

# 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.

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### 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

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## 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
		\$	
		\$	
		\$	

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## 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

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## 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)

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## 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

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## 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	\$	
<b>Total Per Register</b>		\$

### 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](http://projectbits.com/taxready/ch8)

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