

Depreciation of Fixed Assets

Document #:	3067	Product:	CenterPoint®
--------------------	------	-----------------	--------------

Fixed assets are items that a company purchases for long-term use in their business. Equipment, furniture, machinery, and tools are all examples of tangible fixed assets. From both a physical and economic standpoint, the value of fixed assets declines over time and use. The decline in an asset's value is called depreciation.

CenterPoint can be setup to periodically generate depreciation entries.

[Step A - Define Depreciation Method \(one-time setup\)](#)

[Step B - Define How Often to Depreciate Fixed Assets \(one-time setup\)](#)

[Step C - Define Depreciation Amount for Each Fixed Asset](#)

[Step D - Setup a Reminder to Record Depreciation Transactions \(optional\)](#)

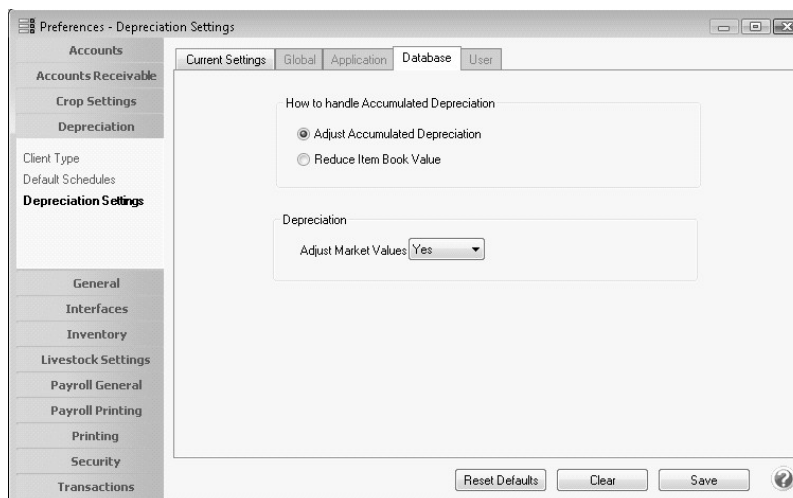
Prerequisite

Fixed Assets must be setup in the system before depreciation transactions can be recorded. See the Fixed Assets document for step-by-step instructions on how to create and purchase fixed assets.

Step A - Define Depreciation Method

CenterPoint provides two depreciation methods for fixed assets. This setting will define what accounts are used when depreciation entries are recorded. To choose the appropriate option for your company:

1. Select **File > Preferences > Depreciation > Depreciation Settings**.



2. Click on the **Database** tab.
3. In the How to Handle Accumulated Depreciation area, select the appropriate option for your company. If you are unsure which option to select, we recommend your accountant:

- » **Adjust Accumulated Depreciation**- when the depreciation transactions are created, it will be a transaction between a depreciation expense and an accumulated depreciation account. The book value of the asset is not affected, it remains as cost.
 - » **Reduce Item Book Value** - when the depreciation transactions are created, it will be a transaction that debits depreciation expense and credits the asset that is being depreciated. By using this method, all fixed assets will be presented on the balances reports with their undepreciated remaining book value.
4. If you are maintaining market values for your items, you can have the market value also be decreased by the amount of depreciation transactions. Select **Yes to Adjust Market Values** if you want market values decreased automatically.
 5. Click **Save**.

Step B - Define How Often to Depreciate Fixed Assets

Depreciation Frequency defines the number of times you wish to post depreciation during the year. Selecting the frequency that you want those depreciation transactions recorded makes sure that the transactions are only recorded in valid periods and that they are not duplicated in any one period.

1. Select **Setup > Companies**. Edit the appropriate **Company**.
2. Click on the **Additional Detail** tab.

The screenshot shows the 'Companies' window with the 'Additional Detail' tab selected. The company name is 'CenterPoint Farms'. Under 'Tax Reporting Information', there are input fields for 'Federal Tax Id' and 'State Tax Id', and a dropdown for 'Company Type'. Under 'General Accounting Information', there are dropdown menus for 'Fiscal Year End' (set to December), 'Depreciation Frequency' (set to Annually), 'Distribution Frequency' (set to Monthly), and 'Inventory Valuation Method' (set to Average). There is also a text field for 'Retained Earnings Account' with the value 'Retained Earnings' and a selection icon. At the bottom, there are 'Save', 'Cancel', and 'Close' buttons, along with navigation arrows.

3. In the **Depreciation Frequency** field, select the appropriate option for your company/fund. The options are Monthly, Quarterly, or Annually.
4. Click **Save**.

Step C - Define Depreciation Amount for Each Fixed Asset

Prior to recording depreciation transactions, you must identify what value to depreciate for each fixed asset. Be sure to take in account how often you are creating depreciation transactions. For example, if you chose in Step B to depreciate annually, then these would be annual numbers. If you chose to depreciate monthly, these would then be monthly values. Depending on how your accountant calculates the depreciation amounts, these may need to be updated annually.

1. Select **Setup > Fixed Assets > Maintain Depreciation**. Fixed assets that are active for the selected company AND have a sold date greater than today's date display in the list.

Maintain Depreciation

Company: CenterPoint Farm

Abbreviation	Name	Δ	Depreciation Amount	Current Undepreciated Amount	Purchased Date	Date Sold	Serial Number
01 Tractor 440	01 IH Tractor 440		\$ 0.00	\$ 143,000.00	08/01/11	12/31/05	
09 Grain Truck	09 Grain Truck 26 Ton		\$ 803.57	\$ 57,857.16	07/11/17	12/31/05	
10disc	10 Disc Chisel		\$ 311.91	\$ 22,457.08	03/31/16	12/31/05	
11skidsteer	11 Skid Steer		\$ 0.00	\$ 0.00	01/01/86	12/31/05	
11sprayer	11 Sprayer		\$ 1,664.17	\$ 119,819.96	02/11/17	12/31/05	
12auger	12 Auger w/swing		\$ 254.76	\$ 18,342.88	06/22/18	12/31/05	
12planter	12 Planter 36 row		\$ 2,190.50	\$ 157,714.00	03/20/18	12/31/05	
13combine	13 Combine		\$ 1,987.50	\$ 214,650.00	04/30/19	12/31/05	
13PBsemi	13 Peterbilt Semi		\$ 1,101.67	\$ 79,319.96	01/31/19	12/31/05	
13tractor250	13 Tractor M 250		\$ 2,123.81	\$ 0.00	03/01/19	12/31/05	
14cultivator	14 Field Cultivator		\$ 609.52	\$ 43,885.76	01/31/20	12/31/05	
14JD Tractor	14 JD Tractor 721		\$ 0.00	\$ 142,500.00	07/01/21	12/31/04	
16 Hopper	16 Hopper Trailer 42 foot		\$ 404.76	\$ 41,720.00	12/21/20	12/31/04	
Cart	Apple Cart		\$ 0.00	\$ 0.00	01/01/86	12/31/05	
Bearhead	Bean Head Used		\$ 571.42	\$ 41,142.96	04/30/19	12/31/05	
Blacktop	Blacktop 200		\$ 0.00	\$ 1,000,000.00	04/01/11	12/31/05	
CattleE	Cattle Barn East		\$ 77.00	\$ 33,076.00	07/15/96	12/31/05	
CattleW	Cattle Barn West		\$ 97.00	\$ 33,836.00	08/31/13	12/31/05	
applehar	Centipede Apple Harvester		\$ 0.00	\$ 0.00	01/01/86	12/31/05	
ComputerV17	Computer Dell Windows 7		\$ 0.00	\$ 1,200.00	03/14/19	12/31/05	
Cornhead	Cornhead		\$ 658.33	\$ 71,100.04	04/30/19	12/31/05	
feedmixer	Feed Mixer		\$ 0.00	\$ 3,900.00	11/01/09	12/31/05	
feeders	Feeders		\$ 62.50	\$ 6,750.00	07/03/15	12/31/05	
pickup	Ford Pickup 2009		\$ 273.81	\$ 19,714.28	05/31/17	12/31/05	
Forklift10	Forklift 10		\$ 0.00	\$ 0.00	01/01/85	12/31/04	
Forklift16	Forklift 16		\$ 0.00	\$ 0.00	06/29/21	12/31/04	
bin48-10	Grain Bin 48 10 Ring		\$ 77.77	\$ 27,066.76	06/30/96	12/31/05	
Bin48-8	Grain Bin 48 8 Ring		\$ 41.80	\$ 14,498.40	08/09/94	12/31/05	
Grain Leg	Grain Leg		\$ 48.61	\$ 38,316.68	08/11/01	12/31/05	
mower	Grasshopper Lawn Mower		\$ 112.86	\$ 8,125.68	04/01/19	12/31/05	
Harvey	Harvey 85		\$ 0.00	\$ 385,000.00	03/31/85	12/31/05	
HomeE	Home East 120		\$ 0.00	\$ 480,000.00	12/16/78	12/31/05	
Orch	Home Orchard		\$ 0.00	\$ 80,000.00	01/01/86	12/31/05	
HomeS	Home South 80		\$ 0.00	\$ 320,000.00	12/16/78	12/31/05	
Irrigation	Irrigation System		\$ 0.00	\$ 0.00	01/01/85	12/31/04	
Lvsctrailer	Livestock Trailer		\$ 0.00	\$ 39,000.00	02/01/09	12/31/05	
loader	Loader Tractor		\$ 1,404.76	\$ 101,142.88	06/02/15	12/31/05	

Total Depreciation Amount: \$16,135.44
Total Current Undepreciated Amount: \$3,949,447.58

Buttons: Save, Cancel, Close

- For each item that will be depreciated, enter the appropriate **Depreciation Amount**. This amount will be used each time a depreciation entry is recorded for this item. Contact your accountant if you are unsure what depreciation amount to specify.
 - » If a Depreciation Amount is specified, the Current Undepreciated Amount will display the amount left to depreciate on the asset regardless of how accumulated depreciation is being stored. If a Depreciation Amount is not specified, the book value (the accumulated depreciation) displays. The Current Undepreciated Amount is not influenced by period.
- The **Total Depreciation Amount** displays the sum of the Depreciated Amount column.
- The **Total Current Undepreciated Amount** displays the sum of the Current Undepreciated Amount column.
- Once depreciation amounts are entered for applicable items, click **Save**.
- Select **Processes > Periodic > Depreciation Transactions** or **Processes > Depreciation > Depreciation Transactions**.
- Click **Create New**.

Create New Depreciation Transaction

Company: CenterPoint Farm Schedule: Book & Tax

Transaction Date: 01/30/2018

Transaction Number: 0000002

Memo Line 1: Line 2:

Notation:

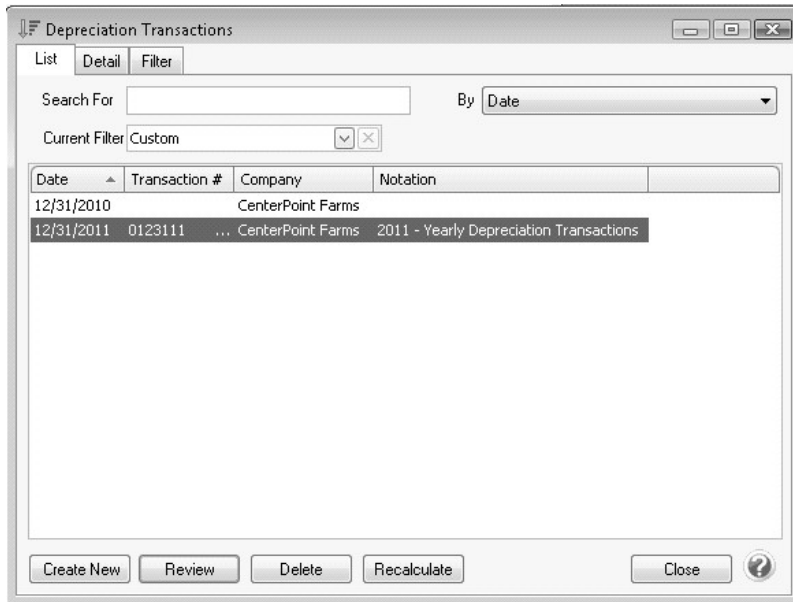
Buttons: OK, Cancel

8. In the **Company/Fund** box, enter the company/fund name that the depreciation transactions should be created for. The company/fund selection controls the depreciation frequency used in the depreciation transaction.
9. The **Transaction Date** will automatically display the appropriate next depreciation transaction date (defaults to the first day in the next period since the last depreciation transaction were calculated), based on the depreciation frequency specified above in Step B.
10. In the **Transaction Number** box, enter the transaction number for the depreciation transactions or click the sequence number icon and select the next available sequence number. See the *Maintaining Sequence Numbers* topic for more information.
11. In the **Memo Line 1** box, enter an optional memo for the transaction. In the **Line 2** box, if the transaction is assigned a name that was setup with a default memo, it will display automatically and can be overridden.
12. Enter an optional **Notation**.
13. Click **OK**. Each fixed asset with depreciation lists and can be expanded to view the journal for that item.
 - » Depreciation expense is debited and the accumulated depreciation asset assigned to the fixed asset is credited. You may want to have an accumulated depreciation asset for each asset group used to summarize your fixed assets.

The screenshot shows a software window titled "Depreciation Transactions". At the top, there are tabs for "List", "Detail", and "Filter". Below the tabs, there are input fields for "Company" (CenterPoint Farms), "Transaction Date" (12/31/2011), and "Transaction Number" (0123111). The main area contains a table with two columns: "Account" and "Amount". The table lists various assets and their corresponding depreciation amounts, all with negative signs. At the bottom of the window, there are buttons for "Post", "Cancel", and "Close".

Account	Amount
1994 Volvo	\$ -3,927.00
1996 Volvo	\$ -1,423.67
1999 GMC C25	\$ -4,722.23
2-1000 Gal LP Tanks	\$ -126.07
2000 GMC GK24	\$ -4,819.50
2001 Chevy	\$ -4,182.20
2003 Wheeler 38' Trailer	\$ -4,967.54
Angus Bull MP 348 WTR	\$ -123.00
Brock 24' 10-ring Grain Bi	\$ -2,072.30
Case I/H 2388 Combine	\$ -3,400.00
Case IH 2388 (JD 9650)	\$ -7,563.38
DMI 2800 28% Applicator	\$ -1,210.37
FBI Cattle Barn 24x36	\$ -338.76
FBI Open Front Shed	\$ -1,211.49
Front Blade For JD 8100	\$ -183.68
Greenstar/ AgLeader GP	\$ -1,933.03
JD 1518 Mower	\$ -1,172.46
JD 1850 Air Drill	\$ -4,934.89

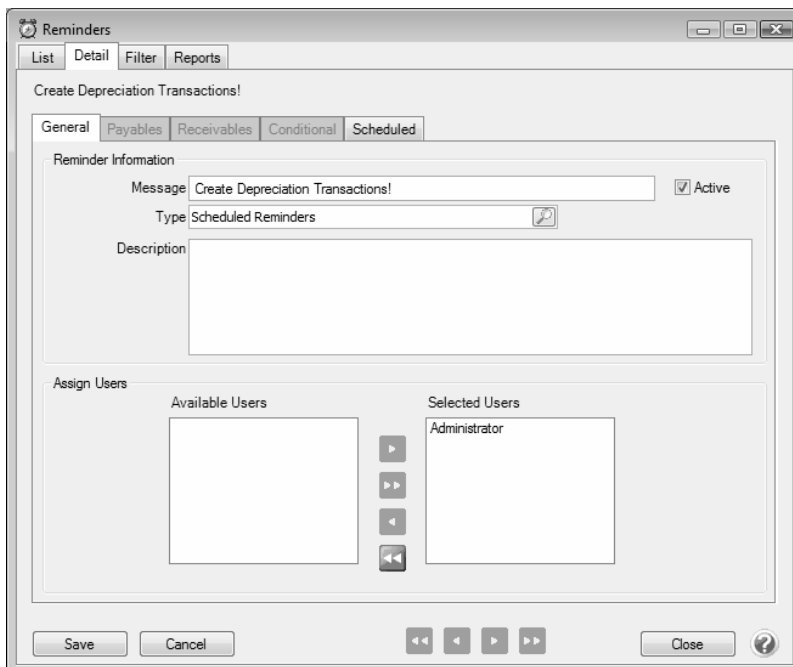
14. Click **Post** to complete the transaction.
15. From the List tab, you can perform the following actions on a posted transaction:



- » **Review posted transactions:** Select the posted transaction and click **Review**.
- » **Reverse and recalculate a posted transaction:** Select the posted transaction, click **Recalculate**, select the **Reverse and Recalculate** option, and then click **OK** to immediately reverse and recalculate the current entry. When the recalculated entry displays, click **Post** to finalize the recalculated entry (if you click **Cancel**, the system has already reversed the previous entry). The current depreciation transaction recalculates using the same date, company/fund, transaction number, and notation.
 - Reverse posted transactions:** Select the posted transaction, click **Delete**, and then click **Yes**. All depreciation transactions for the company/fund and date will be reversed.
- » **Add depreciation transactions for assets not previously calculated:** Select the posted transactions, click **Recalculate**, select the **Add depreciation transactions** option, click **OK**, and then click **Post**.

A scheduled reminder can be created if you would like CenterPoint to automatically remind you when depreciation transactions should be recorded,, follow the instructions below.

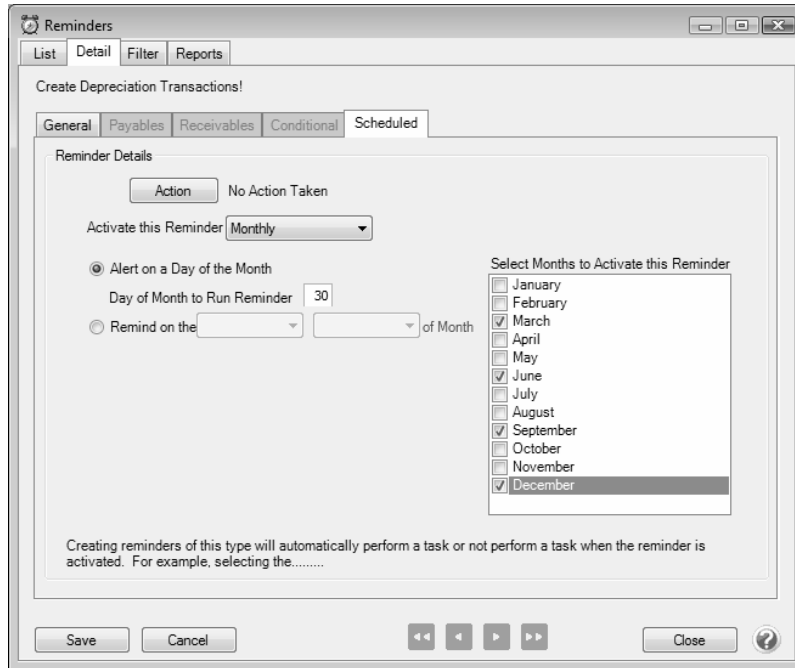
1. Select **Setup > Reminders** and then click **New**.



2. Enter the reminder **Message**.

 Note: This is the text that will automatically pop up reminding you to do your depreciation transactions.

- 3. Select a **Type** of **Scheduled Reminders**.
- 4. In the **Assign Users** area, select those users who should be reminded to record the depreciation transactions.
- 5. Click on the **Scheduled** tab.



- 6. In the **Activate this Reminder** field, select **Monthly**.
- 7. In the **Day of the Month to Run Reminder** field, enter **30**.
- 8. In the **Select Months to Activate this Reminder** box on the right, select the months that correspond to the frequency selected in Step B. For example, if you chose quarterly, then select the last month of each quarter. If you chose annually, select just December.
- 9. Click **Save**.