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Standard Terminology for Property and Asset Management[1]

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1. Scope

1.1 This terminology covers traditional property management definitions and some of the terms introduced in additional asset management standards that are used most often and considered most important. As new standards are developed, new terms will be added to this terminology in future revisions.

1.2 *This international standard was developed in accordance with internationally recognized principles on standardization established in the Decision on Principles for the Development of International Standards, Guides and Recommendations issued by the World Trade Organization Technical Barriers to Trade (TBT) Committee.*

2. Referenced Documents

2.1 *ASTM Standards:*[2]

E2132 Practice for Inventory Verification: Electronic and Physical Inventory of Assets
E2221 Practice for Administrative Control of Property (Withdrawn 2011)[3]
E2279 Practice for Establishing the Guiding Principles of Property Asset Management
E2306 Guide for Disposal of Personal Property Assets
E2378 Practice for the Recognition of Impaired or Retired Property Assets
E2452 Practice for Equipment Management Process Maturity (EMPM) Model
E2453 Practice for Estimating the Life-Cycle Cost of Ownership of Property Assets
E2495 Practice for Prioritizing Asset Resources in Acquisition, Utilization, and Disposition
E2499 Practice for Classification of Asset Location Information
E2604 Practice for Data Characteristics of Personal Property Asset Record
E2606 Practice for Receipt Notification as a Result of Tangible Asset Movement
E2607 Practice for Cannibalization/Reclamation of Serviceable Equipment Components to Support Demand Requirements
E2608 Practice for Equipment Control Matrix (ECM)
E2674 Practice for Assessment of Impact of Mobile Data Storage Device (MDSD) Loss (Withdrawn 2015)[3]
E2675 Practice for Asset Management System Outcomes
E2715 Practice for Moveable Property Storage
E2811 Practice for Management of Low Risk Property (LRP)
E2812 Practice for Uniform Data Management in Asset Management Records Systems
E2936 Guide for Contractor Self-Assessment for U.S. Government Asset Management Systems
E2962 Guide for Fleet Management
E3015 Guide for Management of Customer-Owned Property Assets in Possession of Supplier, Contractor or Subcontractor
E3221 Guide for Motorized Equipment
E3257 Practice for Asset Taxonomy

2.2 *Other Documents:*

Auditing Standard No. 2 An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements[4]
Federal Acquisition Regulation (FAR) Part 45 Clause 52.245-1 Government Property[5]
GAO-12-331G Government Auditing Standards[6]
GAO-18-295 Heavy Equipment: Selected Agencies Should Improve Guidance for Purchases and Leases[6]
International Standard on Assurance Engagements (ISAE) 3402 Assurance Reports on Controls at a Service Organization[7]

[1] This terminology is under the jurisdiction of Committee E53 on Asset Management and is the direct responsibility of Subcommittee E53.06 on Terminology.

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[2] For referenced ASTM standards, visit the ASTM website, www.astm.org, or contact ASTM Customer Service at service@astm.org. For *Annual Book of ASTM Standards* volume information, refer to the standard's Document Summary page on the ASTM website.

[3] The last approved version of this historical standard is referenced on www.astm.org.

[4] Available from Public Company Accounting Oversight Board (PCAOB), 1666 K Street, NW, Suite 300, Washington, DC 20006-2803, http://www.pcaobus.org.

[5] Available from U.S. General Services Administration (GSA), 1800 F Street, NW, Washington, DC 20405, http://www.gsa.gov/regulations.

[6] Available from U.S. Government Accountability Office, 441 G St., NW, Washington, DC 20548, http://www.gao.gov.

[7] Available from International Federation of Accountants (IFAC), 529 5th Avenue, New York, NY 10017, http://www.ifac.org.

OMB Circular A-123 Management's Responsibility for Internal Control[8]

3. Terminology

3.1 *Terms and Definitions:*

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

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

abandonment, *n*—to give up all and any future claim to rights or interest in personal property. **E2306**

abatement, *n*—a reduction or cancellation of an assessed tax.

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

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

abuse, *n*—abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements. **E2378**

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

accelerated depreciation, *n*—any method of calculating depreciation charges where the charges become progressively smaller each period

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

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

accountability, *n*—the concept of accountability of resources and authority is fundamental to an entity's governing and management processes. Management and officials entrusted with public and private resources are responsible for carrying out public and private functions and providing service to the public and owners effectively, efficiently, economically, ethically, and equitably within the context of their given situation—as reflected in applicable laws, regulations, agreements, standards, and internal policy and direction. Management and officials are responsible for providing reliable, useful, and timely information as needed. **E2378**

DISCUSSION—Effective, efficient, and economical efforts include assessments of cost and benefits of requirements and actions.

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

[8] Available from Office of Management and Budget (OMB), 725 17th Street, NW, Washington, DC 20503, http://www.whitehouse.gov/omb.