Table 4-1, Depreciation Periods

Description	Life Expectancy
Buildings	15-40 years
Building Improvements	10-30 years
Furniture, Fixtures, and Equipment	2-10 years
Vehicles, Aircraft, and Boats	2-7 years
Land Improvements	15-25 years

D. Depreciation. Depreciation is a systematic method of charging operations with the cost of a fixedasset over its estimated useful life. Estimates of the useful life of assets are seldom accurate since obsolescence or other factors may abbreviate or elongate its usefulness. Because of the uncertainty, the guideline lives in Table 4-1 will be used. Since salvage values are almost impossible to predict and restrictions are placed on disposal of military property, salvage values will be ignored in depreciation computations for NAFI-owned fixed assets. Although there are several depreciation methods in general use, Army NAFIs will use only the straight-line method except that aircraft may be depreciated based on hours flown (see below). Under the straight-line method, the cost of the fixed asset is spread in equal periodic portions over its estimated useful life. Monthly depreciation is calculated simply by dividing the total depreciable value of the fixed asset by the estimated months of life. An asset will not be depreciated in the month in which it is placed in use nor will a partial month's depreciation be recorded when disposition is made. If the fund manager desires, aircraft may be depreciated based on hours flown. The estimated flying-hours the aircraft is expected to last are divided into the cost to arrive at a depreciation per hour. Each month the fund manager must report to the CAO the number of hours flown so that depreciation may be calculated and recorded. This must be done manually. NAFISS supports only straight-line depreciation.

E. Adjustments. Generally accepted accounting principles dictate that once an accounting principle is adopted it should not be changed in accounting for events and transactions of a similar type. Further, consistency facilitates analysis and understanding of comparative accounting data. If it is determined that a change in the estimated life of an asset is proper, the necessary adjustment to depreciation must be posted to the expense account; not Retained Earnings. By the same token, a large loss on the disposal or write-off of a fixed asset will be posted to the Loss on Disposal of Fixed Assets account; not Retained Earnings.

F. Fully Depreciated Fixed Assets. Fully depreciated fixed assets purchased prior to FY 89 which had an acquisition cost of less than $1,000 may be removed from the accounting records.