Fixed Assets?

The term fixed asset refers to a long-term tangible piece of property or equipment that a firm owns and uses in its operations to generate income. The general assumption about fixed assets is that they are expected to last, be consumed, or be converted into cash after at least one year.

- Fixed assets are items that a company plans to use over the long term to help generate income.
- Fixed assets are most commonly referred to as property, plant, and equipment.
- Current assets are any assets that are expected to be converted to cash or used within a year.
- Noncurrent assets, in addition to fixed assets, include intangibles and long-term investments.
- Fixed assets are subject to depreciation to account for the loss in value as the assets are used, whereas intangibles are amortized.

Fixed Assets and Depreciation

Fixed assets lose value as they age. Because they provide long-term income, these assets are expensed differently than other items. Tangible assets are subject to periodic depreciation while intangible assets are subject to amortization.1 A certain amount of an asset's cost is expensed annually. The asset's value decreases along with its depreciation amount on the company's balance sheet. The corporation can then match the asset's cost with its long-term value.

How a business depreciates an asset can cause its book value (the asset value that appears on the balance sheet) to differ from the current market value (CMV) at which the asset could sell. Land is one fixed asset that cannot be depreciated.

What Are Examples of Fixed Assets?

Fixed assets can include:

- buildings
- computer equipment
- software
- furniture
- land
- machinery
- vehicles