

Asset Retirements

Overview

Asset Retirements

System References

None

Distribution

Oracle Assets

Job Title*

Ownership

The Job Title [list@YourCompany.com?Subject=EDUxxxxx] is responsible for ensuring that this document is necessary and that it reflects actual practice.

Asset Retirements

Release 12 Oracle Asset Management Fundamentals

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Objectives

After completing this module, you should be able to do the following:

- **Discuss how asset retirements fits within the Oracle Assets process**
- **Explain the necessity of tracking asset retirements and proper recording of accounting transactions**
- **Discuss the Calculate Gains and Losses program and its role in asset retirements**
- **Discuss the ability to reinstate asset retirements**

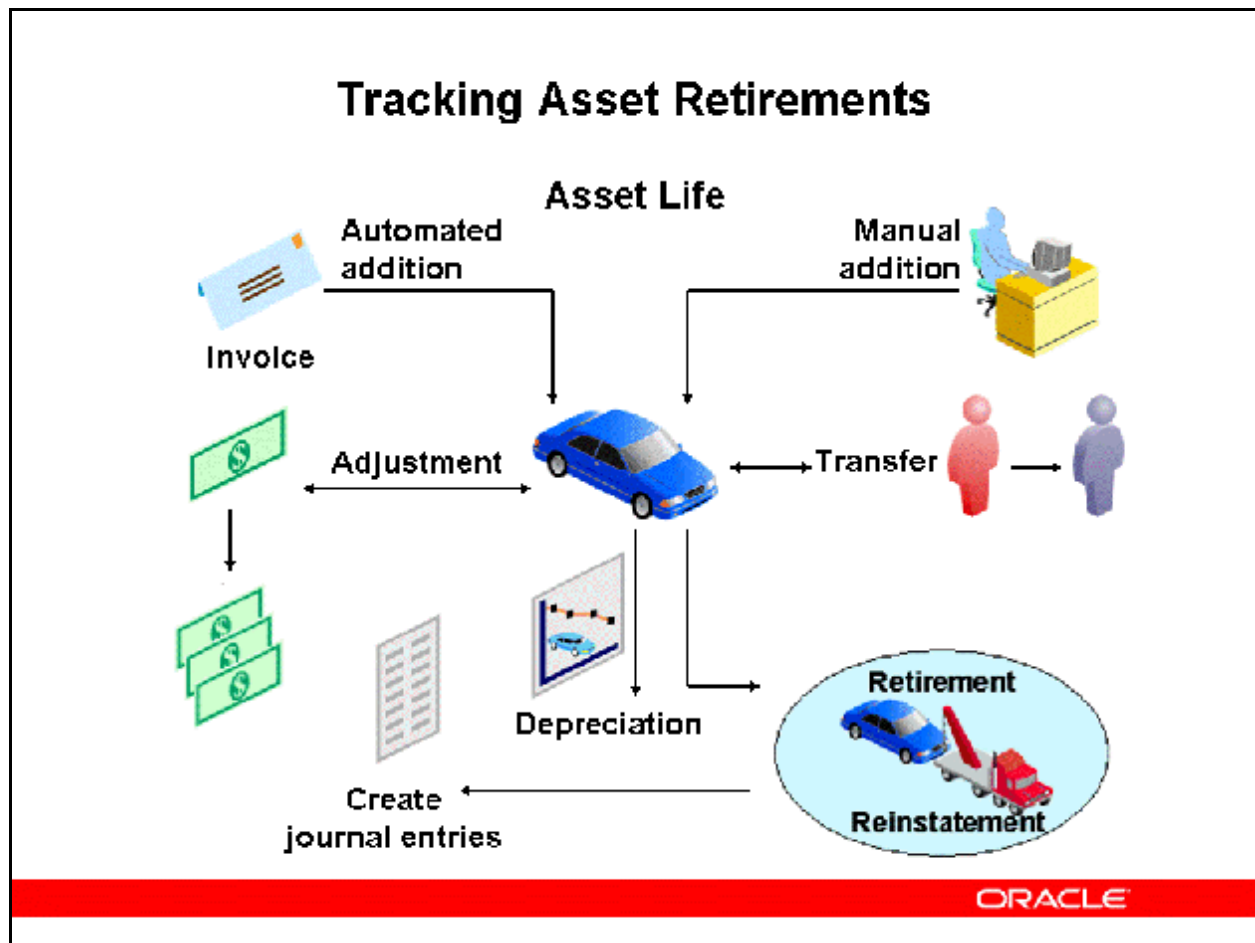
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Agenda

- **Tracking Asset Retirements**
- **Full and Partial Asset Retirements**
- **Mass Asset Retirements**
- **External Retirements**
- **Reinstating Retirements**
- **Accounting for Retirements**
- **Retirement Reports**

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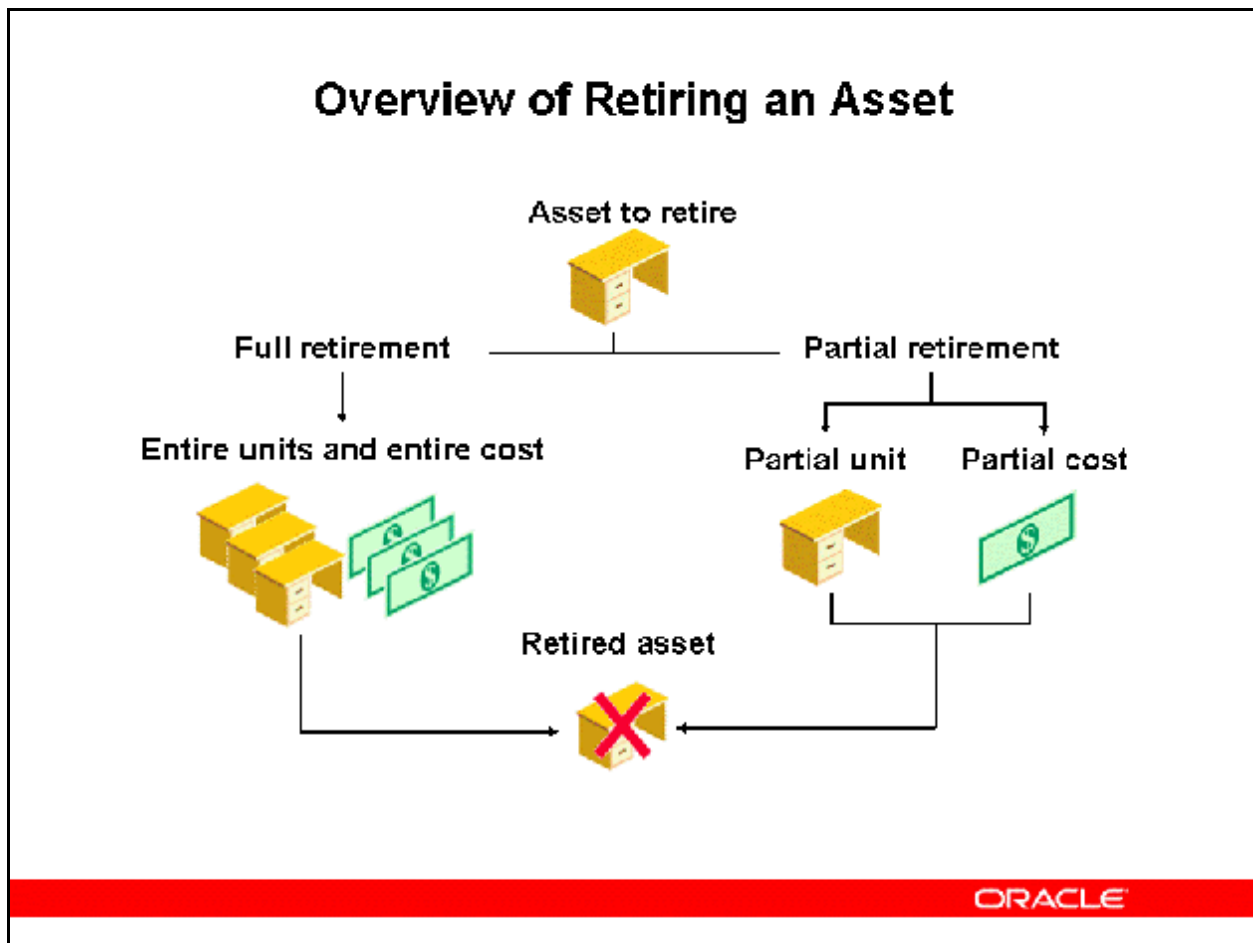
Tracking Asset Retirements



Tracking Asset Retirements

- You retire an asset fully or partially when it is lost, stolen, damaged, sold, returned, or for any other reason that causes you to stop using it.
- You retire assets by units or cost.
- You perform a mass retirement by retiring a group of assets.
- You can synchronize asset disposal information between Oracle Assets and external systems via the Mass External Retirements interface.
- You can reinstate retired assets within certain limits.
- You perform current and prior period retirements and reinstatements within the same fiscal year.
- You create journal entries to separate accounts for each component of the gain or loss.

Overview of Retiring an Asset



Overview of Retiring an Asset

(N) Assets > Asset Workbench (B) Retirements

You can retire all or part of an asset when it is no longer in service. Oracle Assets continues to track a fully reserved asset until you retire it. A fully reserved asset is a fully depreciated asset.

Full Retirement

- Retiring an entire asset including all of its units and cost.

Partial Retirement

- Retiring part of an asset by cost or specified units. The cost retired is distributed proportionately across the specified distribution lines.

Undo or Reinstatement Retirements

- Within certain restrictions, you can undo or reinstate an asset retirement, and Oracle Assets will continue to track the asset and depreciate it if appropriate.

Retiring Separately Across Depreciation Books

Retire an asset from any depreciation book without affecting other books. To retire an asset from all books, retire the asset from each book separately or set up Mass Copy to copy the retirements to the other books in the Book Controls form.

Restrictions on Retirements and Reinstatements

Restrictions on Retirements and Reinstatements



Desired Action	Can Be Performed When
Retire an asset	The asset is in service in the current fiscal year and was added in a prior period
Reinstate an asset	The asset was retired in the current fiscal year
Reinstate a partially retired asset	No transactions have occurred since the partial retirement Only the last partial retirement can be reinstated

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Restrictions on Retirements and Reinstatements

Retiring Assets Restrictions

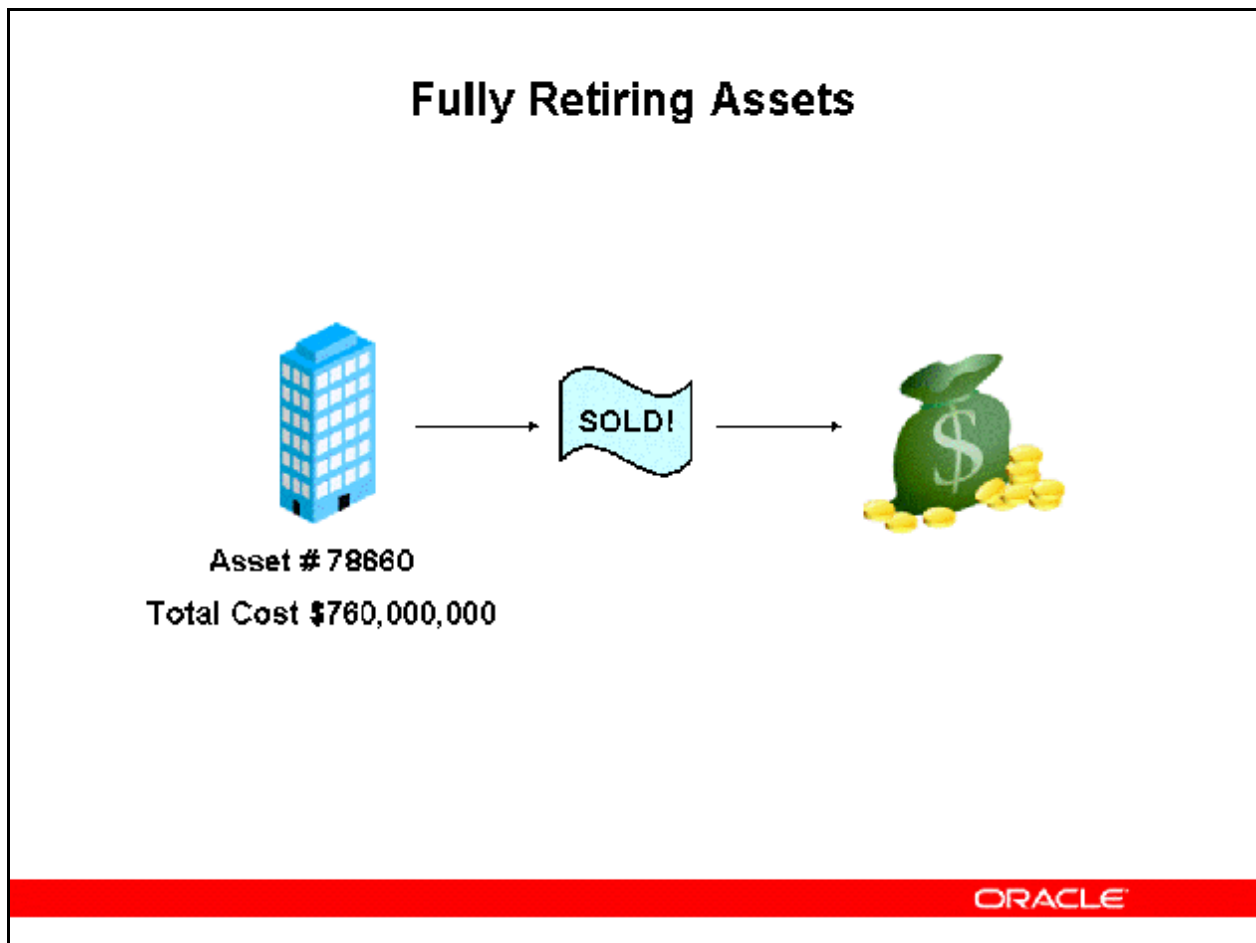
- You cannot retire an asset that you added in the current period.
 - Instead, enter it as a prior period retirement after you close the current period.
 - Optionally, select Edit→Delete Record from the menu in the Asset Details window to delete the asset anytime in the period you added it.
 - If an asset was erroneously added in a prior period, adjust the cost to zero and retire it.
- The retirement date must be within the current fiscal year.

Reinstating Assets Restrictions

- You can only reinstate assets retired in the current fiscal year.
- You can reinstate a partially retired asset only if you have not performed any transactions on the asset since the partial retirement.
 - Depreciation is not considered a transaction that affects the ability to reinstate a partial retirement.

- You can reinstate only the most recent partial retirement if you have performed several partial retirements on the asset.

Fully Retiring Assets



Fully Retiring Assets

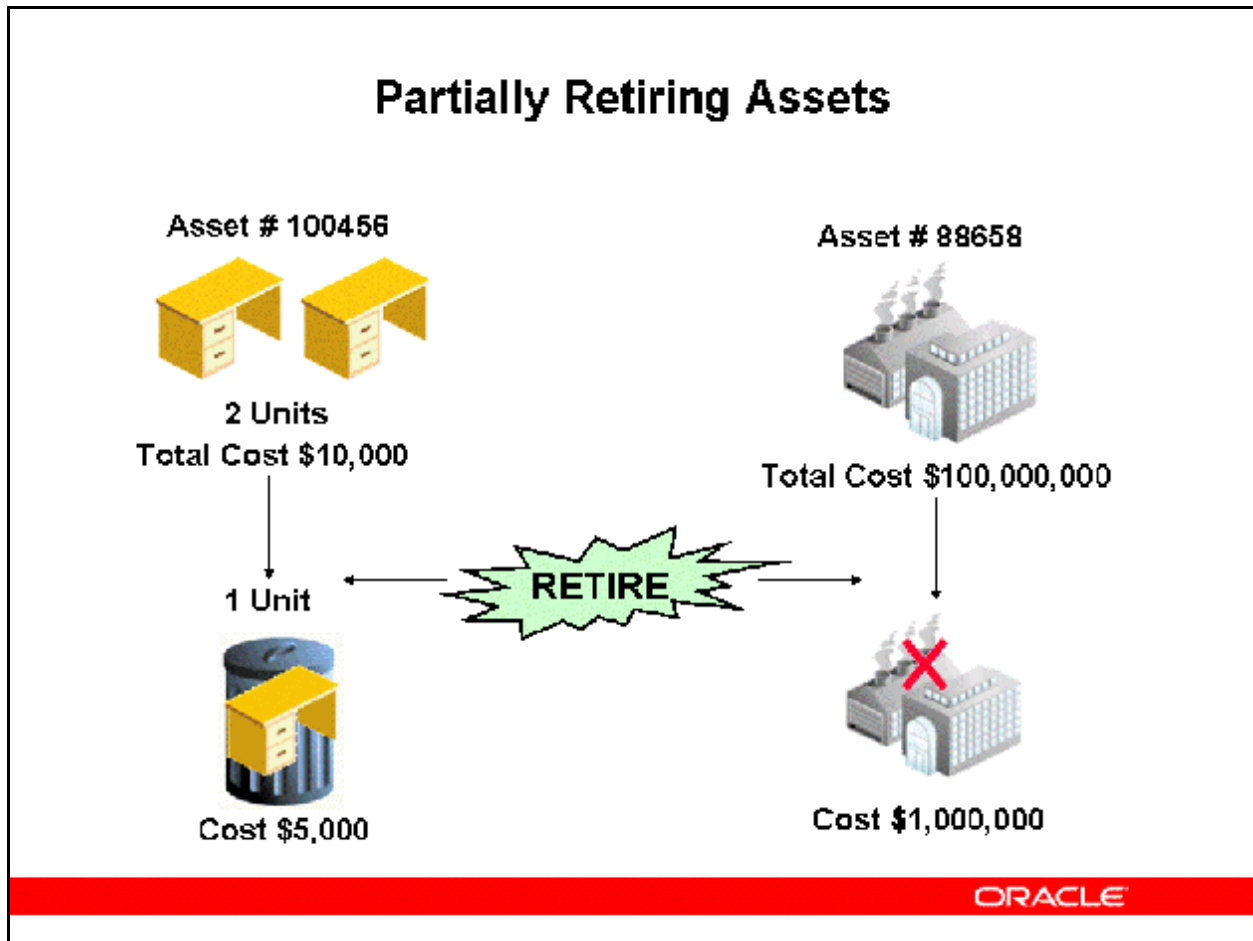
(N) Assets > Asset Workbench (B) Retirements

You fully retire an asset by retiring an entire asset including all of its units and cost.

- When entering the date of the retirement, it must be in the current fiscal year, and cannot be before any other transaction on the asset.
- Oracle Assets lets you use a different prorate convention when you retire an asset than when you added it. The retirement convention in the Retirements window and the Mass Retirements window defaults from the retirement convention you set up in the Asset Categories window.
- If you perform a prior period retirement, Oracle Assets backs out the depreciation expense through the date of retirement. If you reinstate the asset, Oracle Assets catches up depreciation expense through the end of the current period.
- You can enter proceeds of sale and cost of removal amounts when you perform a retirement.

Refer to *Demonstration – Perform a Full Retirement and Undo Retirement [LAB0368Y]*

Partially Retiring Assets



Partially Retiring Assets

(N) Assets > Asset Workbench (B) Retirements

You can retire part of an asset by cost or by units in your corporate book.

- You cannot perform partial unit retirements in your tax books; you can only perform cost retirements (partial and full) in your tax books.
- The procedure to partially retire an asset is identical to the procedure for fully retiring the asset. The only difference occurs when you specify the cost or units to retire.
- If you perform multiple partial retirements on an asset within a period, you must run the Calculate Gains and Losses program between transactions.

By Cost

- Enter the cost to retire.
- The cost change will not affect the unit amount. Oracle Assets distributes the cost retired proportionally across all distribution lines.

By Units

- Enter whole numbers for the number of units you want to retire.

- Oracle Assets calculates the cost retired as the fraction of total cost for the units retired relative to the total number of units.

By Source Line

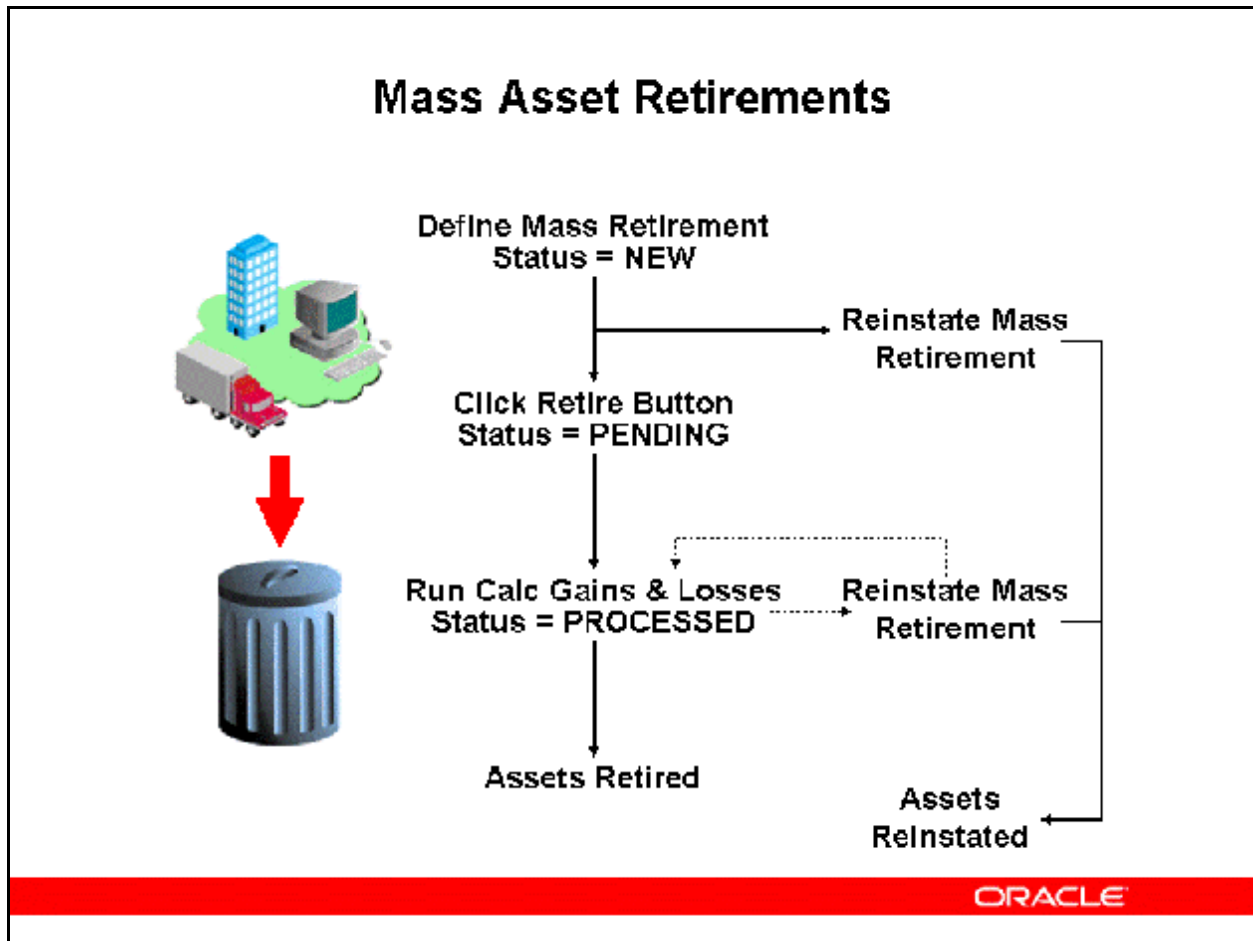
- Select Source Lines to navigate to the Source Lines window.
- Choose the source line or enter the amount you want to retire.
- Select Retire to navigate to the Source Line Retirement window.
- Modify the necessary fields.

Note: You cannot modify units retired or cost retired. You must cancel out of the retirement window before changing the units or cost information. You can change this information in the Source Lines window. Source Line window changes are propagated to the Retire window when you navigate to it.

- Select Done to save your work.

Refer to *Demonstration – Process a Partial Retirement and Reinstate [LAB0369Y]*

Mass Asset Retirements



Mass Asset Retirements

(N) Mass Transactions > Retirements

Use the Mass Retirements window to retire a group of assets at one time. You specify selection criteria, including asset category, asset key, location, depreciation expense account segments, employee, asset number range, and date placed in service range, to select the assets you want to retire. You can also elect to automatically retire subcomponents along with the parent asset.

When you define a mass retirement, you can choose to immediately submit the concurrent request to retire the selected assets, or you can save the mass retirement definition for future submission. You can change the details of any mass retirement before you submit the concurrent request.

When you submit a mass retirement, Oracle Assets automatically runs the Mass Retirements Report and the Mass Retirements Exception Report. You can review these reports, perform a mass reinstatement, or adjust an individual retirement transaction if necessary.

If you wish to simultaneously run this program in more than one process to reduce processing time, Oracle Assets can be set up to run this program in parallel.

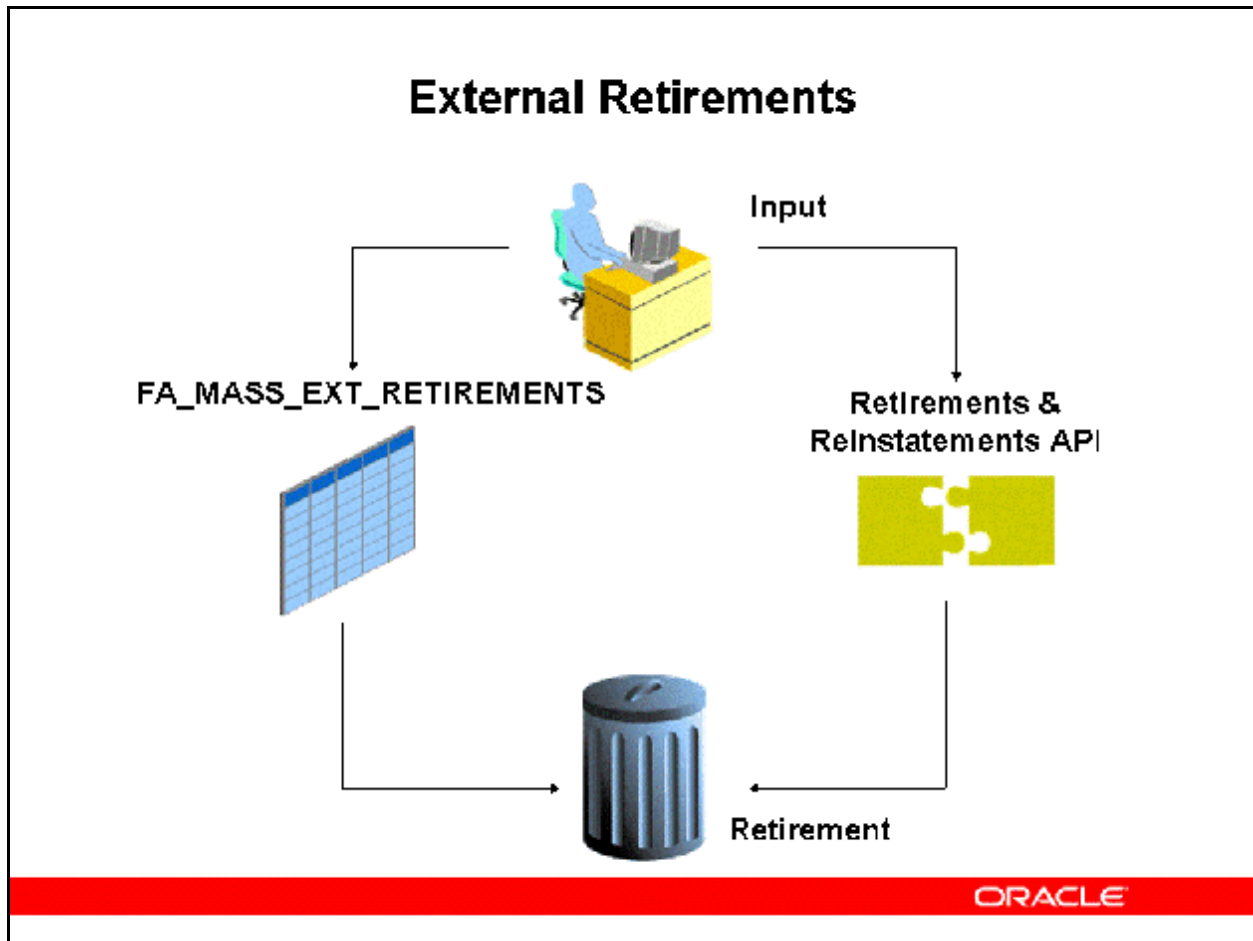
Exceptions

Oracle Assets does not retire the following types of assets, even if they are selected as part of a mass retirements transaction:

- Assets added in the current period
- Assets with transactions dated after the retirement date you enter
- Assets that are multiply distributed and one or more values do not meet the mass retirement selection criteria
- For reinstatements, assets retired during a prior fiscal year

Refer to *Demonstration – Perform a Mass Retirement [LAB036AY]*

External Retirements



External Retirements

Mass External Retirements

(N) Mass Transactions > External Retirements

Oracle Assets allows you to perform mass retirements on a set of assets by populating an external interface table with these assets and processing them in a batch.

Why Use Mass External Retirements

The Mass Retirements Oracle Assets form does not allow partial unit retirements. Partial unit retirements can be done in mass for assets by using the Mass External Retirement feature. Oracle Asset forms do allow for partial cost retirements.

Mass External Retirements Processing

- First populate the FA_MASS_EXT_RETIREMENTS interface table with valid data.
- The "Post Mass External Retirements" concurrent program that starts the retirement processes for each asset is started from the Submit Requests form.
- After the concurrent program has completed, view the output file from the request and verify that no errors have been reported.

- If any errors are reported, correct them and reset status from "Error" to "Post" for those assets in the Mass External Retirements form.
- After the Post Mass External Retirements concurrent program has finished, the gain/loss program should be run.

Retirements and Reinstatements Application Program Interface (API)

Perform asset retirements, reinstatements, and their related undo transactions without going thru the Asset Workbench. Use the Retirements API to submit your transactions using PL/SQL.

Reinstating Retired Assets

Reinstating Retired Assets

Oracle Assets makes it easy to reinstate formerly retired assets.

Retirement Status	Option to Choose	Result
Pending	Undo Retirement	Deletes the retirement transaction
Processed	Reinstate	Creates the reinstatement transaction, and reverses the retirement entry
Reinstatement Error	Undo Reinstatement	Reverses the reinstatement entry

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Reinstating Retired Assets

The effect of your reinstatement depends on the status of the retirement.

Reinstating with a PENDING Status:

- Choose Undo Retirement to delete the retirement transaction.
- No journal entries are created, and there is no audit trail.

Reinstating with a PROCESSED Status:

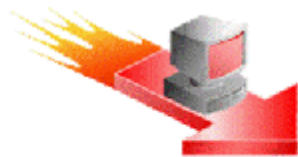
- Choose Reinstate to create the reinstatement transaction.
- When you run the Calculate Gains and Losses program, Oracle Assets creates journal entries to reverse the effects of the retirement.

Reversing a Reinstatement:

- If you decide to reinstate a retired asset, you can query the reinstatement by using the original retirement number.
 - Choose Undo Reinstatement

Calculate Gains and Losses Program

Calculate Gains and Losses Program



Run the calculate gains and losses program to:

- Calculate gains and losses resulting from retirements
- Correct the accumulated depreciation for reinstated assets
- Calculate Investment Tax Credit recapture for retired assets in a tax book, if necessary

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Calculate Gains and Losses Program

(N) Depreciation > Calculate Gains and Losses

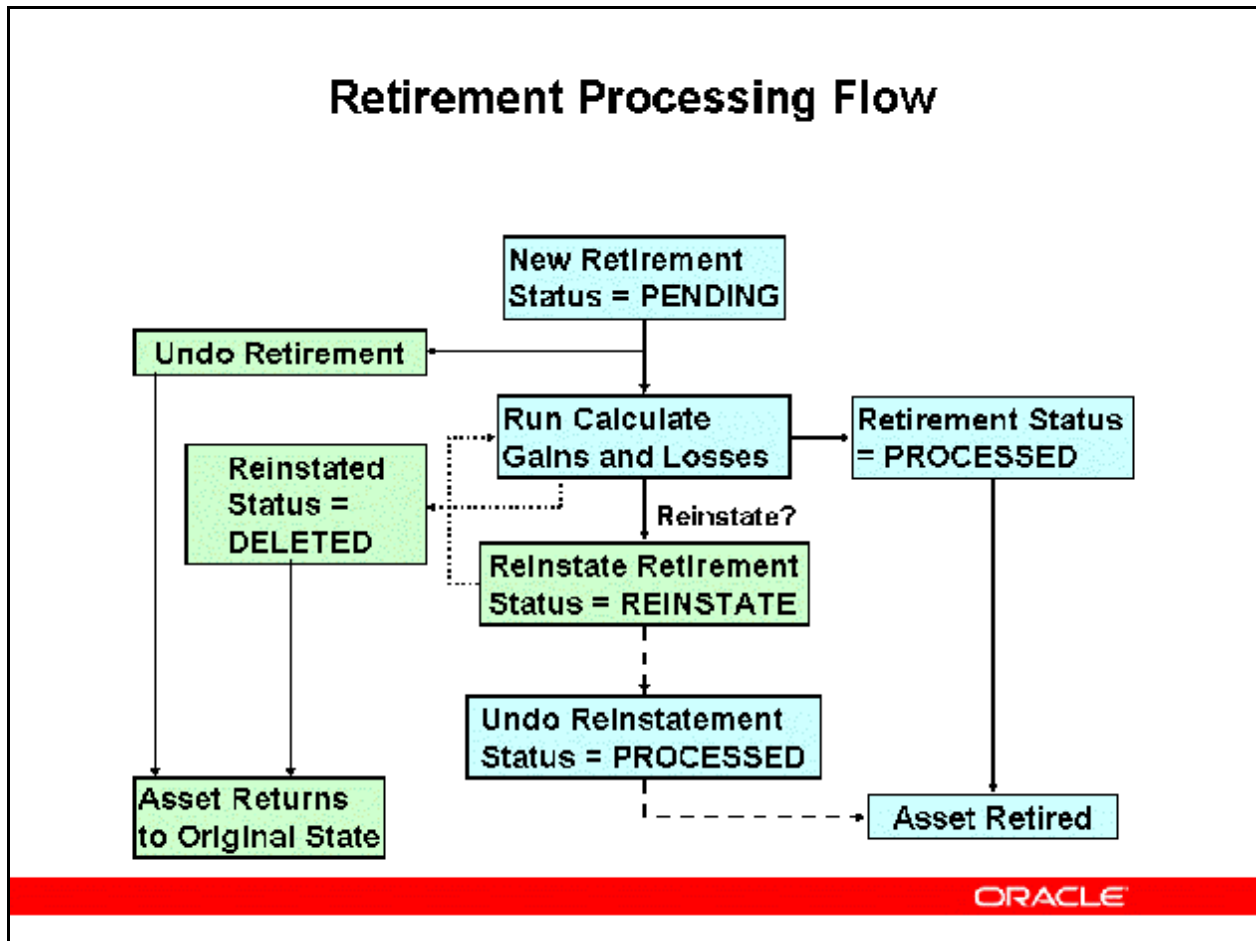
Although the depreciation program automatically processes retirements, you can run the Calculate Gains and Losses program several times during the period to reduce period end processing time.

Reporting Currencies Considerations

- If you are using Reporting Currencies, you can run the Calculate Gains and Losses program only from your standard Oracle Assets responsibility. You cannot calculate gains and losses from a Reporting Currencies reporting responsibility.
 - There is a standard program request called MRC: Calculate Gain Loss in All Sets of Books that can be run from the primary responsibility whereby Gain/Loss will be calculated in all reporting books associated with the primary asset book.
- When you run depreciation from an Reporting Currencies reporting responsibility, the Calculate Gains and Losses program does not run automatically, as it does when you run depreciation from your standard Oracle Assets responsibility.

Refer to Practice – Perform a Retirement and Reinstatement [LAB038BY]

Retirement Processing Flow



Retirement Processing Flow

Each retirement transaction has a status.

- A new retirement receives the status of PENDING.
- The depreciation program automatically processes retirements.
- After you run the depreciation or Calculate Gains and Losses program, the status changes to PROCESSED.
- When you reinstate a retired asset with a status of PROCESSED, Oracle Assets changes the status to REINSTATE.
 - After calculating gains and losses, the status becomes DELETED.

For books with a large volume of assets, run the Calculate Gains and Losses program several times during the period to reduce the time the depreciation program takes to run at the end of the period.

Processing a Pending Retirement and Reinstatement

Processing a Pending Retirement and Reinstatement

PENDING RETIREMENT	REINSTATEMENT
Calculate the gain or loss	Reinstate the asset cost and depreciation reserve to the appropriate accounts
Remove the asset cost and accumulated depreciation	Determine depreciation adjustment for missed depreciation
Depreciate during the period of retirement according to the retirement convention	Update status to DELETED
Take any necessary ITC recapture	
Update status to PROCESSED	

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Processing a Pending Retirement and Reinstatement

Processing Retirements with Status PENDING

- Oracle Assets calculates the gain or loss for a retirement and removes the asset cost and accumulated depreciation from the appropriate accounts.
- It takes depreciation during the period of retirement according to the retirement convention, and it takes any necessary ITC recapture.
- It updates the status of the retirement to PROCESSED.

Processing Reinstatements with Status REINSTATE

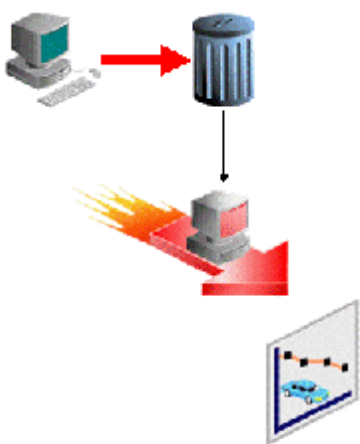
- Oracle Assets reinstates the cost and depreciation reserve to the appropriate accounts.
- It determines depreciation adjustment for missed depreciation.
- It updates the status of the retirement to DELETED.

Running this process separately reduces the end-of-period processing time, because some processing is done in advance.

Partial unit retirements terminate the existing distribution and create a new distribution. Partial unit reinstatements terminate the new distribution and recreate the old distribution.

Calculating Depreciation for the Period Retired

Calculating Depreciation for the Period Retired



The diagram illustrates the process of calculating depreciation for a retired asset. It starts with an asset (represented by a computer monitor and keyboard) on the left. A red arrow points to a central cylinder representing the retirement date. From the cylinder, a black arrow points down to a computer monitor with a red bar, representing the depreciation schedule. A red arrow then points from the computer monitor to a small chart on the right, representing the retirement convention. The chart shows a line graph with a red bar at the end, indicating the depreciation for the period retired.

Factors that affect the period depreciation of an asset retired:

- ✓ Effective date of the retirement
- ✓ The Depreciate-In-Year-Retired flag
- ✓ The retirement convention
- ✓ The Depreciate if Retired in First Year flag In the Book Controls window

Calculating Depreciation for the Period Retired

Calculating Depreciation for Current and Prior Period Retirements

Oracle Assets calculates any depreciation for a current period retirement and automatically backs out any excess depreciation resulting from a prior period retirement.

Specify whether to take depreciation in the year that you retire the asset for the depreciation method (depreciate-in-year-retired flag).

Discussing Prorate Convention and Retirement Convention

- Oracle Assets uses the prorate convention to determine how much depreciation to take in the first and last years of an asset's life based on the asset's date placed in service.
- Oracle Assets uses the retirement convention to determine how much depreciation to take in the year retired based on the retirement date.
- In the United States, the conventions are usually the same.

Recording Retirements and Reinstatements

Recording Retirements and Reinstatements

Action	Asset Type		
	Capitalized	CIP*	Expensed
1. Charges or reverses depreciation for the year retired	✓		
2. Removes the asset cost and accumulated depreciation from the corresponding accounts	✓	✓	
3. Clears the proceeds of sale and the cost of removal	✓	✓	
4. Recognizes gain or loss from the retirement	✓	✓	
5. Creates no journal entries			✓

* Construction-in-Process

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Recording Retirements and Reinstatements

Oracle Assets creates different journal entries for each asset type.

For Capitalized Assets:

- Charges or reverses depreciation for the year retired.
- Removes the asset cost and accumulated depreciation from the corresponding accounts.
- Clears the proceeds of sale and the cost of removal.
- Recognizes gain or loss from the retirement.

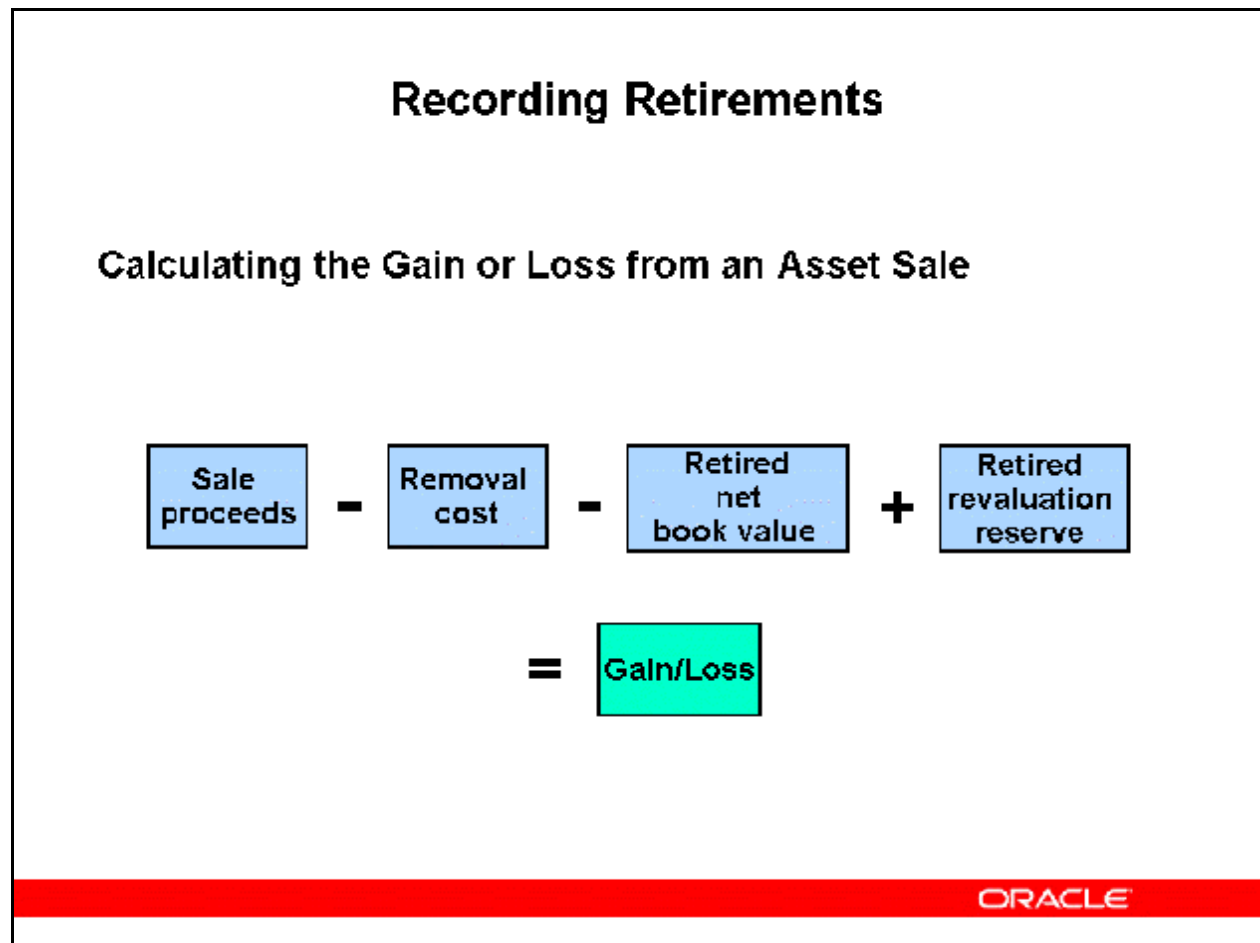
For Construction-in-Process (CIP) Assets:

- Removes the asset cost from the CIP cost account.
- Clears the proceeds of sale and the cost of removal.
- Recognizes gain or loss from the retirement.

For Expensed Items:

- There are no journal entries for retirement

Recording Retirements



Recording Retirements

Full Retirement with Multiple Retirement Accounts	Dr	Cr
Accumulated Depreciation	2,750	
Proceeds of Sale Clearing	2,000	
*Cost of Removal Gain	500	
*Net Book Value Retired Gain	1,000	
*Revaluation Reserve Retired Gain	250	
Asset Cost		4,000
*Proceeds of Sale Gain		2,000
Cost of Removal Clearing		500
Full Retirement with a Single Gain or Loss Account		
Accumulated Depreciation	2,750	
Proceeds of Sale Clearing	2,000	
Asset Cost		4,000
Cost of Removal Clearing		500

*Gain or Loss

250

*** Note the different components of the gain or loss amount.**

Recording a Retirement on Multiple Accounts

Recording a Retirement on Multiple Accounts

Oracle Assets creates journal entries for each component of the gain or loss amount.

Sale proceeds

Removal cost

Retired net book value

Retired revaluation reserve

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Recording a Retirement on Multiple Accounts

You can create journal entries to multiple accounts defined for the book.

Identifying Separate Accounts for Each Component of Gain or Loss:

- Proceeds of sale
- Cost of removal
- Net book value retired
- Revaluation reserve retired

Separate Account Sets for Gains and Losses

- If the retirement results in a gain, Oracle Assets creates journal entries to the gain accounts.
- If the retirement results in a loss, Oracle Assets creates journal entries to the loss accounts.
- To use a single gain or loss account, enter the same account for each of the gain and loss accounts.
 - The net effect is a single gain or loss journal entry.

Retirement Journal Entries Example

Retirement Journal Entries Example



- Asset Cost \$4,000
- Depreciating using STL 4 year life
- Sell the asset in Period 31 for \$2,000
- Removal cost is \$500
- The asset uses a retirement convention and depreciation method that allows you to take depreciation in the period of retirement.
- A single gain and loss account is used

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Retirement Journal Entries Example

Journal Entries Created by Oracle Assets	Dr	Cr
Depreciation Expense	250	
Accumulated Depreciation	2,500	
Proceeds of Sale (clearing account)	2,000	
Removal Cost (clearing account)		500
Gain or Loss		250
Asset Cost		4,000
Journal Entries Created by Oracle Receivables		
Accounts Receivable	2,000	
Proceeds of Sale (clearing account)		2,000
Journal Entries Created by Oracle Payables		
Removal Cost (clearing account)	500	
Accounts Payable		500

Note: A single gain or loss account was used in this example.

Recording Prior Period Reinstatement Entries

Recording Prior Period Reinstatement Entries

Scenario:

In Year 2 Qtr 1, you retired a \$4,000 asset.

The asset had a four-year life and used the straight-line depreciation method.

In Year 2 Qtr 3, you reinstate the asset.

Entry to Reinstatement the Asset and Calculate Depreciation

Asset Cost	4,000	
Depreciation Expense	250	
Depreciation Expense (adjustment)	250	
Accumulated Depreciation		1,750
Gain or Loss		2,750

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Recording Prior Period Reinstatement Entries

Period	Qtr	Asset Cost	Accum Depr	YTD Depreciation	Depreciation Expense
Year 1	Q1	\$4,000	\$ 250	\$ 250	\$ 250
	Q2	\$4,000	\$ 500	\$ 500	\$ 250
	Q3	\$4,000	\$ 750	\$ 750	\$ 250
	Q4	\$4,000	\$1,000	\$1,000	\$ 250
Year 2	Q1	\$ 0	\$ 0	\$ 250	\$ 250
	Q2	\$ 0	\$ 0	\$ 0	\$ 0
	Q3	\$4,000	\$1,750	\$ 750	\$ 500
	Q4	\$4,000	\$2,000	\$1,000	\$ 250

Retirement Reports

Retirement Reports

Report Name	Description
Form 4684: Casualties and Thefts Report	Shows the asset retirements with the retirement type that you request
Retired Assets Without Property Class Report	Shows the retired assets without a 1245 or 1250 property class
Retired Assets Without Retirement Types Report	Shows retired assets without assigned types
Asset Retirements by Cost Center	Shows the asset retirements for each cost center for the book and period that you select with an asterisk (*) next to reinstated assets

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Retirement Reports

Retirement Reports

Report Name	Description
Asset Retirements Report	Shows the assets that you retired for the Book and accounting period range that you select
Asset Disposals Responsibility Report	Shows the assets that you removed from the cost centers through retirements and transfers, and the location of each unit
Reinstated Assets Report	Shows reinstatement for the Book and From/To period range
Tax Retirement Report	Shows gain or loss and any ITC recapture for asset retirements

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Retirement Reports

Retirement Reports

Report Name	Description
Mass Retirements	Reviews the mass retirement effect before you process it
Mass Retirements Exception Report	Identifies exception assets not retired as part of the mass retirement program
Retirements Report	Reviews the assets retired for the book and accounting period range selected

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Summary

After completing this module, you should now be able to:

- **Discuss how asset retirements fits within the Oracle Assets process**
- **Explain the necessity of tracking asset retirements and proper recording of accounting transactions**
- **Discuss the Calculate Gains and Losses program and its role in asset retirements**
- **Discuss the ability to reinstate asset retirements**

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