Fixed Asset Depreciation: Manual Adjustment and Future Depreciation Calculation

Problem: What happens if I manually adjust the depreciation amount in the Month-End Closing document? Will future depreciation be recalculated or will the missing amount be restored?

Fixed asset depreciation is calculated automatically during the Month-End Closing procedure based on the depreciation parameters specified for the asset, including (acquisition cost, useful life, depreciation method, etc.).

During the Month-End Closing procedure, the system automatically creates the **Fixed Asset Depreciation** document. If required, the user can manually adjust the depreciation amount in this document for a specific accounting period.

For more information about fixed asset depreciation, refer to the following guide The Fixed Asset Depreciation documents.

System Logic

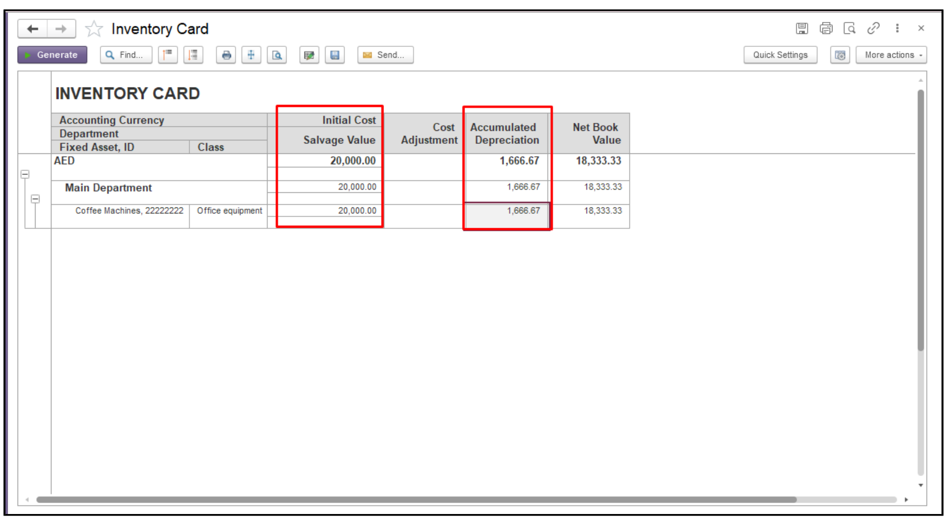
When the depreciation amount is manually changed for a specific month:

1. The manual adjustment affects **only the selected accounting period**.
2. The system **does not** recalculate depreciation for previous or future periods.
3. The system does not adjust future depreciation amounts to compensate for the difference created by the manual change.
4. Future depreciation continues to be calculated according to the asset's depreciation parameters, using the updated accumulated depreciation and remaining book value.

Example

Initial data

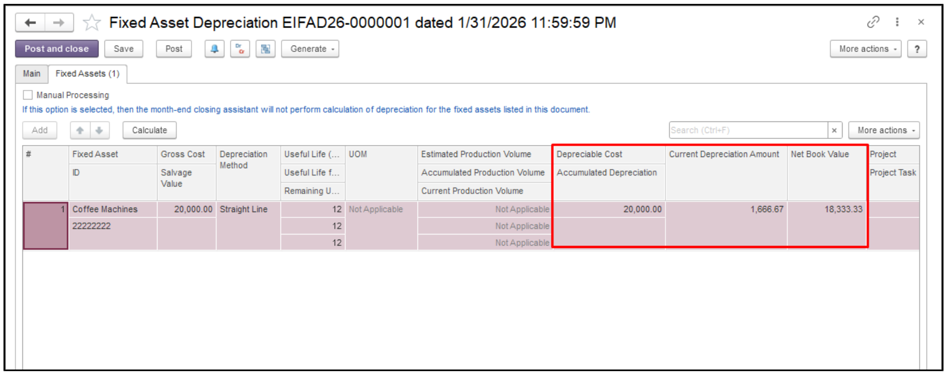
- Asset cost: **20,000**
- Useful life: **12 months**
- Monthly depreciation: **1,666.67**



Calculation in January

When the Month-End Closing procedure is performed, the system calculates depreciation automatically.

- Current Depreciation Amount: **1,666.67 AED**
- Remaining book value: **18,333.33 AED**

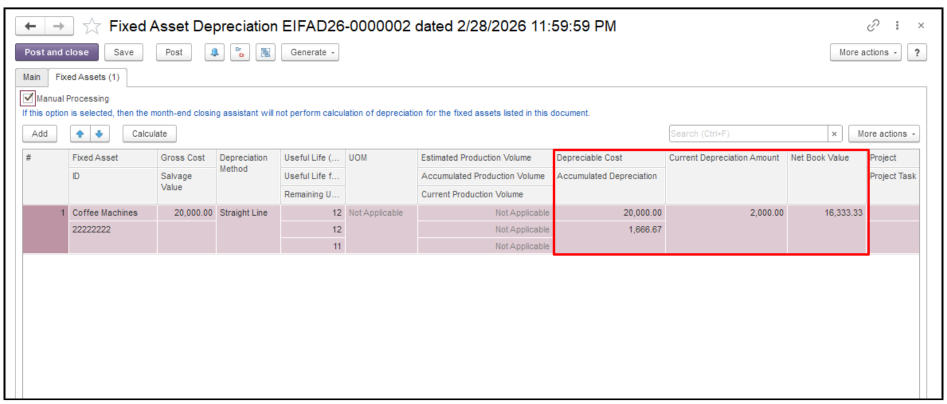


Calculation in February (after the manual adjustment)

In February, the user manually changes the depreciation amount in the Fixed Asset Depreciation document from the calculated amount of 1,666.67 AED to 2,000.00 AED. As a result, February depreciation is recorded as 2,000.00 AED instead of 1,666.67 AED.

The calculation is updated as follows:

- Accumulated depreciation: **1,666.67 AED**
- February depreciation: **2,000.00 AED**
- Remaining book value: **16,333.33 AED**



Note. The edited document will not be automatically recalculated by the Month-End Closing procedure. If depreciation data changes after the document has been manually edited, you will need to update the document manually.

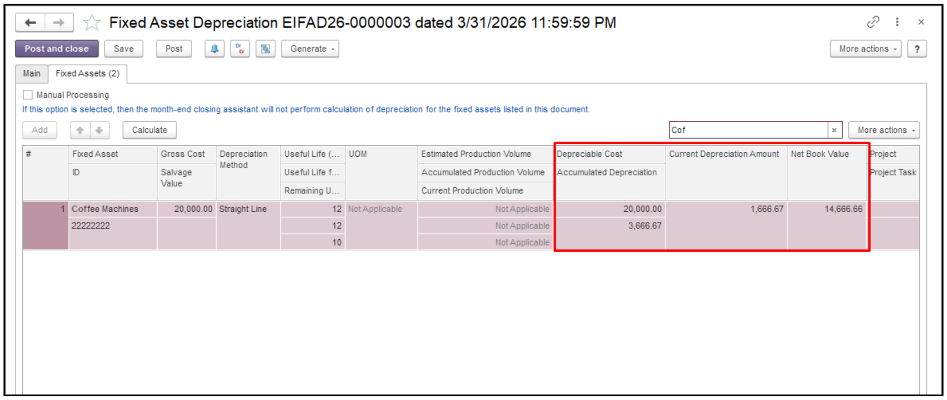
Calculation in March

In March, depreciation is calculated automatically during the Month-End Closing procedure.

The system creates the **Fixed Asset Depreciation** document based on the fixed asset's depreciation parameters. The monthly depreciation amount remains **1,666.67 AED**, because the asset's depreciation settings (such as acquisition cost, useful life, and depreciation method) have not changed.

The calculation is updated as follows:

- Accumulated depreciation: **3,666.67 AED**
- Current depreciation (calculated automatically during Month-End Closing): **1,666.67 AED**
- Remaining book value: **14,666.66 AED**



Conclusion

The manual depreciation adjustment applies only to the selected month.

The system does not recalculate future depreciation or compensate for the difference in the following months. Future depreciation continues to be calculated automatically during the **Month-End Closing** procedure based on the asset's depreciation settings and the updated accumulated depreciation and remaining book value.

Thank you for being FirstBIT Customer!

#fixedassetdepreciation#depreciationcalculation#manualadjustmentofdepreciation