

Purpose and Benefits of a Capital Asset Accounting System

Dear Reader:

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Adequate capital asset records must provide:

- A simple method of positively identifying each piece of equipment; and
- A method of accounting for each piece (or group) of property.

The records system should be simple and flexible, yet it also must provide essential information to protect city property. The capital asset accounting system should place responsibility for custody and proper use of a distinct capital asset with a specific individual.

Another benefit derived from a CAAS includes providing a centralized source of information, such as price, source of supply, maintenance costs (optional), useful life, annual depreciation, assigned department, location and anything else necessary for accountability. This captures warranty information, helps determine the amount of property insurance needed and forms the basis of cost accounting records. The CAAS must provide detailed and summarized information for inclusion in the city's financial report by department and by fund.

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