Asset Categories

Overview
Asset Categories

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 Categories

Release 12 Oracle Asset Management Fundamentals
Objectives

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

• Explain where defining asset categories fits into the Oracle Assets process
• Discuss asset category header information and the implementation implications of choosing various setup options
• Explain the setup options and implementation issues concerning the regions of the Asset Categories window
Agenda

- Asset Categories Positioning
- Asset Categories Regions
- Setup of Asset Categories
Asset Categories Positioning

Asset Categories Positioning

All assets are required to have an asset category. Asset categories group assets that share financial accounts and usually depreciate using the same rules. Oracle Assets uses this information to provide default values at the time an asset is entered into the system.

You specify general ledger accounts and default depreciation rules for assets in a category and an asset book. You set up different default depreciation rules depending on the date placed in service. If an asset book is not attached to an asset category, you will not be able to add assets assigned to that category to that asset book.

Example: Tax Book A is associated with corporate asset book US Corp Book. Even though the US Corp Book is setup in an asset category named BUILDING-OFFICE, Tax Book A must also be setup in the BUILDING-OFFICE category in order to add assets assigned to that category to Tax Book A. This can be a real problem when copying assets from corporate asset books to their related tax asset books.

You do not need to define categories for budget books. Oracle Assets uses the category information from the associated corporate book.
Asset Categories Regions

The Asset Categories form is comprised of three regions:

**Header Region**
- Contains general information about the category that remains the same regardless of the asset book that is being attached to the category.

**General Ledger Accounts Region**
- Contains the default general ledger accounts and natural account segments that will be used when assets are added that are assigned to this category. The default general ledger accounts are set up for each asset book that is associated with this asset category regardless of whether that asset book will create journal entries for the general ledger. For example, a tax asset book that has been defined to not allow GL posting, will still need to have GL accounts assigned when setup in the asset category form.

**Default Depreciation Rules**
- This region contains depreciation rules information that is setup for each asset book associated with the asset category. These default rules are used to expedite the adding of assets. If the default does not apply, you can override many of the defaults for an individual asset in the Asset Details or Books windows in the Asset Workbench.
Asset Categories Setup

(N) Setup > Asset System > Asset Categories

Prerequisites

• Set up your General Ledger Account segment values and combinations.
• Set up your asset books.
• Set up your QuickCode values.
• Set up your prorate conventions.
• Set up your depreciation methods.

Define Asset Category Key Flexfield

• Implementation considerations for defining the Asset Category key flexfield are discussed in the Asset Controls Setup module of the Release 12 Oracle Asset Management Fundamentals Learning Path.
• Keep in mind that it is customary to use a major/minor segmentation in the category setup. For example, computers and EDP equipment can be associated with a major category while a minor category may be something more specific like "PC’s", "Servers" or "Network Components". The Minor Category can be dependent upon the major
category. This dependency can ensure illogical combinations such as a major category like "Machinery & Equipment" and a minor category of "Software" are created and assigned to an asset.

**Define Segment Values**

- Each segment of your category structure needs a value set. The terms you used to group your assets are the values you enter for these value sets.
- To set up a subcategory segment for which the valid values are dependent on the value of a previously entered segment, create a dependent value set. Create an independent value set for the first segment using the Value Set windows. Then create a dependent value set for the dependent segment. Enter the name of the independent value set, and specify the value which must be entered for the dependent value set to be valid. For example, first segment independent value "Computer" may have the second segment dependent values "PC" and "Laptop" setup for it.

Refer to **Demonstration - Define Asset Category Flexfield Values [LAB0352Y]**

Refer to **Practice - Add Asset Category Key Flexfield Values [LAB037AY]**
Asset Categories Setup

(N) Setup > Asset System > Asset Categories

Implementation considerations for setting up the Asset Category Header region:

- Specify whether the category is for leased, nonleased, or leasehold improvement assets in the Category Type field. You can enter lease information in the Asset Details window only for assets assigned to a Lease category.

- Check the Capitalize checkbox if you want to charge items in this category to an asset account and if you want to depreciate items in this category. If you are tracking items in the Oracle Assets application that are expensed for financial purposes, you would leave this box unchecked. All expensed items that you want to track in Oracle Assets, must be added to an Asset Category that is not enabled for Capitalization.

- The In Physical Inventory check box is selected by default. Clear this checkbox if you do not want assets in a particular category to be included in physical inventory. Use the Assets Details window to override this check box for individual assets.

- Enter the Property Type and Class to which the assets in this category usually belong. You set up your QuickCode values for Property Type. If you have assets in the United States, enter 1245 for personal property and 1250 for real property.
Asset Categories Setup

Implementation considerations in setting up the General Ledger Accounts region:

- You may have to temporarily disable your cross-validation rules and allow dynamic insertion for the Account structure to be able to enter these accounts, since they may not be valid combinations.

- If you want to create journal entries using other segments in addition to the natural account from the combination you enter in the Asset Categories window, you must modify the default Account Generator values to fill in those segments from the category.

- Associate the category with an asset book, and specify the general ledger accounts for that book. Repeat the category set-up for each book that you want to allow additions using this category.

- The following fields require entry: Book, Asset Cost, Asset Clearing, Depreciation Expense Segment and Accumulated Depreciation. Bonus Expense and Bonus Reserve also require entry but will default to the Depreciation Expense Segment and Accumulated Depreciation values if left blank.

General Ledger Accounts Region

- Book
- Asset Cost, Asset Clearing
- Depr. Expense Segment
- Accumulated Depreciation
- Bonus Expense, Reserve
- Reval Reserve, Amortization
- CIP Cost, CIP Clearing
• Once you define an Asset Category combination and attach an asset book to it, you can delete the Asset Category combination up to the point that you enter an asset into the attached asset book using that Asset Category.

• **Be careful when you enter the account information.** Once you define an Asset Category combination and save the record, you cannot change any of the accounts in the General Ledger Accounts region.

• I made an error in keying in one of the accounts for an asset book and I saved the record. How can I fix it?
  - If you have not entered an asset into the asset book associated with the Asset Category with the error, you can query the Asset Category combination and the associated book, delete the record, save and then reenter the combination.
  - If you have added an asset into the asset book using the category with the error, you will need to define a new category and associate it with the asset book. You then can perform a Mass reclassification on all assets from the category with the error to the new category. You then should disable the category with the error.
Asset Categories Setup

(N) Setup > Asset System > Asset Categories (B) Default Rules

Implementation considerations for setting up the Default Depreciation Rules region:

1. In the Default Depreciation Rules window, enter the date Placed in Service range for which these category defaults are effective. When you add an asset, the depreciation rules default according to the date placed in service of the asset, the category, and the book. You can specify as many ranges of default depreciation rules as you wish. If you leave the end date blank, Oracle Assets uses that set of depreciation rules indefinitely. To add a new range of valid depreciation rules, terminate your current record by adding an end date, then choose Edit, New Record from the menu to add the new record.

2. Check Depreciate if you normally depreciate assets in this book and category.

Note: Oracle Assets does not depreciate EXPENSED assets, regardless of the default value you enter in this field.

3. Enter the depreciation Method that you normally use for assets in this book and category:
   - If you enter a life–based method, you must enter the asset Life in Years and Months. The method you enter must have the same number of periods as the prorate calendar for this book.
- If you enter a flat-rate method, you must enter default values for the Basic Rate and Adjusted Rate that you normally use to depreciate assets in this book and category. If you are defining this category for a tax book, you also can enter a Bonus Rule.

- If you enter a units of production method, you must enter the unit of measure (UOM) and production Capacity that you normally use to depreciate assets in this book and category. If you are defining this category a tax book, enter the UOM and capacity you entered for the corporate book.

4. Enter the bonus rule that you normally use for assets in this book and category. You can use bonus rules for corporate books and tax books, using all depreciation methods except UOM.

5. Enter the Prorate Convention and Retirement Convention that you normally assign to assets in this book and category.

6. If you chose Use Default Percent from the Salvage Value poplist in the Book Controls window for this book, you can enter a Default Salvage Value percentage for this category, book, and range of dates placed in service.

7. If you are defining this category for a tax book, optionally enter either a depreciation expense or cost ceiling.

8. Enter a Price Index if you want to run reports that use the revalued asset cost to calculate gains and losses.

9. Enter a default subcomponent life Rule you want to use to determine the default life of the subcomponent asset based on the life of the parent asset.

10. Select one of the following rules:

    - None (Leave field blank): There is no connection between the life of the subcomponent asset and the parent asset life. Oracle Assets defaults the subcomponent asset life from the asset category.

    - Same End Date (Without specifying a minimum life): The subcomponent asset becomes fully depreciated on the same day as the parent asset or at the end of the category default life, whichever is sooner. The default subcomponent asset life is based on the end of the parent asset life and the category default life. If the parent asset is fully reserved, Oracle Assets gives the subcomponent asset a default life of one month.

    - Same End Date (Specifying a minimum life): The subcomponent asset becomes fully depreciated on the same day as the parent asset, unless the parent asset life is shorter than the minimum life you specify. The subcomponent asset's life is determined based on the end of the parent asset's life, the category default life, and the minimum life. If the parent asset's remaining life and the category default life are both less than the minimum life you enter, Oracle Assets uses the minimum life for the subcomponent asset. Otherwise, it uses the lesser of the parent asset's remaining life and the category default life.

    - Same Life: The subcomponent asset uses the same life as the parent asset. It depreciates for the same total number of periods. If the subcomponent asset is acquired after the parent asset, it depreciates beyond the end date of the parent asset life.
11. If you choose Same End Date for the subcomponent life rule, you also can specify a minimum life for the subcomponent asset.
   - If the parent asset's remaining life and the category default life are both less than the minimum life you enter, Oracle Assets uses the minimum life for the subcomponent asset. Otherwise, it uses the lesser of the parent asset's remaining life and the category default life.

12. Check Straight Line for Retirements if you are setting up an asset category with a 1250 property class in a tax book. Oracle Assets uses a straight–line depreciation method in determining the gain or loss resulting from the retirement of 1250 (real) property.
   - If you check Straight Line For Retirements, enter the straight–line depreciation Method and Life you want to use for the Gain From Disposition of 1250 Property Report. This is the default method for your asset in the Retirements window and in the tax book if you use mass copy.

13. Check the Use Depreciation Limit check box if you want to depreciate an asset beyond the recoverable cost in the years following the useful life of the asset. You can enter the default Depreciation Limit as a percentage or amount.

14. Enter the minimum time you must hold an asset for Oracle Assets to report it as a capital gain when you retire it.
   - If you want Oracle Assets to report a capital gain for all assets in this category when you retire them, enter zero. If you want to report a capital gain for assets which you have held for at least one year, such as for United States federal tax form 4797, enter one in the Years field and zero in the Months field. If you need a different capital gains threshold for different dates placed in service, such as for United States federal tax form 4797, set up the asset category several times for the different date placed in service ranges.

15. If you are defining this category for a tax book, indicate whether assets in this category are eligible for Investment Tax Credit (ITC), and whether assets in this category Use ITC Ceilings.

16. Check the Mass Property Eligible check box if you want to make assets added to this category eligible for mass property treatment.

17. In the Group Asset field, you can enter the group asset to which all assets added to this category will be assigned. If you enter a group asset number in this field, all capitalized and CIP assets using this category will be automatically assigned to the group asset entered.

18. Save your work.

Refer to Demonstration - Define an Asset Category [LAB0353Y]
Refer to Practice - Define Asset Categories [LAB037BY]
Summary

In this module, you should have learned how to:

- Explain where defining asset categories fits into the Oracle Assets process
- Discuss asset category header information and the implementation implications of choosing various setup options
- Explain the setup options and implementation issues concerning the regions of the Asset Categories window