

Tax Ready Bookkeeping

Asset Verification Procedure

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Purpose

This procedure ensures fixed assets on your Balance Sheet actually exist, are properly valued, and are correctly classified for depreciation purposes.

Part 1: Understanding Fixed Assets

What Are Fixed Assets?

Long-term tangible assets used in business operations: - Equipment and machinery - Furniture and fixtures - Vehicles - Computers and technology - Buildings and improvements - Land

Why Verify?

- Assets on books may no longer exist (sold, scrapped, stolen)
 - Ghost assets distort financial statements
 - Incorrect depreciation affects taxes
 - Lenders and auditors expect accurate records
 - Insurance coverage should match actual assets
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Part 2: Asset Register Requirements

What to Track for Each Asset

Field	Description	Example
Asset ID	Unique identifier	FA-2024-001
Description	What it is	Dell PowerEdge Server
Category	Asset type	Computer Equipment
Purchase Date	When acquired	01/15/2024
Purchase Cost	Original cost	\$5,500.00
Vendor	Where purchased	Dell Technologies

Field	Description	Example
Location	Where it is now	Server Room
Serial Number	Manufacturer ID	SVC-12345-XYZ
Useful Life	Depreciation period	5 years
Depreciation Method	Calculation method	Straight-line
Accumulated Depreciation	Depreciated to date	\$1,100.00
Net Book Value	Cost - Accum Depr	\$4,400.00
Status	Current state	In Use / Disposed

Asset Register Template

Asset ID	Description	Cost	Date	Location	Status
		\$			
		\$			
		\$			
		\$			

Part 3: Annual Physical Verification

When to Conduct

- Minimum: Annually (before year-end close)
- Better: Semi-annually
- High-risk: Quarterly (portable, high-value items)

Verification Team

Role	Responsibility
Counter	Physically locates and identifies assets
Recorder	Documents findings
Reviewer	Verifies accuracy, investigates discrepancies

Best Practice: Rotate counters; don't have same person count same assets each year.

Physical Count Procedure

Before the Count: - [] Print current asset register - [] Gather count sheets - [] Notify departments
- [] Schedule time for minimal disruption - [] Prepare asset tags if needed

During the Count: - [] Locate each asset on the register - [] Verify asset exists - [] Check condition - [] Verify location matches register - [] Record serial number/identifying info - [] Tag if not already tagged - [] Note any assets found not on register - [] Note any register items not found

After the Count: - [] Reconcile count to register - [] Investigate discrepancies - [] Update register for changes - [] Adjust books for disposals - [] Document findings

Part 4: Physical Count Sheet

Count Form

Count Date:

Location:

Counter:

Recorder:

Asset ID	Description	On Register?	Found?	Condition	Location Correct?	Notes
		Y/N	Y/N	G/F/P	Y/N	
		Y/N	Y/N	G/F/P	Y/N	
		Y/N	Y/N	G/F/P	Y/N	
		Y/N	Y/N	G/F/P	Y/N	
		Y/N	Y/N	G/F/P	Y/N	

Condition Codes: - G = Good (fully functional) - F = Fair (working but showing wear) - P = Poor (needs repair or replacement)

Unregistered Assets Found

Description	Location	Estimated Value	Notes
		\$	
		\$	
		\$	

Part 5: Discrepancy Investigation

For Assets Not Found

Asset ID	Description	Book Value	Investigation
		\$	
		\$	

Investigation Steps: 1. ☐ Check if relocated 2. ☐ Check if disposed (paperwork missing?) 3. ☐ Check if stolen (file report if necessary) 4. ☐ Check if scrapped 5. ☐ Verify entry wasn't duplicate

Resolution Options: - Asset found in different location -> Update register - Asset disposed without paperwork -> Process disposal adjustment - Asset cannot be located -> Write off with documentation

For Assets Found Not on Register

Description	Location	Est. Cost	Investigation
		\$	
		\$	

Investigation Steps: 1. ☐ Check if expensed instead of capitalized 2. ☐ Check if leased (not owned) 3. ☐ Check if personal property 4. ☐ Locate purchase documentation 5. ☐ Determine if should be capitalized

Part 6: Disposal Procedures

When an Asset is Sold, Scrapped, or Disposed

Required Documentation: - ☐ Asset identification - ☐ Reason for disposal - ☐ Disposal method (sold, scrapped, donated, traded) - ☐ Date of disposal - ☐ Sale proceeds (if any) - ☐ Gain/loss calculation - ☐ Approval signature

Disposal Form

Field	Information
Asset ID	
Description	
Original Cost	\$
Accumulated Depreciation	\$
Net Book Value	\$
Disposal Date	
Disposal Method	Sold / Scrapped / Donated / Trade-in
Sale Proceeds	\$
Gain/(Loss)	\$
Approved By	
Date	

Accounting Entry

For Asset Sold at a Gain:

DR: Cash (proceeds)
DR: Accumulated Depreciation
CR: Fixed Asset (original cost)
CR: Gain on Sale of Asset (difference)

For Asset Sold at a Loss:

DR: Cash (proceeds)
DR: Accumulated Depreciation
DR: Loss on Sale of Asset (difference)
CR: Fixed Asset (original cost)

Part 7: Impairment Review

Signs of Impairment

- Physical damage
- Obsolescence (technology superseded)
- Change in use (no longer needed)
- Market value decline
- Legal or regulatory changes

Impairment Assessment

Asset	Book Value	Estimated Fair Value	Impaired?
	\$	\$	Y/N
	\$	\$	Y/N
	\$	\$	Y/N

If Impaired: - Document the impairment trigger - Obtain fair value estimate - Record impairment loss - Adjust depreciation going forward

Part 8: Verification Summary Report

Annual Asset Verification Summary

Verification Date:

Verified By:

Reviewed By:

Results Summary

Category	# Assets	Book Value
Verified - Match		\$
Verified - Location Update		\$
Verified - Condition Update		\$
Not Found - Investigating		\$
Not Found - Write Off		\$
New Assets Found		\$
Total Per Register		\$

Adjustments Required

Adjustment	Description	Amount	Entry Date
Disposal		\$	
Write-off		\$	
Addition		\$	
Impairment		\$	

Sign-Off

Role	Name	Signature	Date
Counter			
Reviewer			
Controller/Manager			
Owner (if material)			

Part 9: Schedule and Responsibilities

Annual Calendar

Month	Activity
Q4 (Nov)	Physical count
Q4 (Dec)	Reconcile and adjust
Year-End	Final depreciation
January	Report to CPA

Ongoing Responsibilities

Task	Frequency	Owner
New asset entry	As acquired	Bookkeeper
Disposal processing	As disposed	Bookkeeper
Depreciation	Monthly/Annually	Bookkeeper
Physical verification	Annually	Manager
Register review	Quarterly	Manager
Insurance review	Annually	Owner

For more resources: projectbits.com/taxready/ch8

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Tax Ready(TM) Bookkeeping

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