounts Receivable module, and the Invoicing module of the Invoicing package. The financial transactions are posted to the General Ledger module directly or through Accounts Receivable, Accounts Payable, and Invoicing.

Links with other modules

The Fixed Assets module is linked with other modules as follows:

- The General Ledger module contains the ledger accounts and the transaction types used for posting the fixed asset transactions. Fixed asset transactions, depreciation, revaluation, investment, adjustment, and disposal are be posted to general ledger accounts.
- The Accounts Payable handles the entry of a new fixed asset. To enter a new fixed asset in the Fixed Assets, you can register an investment transaction in the Accounts Payable.
- The Accounts Receivable handles the entry of a fixed asset disposal. To remove a fixed asset from the Fixed Assets, you can register a disposal transaction in the Accounts Receivable.
- The Project Production Control (PPC) in the Project package can be used to handle a capital project, based on a fixed asset.
- A fixed asset is usually disposed of because it was sold or thrown away. Use the Sales Invoicing (SLI) to dispose an asset if it is sold.

Appendix A
Reports

A

Reports are generated to know the status of an asset. These reports are classified into statutory and internal reporting, they are further classified as:

Standard reports for fixed assets

LN is delivered with a set of predefined, standard reports. You can view or print these reports. The reports delivered with the Fixed Assets module are listed below:

Master Data

- FAM Parameters
- Default Books
- Categories
- Subcategories
- Asset Groups
- Location Segments and Segment Codes
- Location Segments
- Books
- Reason Codes

Print Assets

- Assets
- Asset Distribution
- Asset Books
- Asset Units Used
- Asset Automobile Mileage

Depreciation Master Data

- Asset Class
- Depreciation Frequencies

- Depreciation Methods
- Monthly Rates
- Yearly Rates
- Vintage/Group Accounts
- Property Types

Revaluation

- Index Master Data
- Indices

Inquiries

- Location Inquiry
- Depreciation Account Summary
- Transaction Summary
- Error Log

Register Reports

- Acquisition Register
- Adjustment Register
- Asset Purge Register
- Depreciation Expense Register
- Disposal Register
- Edit Register
- Transaction Purge Register
- Transfer-In Register
- Transfer-Out Register
- Vintage Account and Asset Register
- Economic Recapture by Location
- Additional Posting by Location

Reconciliation Reports

- Accumulated Depreciation Reconciliation by Account
- Accumulated Depreciation Reconciliation by Location
- Accumulated Depreciation Reconciliation by Location and Account
- Cost Reconciliation by Account
- Cost Reconciliation by Location
- Depreciation by Account Summary
- Location Summary by Book
- Net Book Value Detail Reconciliation
- Asset Ledger Report

Tax Reports

- Worksheet for IRS 4562 Depreciation and Amortization
- Worksheet for IRS 4626 Corp AMT Supporting Schedule
- Worksheet for IRS 4797 Sale of Business Property
- MACRS 60/40 Addition Report
- Worksheet for IRS 4255 Recapture of Investment Credit
- Worksheet for IRS 3468 Investment Credit
- Investment Capital Overview

Analysis Reports

- Depreciation Expense Projection (Includes the following three reports)
- Depreciation Expense Projection - Current Year
- Depreciation Expense Projection - 2 Years
- Depreciation Expense Projection - 5 Years
- FAS 109 Deferred Tax Report
- Inventory Report Listing
- Inventory Comparison Report

Business Information

- Business Information Codes
- Business Information by Category
- Business Information by Asset

Insurance

- Insurance Master Data
- Insurance Fixed Asset
- Policy and Book Value of Insured Fixed Assets

Register Reports

These are the register reports you can run:

- *Acquisition Register*: Lists all the assets that have been capitalized in a particular period and year; lists data by book.
- *Transfer-In Register*: Lists all the assets that your company has received through a transfer from another company or division, for a selected period and year; lists data by book.
- *Transfer-Out Register*: Lists all the assets your company has transferred to another company or division, for a selected period and year; lists data by book.

- *Disposal Register*: Lists all the assets disposed of in a selected period and year; lists data by book.
- *Adjustment Register*: Lists all adjustments made to assets in the selected period and year; lists data by book.
- *Edit Register*: Lists all the assets entered in a selected period and year; lists data by book.
- *MACRS 60/40 Rule Report*: Lists data for assets from their federal and other tax books to support the evaluation of the MACRS 60/40 rule for Section 1245 assets.

Periodic Processing Reports

These are the reports you can run:

- *Asset Purge*: Lists all assets to be purged for a specified period, by book and by company.
- *Transaction Purge*: Lists all asset transactions to be purged during period end.
- *IRS Form 4562 Depreciation and Amortization*: Provides federal tax book data on depreciation and amortization expense in IRS Form 4562 format.
- *IRS Form 4797 Sale of Business Property*: Provides federal tax book data in IRS Form 4797 format.
- *IRS Form 4255 Investment Tax Credit Recapture*: Provides federal tax book data for ITC recapture on asset disposals in IRS Form 4255 format.
- *IRS Form 3468 Investment Tax Credit Schedule*: Provides federal tax book data for ITC assets in IRS Form 3468 format.
- *IRS Form 4626 Corporate Alternative Minimum Tax Supporting Schedule*: Provides federal tax book data for the calculation of alternative minimum tax in IRS Form 4626 format.
- *FAS 109 Deferred Tax Report*: Provides a report indicating the deferred tax component created by the timing differences that result from the use of different depreciation rules in different books.
- *Depreciation Expense Projection*: Lists the projected depreciation expense for assets in the selected books; project expenses over either the current year, or a range of the next two to five years.

Note

The tax reports are based on forms from the year 1997.

Inquiry Reports

These are the reports you can run:

- *Financial Book Depreciation Account Summary*: Provides asset summary data for financial books for an account containing a specified natural account and user defined code.
- *Depreciation Expense Register*: Provides data on assets depreciating for a specified asset and related book in a specified accounting period.
- *Accumulated Depreciation Reconciliation by Location*:Provides a summary of asset transactions by location for a specified asset and related book in a specified accounting period.
- *Location Summary by Book*: Provides summary data for any asset and related book by Location segment.
- *Accumulated Depreciation Reconciliation by Account*: Provides a summary of asset transactions by account for a specified asset and related book in a specified accounting period.
- *Cost Reconciliation by Location and Account*: Provides a summary of asset transactions by account and location for a specified asset and related book in a specified accounting period.
- *Accumulated Depreciation Reconciliation by Location and Account*: Provides a summary of asset transactions by account and location for a specified asset and related book in a specified accounting period.
- *Inventory Report Listing*: Provides two reports, which are a list of assets that are present but not inventoried, and/or assets that are inventory but not present in LN.

Reconciliation reports:

- *Cost Reconciliation by Location*: Provides a summary of asset transactions by location for a specified asset and related book in a specified accounting period.
- *Cost Reconciliation by Account*: Provides a summary of asset transactions by account for a specified asset and related book in a specified accounting period.

Appendix B
Glossary

B

accelerated cost recovery system

A set of rules established in 1981 in the United States governing allowable deductions, on income tax, for the use of tangible income-producing property. ACRS is mandatory for tangible long-lived property placed in service after 1980 and before 1987. ACRS uses the cost of the asset to determine the asset class and recovery period.

Acronym: ACRS

accumulated depreciation

The total depreciation recognized and recorded for an asset since its acquisition. Accumulated depreciation is subtracted from the original cost of the asset to provide the net book value.

ACRS

See: *accelerated cost recovery system (p. 123)*

appropriate menu

Commands are distributed across the **Views**, **References**, and **Actions** menus, or displayed as buttons. In previous LN and Web UI releases, these commands are located in the *Specific* menu.

asset

The actual pieces of property, plant, or equipment that are uniquely utilised and used by an organization for a defined life time.

asset book

A book that has been attached to an asset. You use books to record depreciation and other transactional data for your organization's assets. For each book you create, you specify whether assets associated with the book will depreciate or not. An asset can be associated with several books, and depreciate differently or not at all in each book.

asset capitalization

A way to recognize that an asset is in service and is eligible to depreciate. In order for an asset to be capitalized, it must first be acquired.

asset depreciation range

A series of depreciation regulations defined by the United States IRS applied to certain assets placed in service after 1970 but prior to 1981. The ADR does not apply to assets first placed in service before 1971, or to property placed in service after 1980 if depreciable under ACRS or MACRS, or in a year in which an ADR election was not made. ADR is one of several different types of mutually exclusive regulations that can apply to an asset. The primary characteristic is that upper and lower limits are set by the United States IRS for asset lives. A depreciation period used initially in the election year cannot be changed by either the United States IRS or the taxpayer during the remaining period of use of the asset.

custom method

A free definable method based on depreciation percentages. Percentages can be defined for the years in service, or alternatively for each period of a year in service. In the first period of depreciation, the corresponding percentage is selected, and is used for calculation throughout the total life of the asset.

declining-balance method

In declining balance, the system calculates each year's total depreciation by applying a constant percentage to the asset's net book value. This leads to continuously decreasing depreciation amounts. A declining balance does not depreciate the asset to its salvage value. If you want to depreciate the asset to its salvage value, you must use the declining balance with a switch to straight line formula.

dimension

Analysis account for ledger accounts to get a vertical view on ledger accounts. Dimensions are used to specify ledger account information.

See: dimension type

distribution line

Includes the transaction template or integration mapping scheme that will determine the distribution account for that particular part of the asset, the physical location of the asset, and the quantify or percentage of the asset which is to be distributed to the indicated location and distribution account. Also the company that the depreciation expense should be recorded.

federal tax - U.S. book

Used to record data that is subject to United States IRS tax reporting regulations. IRS regulations dictate specific depreciation methods which are used for varying circumstances, such as adjusted current earnings and alternative minimum tax. You may specify whether the book records data for alternative minimum tax (AMT) reporting and adjusted current earnings (ACE) tax reporting. You can define three separate federal tax books: Standard, ACE, or AMT. They are separate books; therefore, one, two, or all of them can be attached to the same asset and depreciate independently of each other.

financial - U.S. book

Used to record data that is not subject to tax reporting regulations, such as general ledger data.

fixed amount depreciation

A depreciation method that depreciates a fixed amount. The asset depreciates in its related books for this amount until the end of the asset life, or until the salvage value of the asset is reached.

fixed asset

A long-term (longer than one year) production means which is activated on the company's balance sheet in order to calculate depreciations. A fixed asset is, for example, a manufacturing plant.

integration mapping scheme

A scheme that defines the ledger accounts and dimensions to which the integration transactions are posted.

lower class life

The minimum life for the asset depreciation range (ADR) vintage account assets. Typically, the lower class life is 20% lower than the class midpoint. The lower class life is available only to ADR vintage accounts.

MACRS

See: *modified accelerated cost recovery system (p. 125)*

midpoint class life

The point on which the tax lower class life and upper class life is based. In some cases, the midpoint life only is allowed for an asset-depreciation range (ADR) account. The midpoint life is only available to ADR vintage accounts.

modified accelerated cost recovery system

A revised edition of the accelerated cost recovery system (ACRS) guidelines. It classifies depreciable assets into one of several recovery periods depending on the selected depreciation method.

Acronym: MACRS

net book value

The value of an asset calculated by subtracting accumulated depreciation from its current cost, as stored on the asset's related book(s). Net book value changes for each asset's related books when depreciation is calculated and updated, or when an adjustment is made to either cost or accumulated depreciation. If the book type is **Federal Tax**, the Section 179 value is also subtracted from the above calculation.

none depreciation

No depreciation method is defined. You can use this method when an asset cannot be depreciated, for example: real estate.

salvage value

The amount expected to be recaptured when a fixed asset is disposed at the end of its useful life.

section 179 value

A deduction available to certain types of property as specified by the Internal Revenue Service. This allows taxpayers other than estates, trusts, and certain non-corporate lessors to claim a current deduction for a specified amount of the cost of qualified property placed in service during the tax year.

straight line depreciation

Method of calculating depreciation of an asset that assumes the asset will lose value in an equal amount per year which is calculated by the formula: .

```
100 / years = percentage
```

upper class life

The maximum number of years the asset-depreciation range (ADR) vintage account asset can depreciate. Typically, the upper class life is 20% higher than the class midpoint. The upper class life is only available to ADR vintage accounts.

vintage or group account

You use vintage or group accounts to associate and maximize the United States tax deduction for assets subject to asset depreciation range (ADR) and modified accelerated cost recovery system (MACRS) group depreciation. You can create either a MACRS group account, for any MACRS asset placed into service after 1994, or an ADR Vintage account, for assets placed into service prior to 1980. Assets in a vintage or group account are depreciated as a group, and are subject to different disposal rules than assets that are not part of an account.