

# Automated Fixed Asset Management

## A key component of capital spending policy

### FAM Best Practices



# ASSETS

Defining fixed asset policies and procedures, and formalizing them in a corporate document, is critical to effective fixed asset management. Those policies and procedures need to be implemented and acted upon in a consistent manner. However, without a consistent method of managing those assets, determining their value, location and lifecycle status, the policy and procedures become less effective.

# Automated Fixed Asset Management

## Fixed Asset Management Policies and Procedures

Corporate environments are constantly changing, just as accounting standards, tax laws and regulatory requirements change over time. These changes can impact fixed asset tracking and accounting. A comprehensive automated fixed asset management tool can provide the information to ensure that the organization complies with all current rules and regulations.

Maintaining and monitoring a firm's fixed asset policies and procedures is facilitated by the investment in a fixed asset management toolset. The benefits to the organization can be significant, including effective capital budgeting, accurate determination of asset values and a complete, accurate and up-to-date repository of fixed asset information. Management, accounting and auditing operations will benefit from the additional level of control and ability to retrieve data on a timely basis.<sup>(\*1)</sup>

## What a Fixed Asset Management Policy Covers



Fixed assets include a wide range of equipment considered capital equipment that is expected to have an extended useful life and are held on a balance sheet as assets. They are expensed through depreciation over the course of their useful life. Because of rapid design changes in end-user computing devices, many companies expense them as they are often replaced in 3 years or less. In this case, they are better managed with an IT asset management tool, or in a tool such as xAssets which combines fixed asset management and IT asset management.

Fixed assets can include items with a long useful life that are installed within a facility, in transit (e.g. vehicles), or relocated from facility or to another one. All fixed assets need to be accounted for and their values properly depreciated for purposes of financial accounting, regulatory compliance and tax reporting.

A fixed asset management policy will provide guidelines for the acquisition, control, reporting and accounting for these large budget items. It should cover the following points:

- Define who can request, approve the acquisition and issue purchase orders and payment for fixed assets.
- Procedures for fixed asset acquisitions that require special handling.
- Recording the information required to identify and inventory fixed assets. (e.g. manufacturer, model, serial number, barcode, asset tag)
- The maintenance requirements and maintenance schedule, including those needed to comply with warranties, lease agreements (although the lease payments are typically expensed) and maintenance agreements.
- Authorizations necessary to relocate or transfer a fixed asset.
- A schedule for fixed assets physical inventories of the reporting entities within the firm.
- The process of disposing a fixed asset and recording the disposition.

## Fixed Asset Management Record Keeping

A truly successful fixed asset management policy requires a high degree of detailed record keeping. Firms need to record and track the acquisition, depreciation, lifecycle status, residual value and disposition of their fixed assets. As part of this record keeping, organizations need to have the following information available:

# Automated Fixed Asset Management

- When the assets were acquired and how much was spent
- The legal and reporting obligations for fixed assets
- How depreciation is calculated
- GAAP and IFRS regulations
- The fixed asset budgets
- The location of the fixed assets
- The current value of the fixed assets
- The market value of the fixed assets

Too many firms, especially small and medium-sized businesses (SMBs), rely on disparate data sets to manage their fixed assets. Purchasing records indicate what was purchased, when it was acquired, what department was charged and how much was spent. They often do not, however, track the asset after it is deployed.

Spreadsheets can be used to calculate depreciation but must be manually updated and rely on physical inventories. The information is often not current and does not include assets that were disposed of between inventories, or the value of those assets. Spreadsheets maintained by different departments or subsidiaries, or in different countries/currencies, can also complicate creating a consolidated balance sheet.

In addition, depreciation must be properly calculated. The fixed asset management policy dictates what type of depreciation is used and the period over which the depreciation takes place and when the asset is fully depreciated. Moreover, the prevailing accounting standards must be adhered to. There are differences between the ways depreciation is calculated under Generally Accepted Accounting Principles (GAAP) rules and the International Financial Reporting Standards (IFRS). One of the most significant differences between the GAAP IFRS depreciation methods are the estimates of useful life and residual value.

Although both methods allow for estimates of these values, under IFRS rules, they need evaluation each year when a company prepares and releases its annual report. Consequently, if these annual estimates change, they affect the remaining depreciation amount for a fixed asset. The fixed asset management policy needs to define how and when these estimates will be recorded. (\*2)

## Automating Fixed Asset Management

Fixed asset management can be complex and time-consuming. The company's policy must consider the amount of data that needs to be collected and the associated accounting practices. It becomes clear that the policy should include the use of a centralized automated system for asset management record keeping. It will be more accurate, timely and require less manual input.



Automating the fixed asset management process should begin with integrating input sources. At the asset level, barcoding can simplify the collection of required information for each device. Barcoding can make asset tracking, inventory and disposal record-keeping faster and more accurate, and help eliminate human error.

# Automated Fixed Asset Management

The information from the barcode system, along with purchasing records and any spreadsheet data can be imported into a fixed asset management software solution. Ideally, the selected software can easily be adapted to meet the company's specific needs. Key features should include:

- An easy-to-use asset register with rich functionality
- Rapid configuration to meet corporate processes and reporting needs
- Barcoding
- Integrate to any data source
- Cloud-based - no local installation required
- On-premise if required by the firm's security policy
- Accessible with any browser or mobile device
- Manage depreciation and disposals using any formula
- GAAP and IFRS compatible
- Output formatted journal data to the general ledger or accounting software
- Planned maintenance and task scheduling reports
- User-defined data visualization and reporting tools
- Multiple accounting books and multi-currency support

A fully functional fixed asset management solution provides a comprehensive database of all of the corporate fixed assets and the reports and information that management needs to run the company. Not only will the software provide information on exactly what fixed assets the company owns, but it can also be used to identify and remove ghost assets, or those assets that are on the books but are no longer company property. It can also identify zombie assets or those that don't appear on the books but are owned by the corporation. (\*3)

## Make It Part of The Policy

A functional fixed asset management policy needs to take into account both the controls needed to manage fixed asset acquisition maintenance, depreciation and disposal, but the information needed regarding all of those assets. Disparate record-keeping provides data, but not actionable information. A central, automated solution, such as that provided by xAssets, provides all levels of management a complete picture of the company's assets, their current value and how they are being depreciated. For more information on fixed asset management solutions, and how they would fit into a fixed asset management policy go to [www.xassets.com](http://www.xassets.com).

## References

\*1) Fixed Asset Policies and Procedures Manual <https://moneysoft.com/fixed-asset-policies-procedures/>

\*2) What Are the Different IFRS Depreciation Methods? <https://www.wise-geek.com/what-are-the-different-ifrs-depreciation-methods.htm>

\*3) Asset Management Best Practices <http://www.waspbarcode.com/buzz/asset-best-practices>

# About xAssets

xAssets is a privately-owned global company with US offices located in Wilmington, DE who provide sales, administrative and technical support along with ongoing product development efforts. They are focused on developing flexible, affordable and easy to deploy IT asset management and fixed asset solutions. A fast-growing company, xAssets has major corporate and government customers worldwide.

xAssets is also a certified SIIA Certified Audit Software Provider and is a member of the CASP program as well as a provider member of the International Association of IT Asset managers (IAITAM).

xAssets products includes IT Asset Management Software, Fixed Asset Management Software, Financial Asset Management, Software Asset Management, Enterprise Asset Management, Service Management and Network Discovery Software, offering cloud-based (SaaS) or locally installed versions for small to large enterprises. The solutions are used by many well-known organizations around the world in almost every vertical market. Their partners range from MS LARs to global IT Service companies to small niche product providers.

The company provides proactive consultative support to customers throughout the product lifecycle and they always ensure that their customers' requirements are met or exceeded. These products provide full life cycle asset management capabilities, including discovery capabilities that can stand alone, or complement and integrate with SCCM (System Center Configuration Manager), and provides users with a full Configuration Management Database (CMDB).

For more information about xAssets' ITAM and FAM products, its other ground-breaking products or how to become an integration partner go to [www.xassets.com](http://www.xassets.com) or contact Barry Long, Director of Business development, on 800 691 9120.

## North America

xAssets North America 1000 N. West  
Street Suite 1200 Wilmington  
DE 19801

Enterprise Sales  
E-Mail : [ussales@xassets.com](mailto:ussales@xassets.com)

Sales and Support : 800 691 9120 or 732 383 6691

Federal Sales  
Federal Sales : 800 691 9120 (Cage Code supplied on request) Federal Sales : [usgovsales@xassets.com](mailto:usgovsales@xassets.com)

## United Kingdom

xAssets North America 1000 N. West  
Street Suite 1200 Wilmington  
DE 19801

Sales and Support : 01225 700833  
E-Mail : [headoffice@xassets.com](mailto:headoffice@xassets.com)

**x**assets