

Hey everyone, and welcome to our video today on long-term assets. So what is today's video about? Well, today we're going to be talking about long-term assets. We're going to discuss long-term versus short-term assets. And then we're also going to discuss book value and how we determine book value.

But let's go ahead and get started with a discussion of long-term versus short-term assets. So what are they? What are long-term assets? Those are assets that will be used for longer than one year, such as plant assets and long-term investments.

Now, what are short-term assets? These are assets that are converted to cash, used up, or sold within one year.

So one year or more, if the assets are used for one year or more or typically last longer than one year, that's going to be our long-term assets. Now, even if it's owned for a brief period, it's still classified as long-term. And if the assets are typically going to be used up in one year or less, those are going to be our short-term assets.

Now, how do we determine the classification whether an asset is long-term or short-term? Well, like we've already talked about, you have to think of the nature of the asset, so how long is it meant to last, as well as the nature of the use. So is it an asset we're going to use up within one year or less? Or is it an asset that's going to provide use over multiple years?

So let's focus in now on long-term assets. Long-term assets can also be referred to as capital assets or fixed assets. So long-term assets is the same thing as capital assets. And it can also be referred to as fixed assets.

Now, there are two broad categories within our long-term assets. And those two categories are real property and personal property. So what is real property? Real property is resources that have physical characteristics and are used in business operations. That's the important piece of that definition, that they're used in business operations.

Now, what is personal property? Personal property is tangible and intangible assets that are transferable among individual owners. So that's the key piece of personal property, that these are items that are transferable among individual owners.

So let's look at examples of each of these types of property, starting with real property. So real property, resources that have physical characteristics and are used in business operations, think of things like land, land improvements, and buildings. So these are typically going to be real estate. That's where we get that term real property.

And now on the other side, personal property. These would be things like computers, company cars, as well as

equipment. So computers can be transferable, automobiles as well. And then equipment also falls into this personal property category. So that's long-term assets, with two broad categories, real and personal property.

The last topic today is book value. So what is book value? Book value is the cost of a depreciable asset less its accumulated depreciation. So how do we determine book value? Well, book value of an asset includes the cost of the asset and the cost of getting the asset ready for use, so the cost of the asset and any costs that we incur getting that asset ready to use within our business.

So if we take real property, we have land and buildings, our real estate. The types of things that would go into the cost of the asset would be any fees that we need to pay, appraisal fees, legal fees, title fees, if we have to remove any existing structures from the land, the construction of a building, if we were building a new building on land that we just purchased, as well as the preparation of that land for development. So those are the types of costs that would go into a real property asset.

Now if we look at these personal property assets, these are our equipment, automobiles, computers, for example, well, the purchase price, so the cost of the asset, so the purchase price to purchase that property, any set up fees that we might incur. Any testing fees, so if we purchased new equipment and it has to be tested before it's operational, those testing fees are included in the cost of the asset, as well as any installation costs that might be incurred. Those would go into the total cost of the asset. So that's book value.

Now let's summarize what we talked about today. In a nutshell, today was all about our long-term assets. We started off by looking at long-term assets versus short-term assets. And then when we talked about long-term assets, we looked at the difference between real property and personal property. And then we finished up with a discussion of book value.

I hope everybody enjoyed this video. And I hope to see you next time.