To: [Recipient Name/Management Team]

From: [Your Name/Audit Department]

Date: [Date]

Subject: Scope of Fixed Asset and Capitalization Review

Dear [Name],

This document outlines the scope and objectives for the upcoming review of the organization's fixed assets and capitalization procedures for the period of [Start Date] to [End Date].

1. Objectives
The primary objective is to ensure that fixed assets are accurately recorded, properly valued, and compliant with established accounting standards and internal policies.

2. Scope of Work
The review will encompass the following areas:

- **Asset Recognition:** Verification that all acquired assets meet the minimum capitalization threshold.
- **Physical Verification:** Random sampling and physical inspection of assets to confirm existence and condition.
- **Depreciation Accuracy:** Review of depreciation methods, useful life estimates, and mathematical accuracy of calculations.
- **Additions and Disposals:** Examination of supporting documentation for new purchases and the proper recording of retired or sold assets.
- **Classification:** Ensuring assets are categorized correctly (e.g., Land, Buildings, Equipment, IT Hardware).
- **Repair vs. Capitalization:** Testing of maintenance expenses to ensure costs that should be capitalized are not expensed, and vice versa.

3. Required Documentation
To facilitate this review, please have the following ready by [Target Date]:

- Current Fixed Asset Register (FAR).
- Purchase orders, invoices, and titles for major additions.
- Disposal forms and gain/loss calculations for retired assets.
- Summary of depreciation schedules.

4. Timeline
The fieldwork is scheduled to begin on [Start Date] and is expected to conclude by [Completion Date].

Please contact [Name] at [Phone/Email] if you have any questions regarding this scope.

Best regards,

[Your Signature]
[Your Title]