

# Common Fixed Assets Depreciation Mistakes

This guide describes the most common depreciation issues in **FirstBIT Software** and provides **correct, system-compliant solutions**. All corrections are aligned with FirstBIT software accounting logic and audit requirements.

## General Rules for Depreciation in FirstBIT Software

Before troubleshooting, please note the following important rules:

- Depreciation is calculated **only through Month-End Closing (preferable way)**;
- **Opening Balances and closed periods must not be edited**;
- All corrections must be performed **prospectively**, in the current open period;
- Only **standard FirstBIT documents** should be used for adjustments.

Errors:

### 1. Issue: Excessive Accumulated Depreciation

#### Symptoms

- Residual value becomes zero earlier than expected
- Depreciation stops before useful life ends

#### Common Causes

- Month-End Closing was performed out of sequence
- Previous periods were closed incorrectly or partially

#### Resolution

1. Cancel Month-End Closing starting from the period where the issue began
2. Re-close periods strictly in chronological order
3. Verify depreciation values after each closing

### 2. Issue: Incorrect Depreciable Amount

#### Symptoms

- Depreciation values do not match expectations
- Remaining asset value is incorrect

#### Common Causes

- Incorrect logic applied when entering opening balances
- Salvage value or accumulated depreciation ignored

Opening Balances Entering EI00-000001 dated 12/31/2016 12:00:00 AM

Post and close Save Post Dr Cr More actions - ?

Main Fixed Assets

Fixed Assets (2) Construction in Progress Capital Improvements

Add Search (Ctrl+F) More actions -

#	Fixed Asset	Status	Depreciation Method		Useful Life (Months)		Gross Cost (AED)	Depreciable Cost (AED)	Depreciate	Expense GL Account Expense Item	Business Activity	GL
			UOM	Estim...	Depreciation	Salvage Value (AED)	Current Depreciation (AED)					
1	Chairs (12)	Active	Straight Line			48	2,000.00	2,000.00	✓	Depreciation of Fixed Assets		10
			Main Department	Not Applicable	Not A...	Not Applicable				1,200.00	Depreciation Costs	
2	Tv-Set	Active	Straight Line			36	1,000.00	1,000.00	✓	Depreciation of Fixed Assets		10
			Main Department	Not Applicable	Not A...	Not Applicable				800.00	Depreciation Costs	

## Correct Formula (FirstBIT software Logic)

Depreciable Amount = Gross Cost - Salvage Value - Accumulated Depreciation

## Resolution

- Calculate the correct depreciable amount
- Adjust it using **Changes of Fixed Assets Parameters**
- Do not modify accumulated depreciation

## 3. Issue: Editing Opening Balances or Closed Periods

### Symptoms

- Inconsistent reports
- Errors during Month-End Closing
- Audit risks

### Cause

- Manual corrections in historical periods

### Resolution

Not Allowed:

- Editing Opening Balance documents
- Reposting closed periods

Correct Approach:

- Adjust data only in the **current open period**
- Use system-approved correction documents

## 4. Issue: Depreciation Is Not Calculated at All

### Symptoms

- No depreciation entries
- No error messages displayed

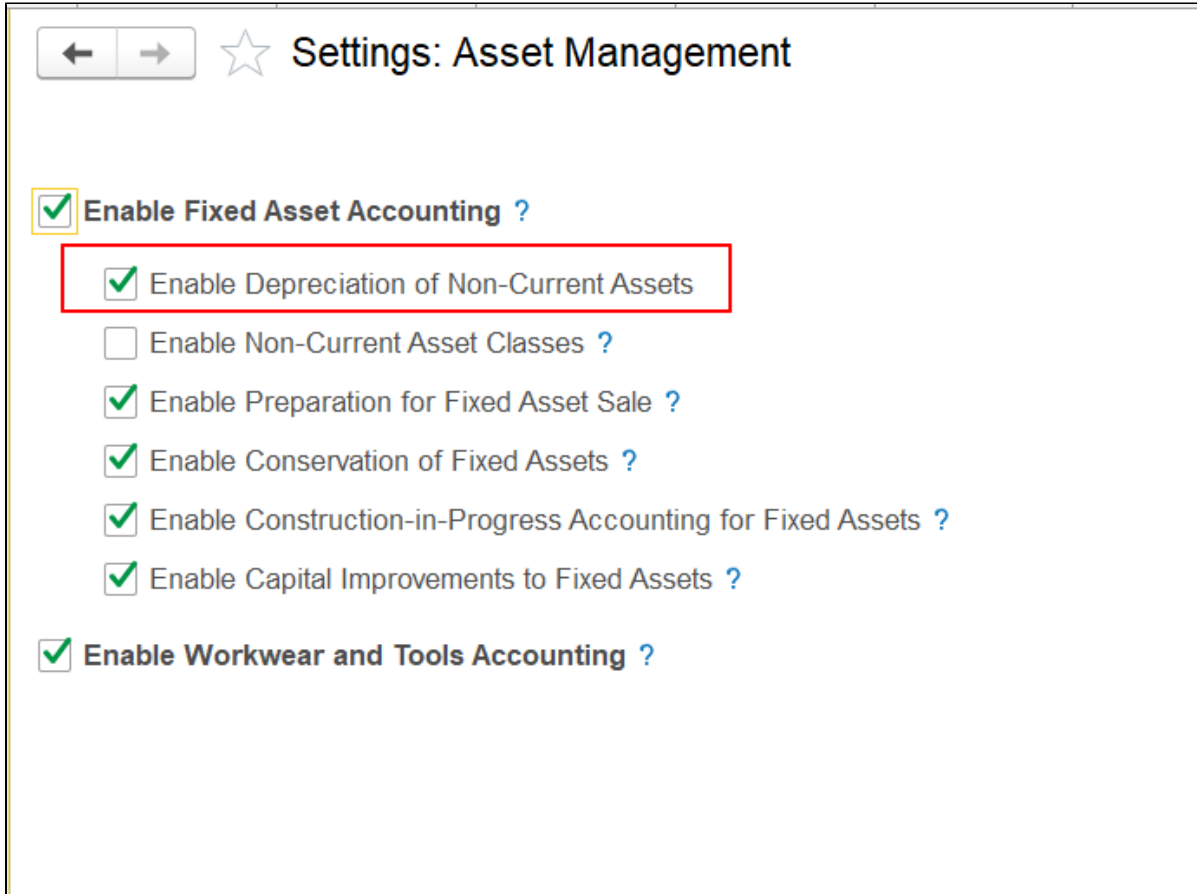
### Common Cause

- Depreciation option is disabled in system settings

## Resolution

### Navigation:

Administration - Settings - Asset Management  
Enable "Depreciation of Non-Current Assets"



← → ☆ Settings: Asset Management

**Enable Fixed Asset Accounting ?**

- Enable Depreciation of Non-Current Assets**
- Enable Non-Current Asset Classes ?
- Enable Preparation for Fixed Asset Sale ?
- Enable Conservation of Fixed Assets ?
- Enable Construction-in-Progress Accounting for Fixed Assets ?
- Enable Capital Improvements to Fixed Assets ?

**Enable Workwear and Tools Accounting ?**

## 5. Issue: Wrong Document Used for Corrections

### Symptoms

- Corrections do not affect depreciation
- Values revert during Month-End Closing

### Common Causes

- Manual journal entries (Transaction (General Ledger) service tool) used instead of system documents;
- Direct register corrections.

### Resolution

Use only:

- **Changes of Fixed Assets Parameters document** ([Changes of Fixed Asset Parameters](#) );
- Standard **Month-End Closing** procedure.

## 6. Issue: Changes Made but Depreciation Not Updated

## Symptoms

- Adjustments with new parameters were created with correct document Changes of Fixed Assets Parameters but depreciation remains incorrect.

## Common Cause

- Month-End Closing was not re-run after making changing records

## Resolution

- Repost the adjustment document (or post - if it is new);
- Re-run Month-End Closing in the correct order.

## Best Practice Checklist

- Always define useful life;
- Verify depreciable amount calculation;
- Never edit opening balances;
- Correct only in open periods;
- Use standard FirstBIT software documents for Fixed Assets accounting;
- Close months strictly in sequence.

**Thank you for being FirstBIT customer!**