

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				
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				

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"

The screenshot shows the 'Settings: Asset Management' page. At the top, there are navigation arrows and a star icon. Below that, the title 'Settings: Asset Management' is displayed. The main content area contains several settings, each with a checkbox and a question mark icon. The 'Enable Fixed Asset Accounting' setting is checked and highlighted with a yellow box. Underneath it, the 'Enable Depreciation of Non-Current Assets' option is checked and highlighted with a red box. Other settings include 'Enable Non-Current Asset Classes', 'Enable Preparation for Fixed Asset Sale', 'Enable Conservation of Fixed Assets', 'Enable Construction-in-Progress Accounting for Fixed Assets', and 'Enable Capital Improvements to Fixed Assets', all of which are checked. At the bottom, the 'Enable Workwear and Tools Accounting' setting is also checked.

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!