Depreciating Capital Assets

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Setting Depreciation Parameters

The depreciation default method for all Kentucky assets should be set as "**Monthly Straight Line Depreciation**". Assets were originally implemented as "**Monthly Straight Line Depreciation**" and all new assets should also be added in the same method.

KDE recommends that depreciation should be processed only ONE time each year by processing for 12 months all at once. This is to reduce the number of transactions created per asset and to reduce the number of journals created.

To accomplish this, set the Last Monthly Depreciation field to period 11. Set the year field to the Fiscal year being deprecated. This will allow the system to calculate through period 12 and create only ONE fixed asset history transaction journal per asset and create only one Fixed Asset Depreciation Journal Entry (FAD) posted to the General Ledger.

NOTE: This field can be reset to period 11 as often as needed, especially if assets are added after the original FAD is processed and the system will only calculate depreciation for the new assets eligible to be depreciated through period 12.

Select: *Financials > Capital Assets> Set Up > Capital Asset Settings*

1. Select **Update**.

2. Under the **Last monthly depreciation run** enter **20XX/11** in the Period/Year field, where XX is equal to the last two digits of the fiscal year in Enterprise ERP (EERP) through which the depreciation should be calculated.

3. Select **Accept** and close the program.

NOTE: This field can be reset to period 11 as often as needed, especially if assets are added after the original FAD has been processed. The system will only calculate depreciation for the new assets eligible to be depreciated through period 12.

Processing Depreciation

Before running depreciation, it is suggested to verify all capitalized assets eligible to be depreciated have been flagged to depreciate.

Select: *Financials > Capital Assets > Capital Assets Processing > Depreciate Assets*

1. Select **Define**.

2. **Depreciation frequency** = Monthly

3. Verify the fiscal year. The period in **Depreciation to be taken for** should be set to period 12**.**

4. Enter the **Depreciation transaction date.**

5. Enter Year/Period of depreciation J/E. Verify the correct year and period are entered.

6. Choose the **Select** button.

7. Select the desired report output and OK for the following two reports: Asset Depreciation Report and Depreciation Journal Proof Report.

8. Choose the **Process** button.

9. Select **Yes, Post Journal** if the message, "No Errors detected. Post Journal?" is received.

Reversing Depreciation

Capital Assets offers a way to reverse depreciation in the event an error occurs or if an asset needs to be retired after depreciation has already been taken. For the Depreciation Reversal program to find an asset, the asset must already have depreciation taken.

Select: *Financials > Capital Assets > Capital Asset Processing > Depreciation Reversal*

1. Click on **Define** in the ribbon. Search for either a range of assets or a single asset. Select **Accept**. The asset along with the most recent depreciation will pull in.

2. Click the **Select** button and either select individual records or choose the **Select All** button to select the asset depreciation transaction that needs to be reversed.

3. Select **Accept** and select **Process**.

4. At the bottom of the window, enter the GL Effective Date and Year/Period to which the Depreciation Reversal will be posted to the general ledger. **If you posted the depreciation in error, you would want to post the reversal in the same month and period as the original journal.** Select **Accept**.

5. Select "**Yes, Reverse Depreciation**".

6. Select your desired report output.

7. Select "**Yes, Post**".

8. In the Capital Assets Inquiry program, you can view the transaction history of the asset including the reversal by selecting the Transactions tab.