

Fixed Asset Tracking

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Overview

The Foundation maintains a fixed asset database within the Microsoft Dynamics Great Plains accounting system. The fixed asset database tracks assets purchased by the Foundation. Below is an explanation of what types of assets are tracked by the Foundation and why the Foundation wants to track them.

When the Foundation purchases an item, there are a couple of decisions that need to be made with respect to that item.

(1) Is this an item that should be entered in the Foundation's fixed asset system? That is, do we want to be able to track this item? A thorough listing of all of the assets that are onsite is very useful, particularly for insurance purposes. We typically would not want to track items that are consumed like office or bathroom supplies, but we generally do choose to track items like appliances, furniture, and building improvements.

(2) How should this item be treated on the Foundation's financial statements? An item can either be expensed or capitalized, which is explained below. If it is determined in (1) above that the item should not be tracked in the fixed asset system, then the item will definitely be expensed. However, if it is determined that the item should be tracked, then the item can be either expensed or capitalized, depending on the type of item and the amount paid. See below for further explanation of how and why an item is expensed or capitalized.

Expensed – Office supplies, bathroom supplies, and groceries are items that would typically be expensed (and would not be tracked in the fixed asset system). Furniture, fixtures, and technology equipment that are considered nominal in value are also typically expensed, although these items might still be recorded in the fixed asset system. Items costing less than \$10,000 are generally expensed, although careful thought should go into the decision regarding whether to expense an item. Some additional considerations might include the anticipated life of the item, and whether the item is part of a larger group or inextricably attached to a larger asset. When it's determined that an item should be expensed, any amounts paid for the item are treated as an expense in the current year financial statements.

Example: The Foundation purchases a desk chair for \$800. Because the chair is considered nominal in value and there are no other reasons why the chair would be capitalized, the cost of the chair is expensed. The entire \$800 expense appears in the financial statements in the account for office equipment and furniture.

Capitalized – Buildings, building improvements, large technology items/projects and furniture and fixtures are items that would typically be capitalized and tracked in the fixed asset system. The item is assigned a life according to pre-existing guidelines and the cost is depreciated over the life of the asset. For example, technology items have a three-year life, furniture and fixtures have a ten-year life, and building improvements have a thirty-year life. When an item is capitalized, any amounts paid for the item are put into an asset account on the financial statements. Each month, a portion of the cost of the item is booked as depreciation expense and the asset account is reduced. At the end of the item's life,

the entire cost will have been booked as depreciation expense, and the item's cost will have been reduced to zero.

Example: The Foundation purchases a new server on April 28th for \$27,000. Because of the dollar amount and anticipated life, the server is capitalized. The entire \$27,000 appears in an asset account on the financial statements, on the line for Buildings and Improvements - net. Each month, \$750 is booked as depreciation expense (\$27,000 divided by a thirty-six month life). The \$750 appears on the financial statements as depreciation expense, and the \$750 also reduces the balance on the line for Buildings and Improvements – net. At the end of the year, depreciation expense will be \$6,000 (\$750 x 8 months), and the asset account will be \$21,000 (\$27,000 minus \$6,000 depreciation).

Asset Request Process

If it has been decided that an item should be tracked in the fixed asset system, then an Asset Request Form (ARF) must be completed. If it is determined that an item should not be tracked in the fixed asset system, then no ARF is completed. In that case, an invoice is processed through the Foundation's normal payables process and charged directly to an expense account. Below are the steps for completing an ARF.

Timeline:

1. When you first become aware of an item that would be tracked in the fixed asset system, a preliminary ARF should be prepared, with all known information completed on the form. The ARF should be marked preliminary, and a copy of the relevant quote and/or invoice(s) should be attached to the ARF. This preliminary ARF should be approved by an officer of the Foundation, and then it should be forwarded to Finance. This allows Finance staff to review the preliminary ARF and ask for clarification or changes before the ARF is finalized.
2. When invoices are received, the invoices should be routed according to the normal payables process, and a copy of the preliminary ARF should be attached to the invoice. The account listed on the invoices should **always** be 18999-000 (Fixed Asset Clearing Account). This indicates to Finance staff that an invoice includes payment for something that will be tracked in the fixed asset system.
3. When the final invoice is being processed for payment, the final ARF should be clipped to it.
 - Copies of all invoices related to the asset should be attached to the final ARF.
 - The final ARF should be submitted to the Vice President for Administration for review.
 - If a preliminary ARF was not made available to Finance staff earlier in the process, then the final ARF should be provided to the Senior Accountant for a preliminary review before being submitted to the VP for Administration for approval.
4. Finance staff create and post the asset within the fixed asset system, referencing the information on the ARF. At this time, the amount in account 18999-000 is transferred to either the expense account noted on the ARF (if the asset is expensed), or to the appropriate asset account (if the asset is capitalized).
5. Finance staff run financial statements for the month, which is typically completed by the middle of the following month.

Note in the above timeline that the account noted on the invoice should **always** be 18999-000. This is a holding account for all charges associated with assets that will be tracked. When the finance staff

creates the asset in the system, the amount that was booked to 18999-000 during the payables/check cutting process will be moved to another account. If the asset is expensed, then this amount will be moved to the expense account indicated on the ARF. If the asset is capitalized, the amount will be moved to the asset account that is linked to the Class ID indicated on the ARF.

If an invoice is charged directly to an expense account instead of being charged to 18999-000, then the asset can still be created in the system. However, the asset will not be linked to the payables transaction in the system. This means that if we search for that asset in the future, we will not be able to “click through” to the associated payables transaction(s). This is why it is very important to identify an item that should be tracked in the fixed asset system before the invoice is received.

Completing an Asset Request Form

Line items on an invoice must be analyzed so they can be appropriately entered as assets in the fixed asset system. When completing the ARF, keep in mind that one line on the ARF represents one asset to be entered in the fixed asset system.

- If there are multiple invoices or multiple line items related to one asset, all of those amounts should be combined into one line on the ARF. A second line immediately below can be used to add an Extended Description, if needed or desired.
- When there are multiple assets on one invoice, each asset must be on its own line on the ARF. Items should not be combined into one line on the ARF unless they represent one asset that will always be tracked as one unit, or if they are all like items (e.g., four identical chairs).

When entering the unit price of the asset, note that this amount should include all costs associated with the asset. This includes any/all invoices related to the purchase of the asset (which may include consulting costs, if those costs were directed to account 18999-000 when the invoice was paid), and it also includes shipping and handling.

Remember that the decision of whether an asset is to be expensed or capitalized has an effect on the financial statements. It also determines, in part, how the ARF should be completed. As mentioned previously, if an item is expensed, this means that the cost of that item will be charged to an expense account, in total, during the current period. This is often the case with office equipment or appliance purchases. If an item is capitalized, this means that the cost of the item is charged to an asset account. The cost of the asset will be charged as depreciation expense over time, usually a number of years. This is generally the case with building renovations, larger equipment purchases, furniture and fixtures, and some larger technology projects. If you are unsure whether an item should be capitalized or expensed, this should be discussed with the Senior Accountant when you are completing the preliminary ARF.

If the asset is going to be expensed:

- Qty – Enter quantity of item
- Description – Enter a description for the asset. Note that this will be the description included in the fixed asset system. It should be unique and descriptive enough that someone would be able to identify this asset in the future based on the description. There is a forty character limitation to this field. If an Extended Description is necessary or desired, then the Description line immediately below can be completed as well. The system does have an Extended Description field.

- Class ID – Enter a Class ID related to expensed assets. The Class ID must be chosen carefully, with thought given to which expense account includes amounts budgeted for this asset. When determining the appropriate Class ID, consider how you might go about searching for and identifying this asset if you need to find it in the fixed asset system in the future. In the fixed asset system, we can search by Class ID, but we cannot search by expense account. The default expense account associated with each of the Class IDs is listed in parentheses, although the expense account can be changed, if needed, when the Finance staff adds an asset in the system.
 - o OFFEQUFURN is used for expensed office equipment and furniture (76100-000)
 - o TECHEXP is used for expensed technology items (76024-000)
 - o COMPADMIS will be used for administrative equipment related to the internet/server (76002-010)
 - o COMPADMOTH will be used for other administrative equipment (76002-020)
 - o COMPER will be used for external relations computer equipment (76008-000)
 - o COMPFIN will be used for finance computer equipment (76006-000)
 - o COMPPROG will be used for program computer equipment (76004-000)
- Location – Enter the abbreviation for the location of the asset (HH, LH, BH, EXT, OFF)
- Cap/Exp – Enter EXP
- Account Number – Enter the account number to which the asset should be expensed. Note that this should be an expense account, not a fixed asset or depreciation account. This account can be different than the default account for that Class ID.
- Placed in Service Date – Enter the payment date of the final invoice related to the asset, unless the asset has not been placed in service as of the date that the final invoice is paid. In this case, consult with the Finance staff to discuss the appropriate date to include.
- Unit Price – Enter the cost per unit of the asset.

If the asset is going to be capitalized:

- Qty – Enter quantity of item
- Description – Enter a description for the asset. Note that this will be the description included in the fixed asset system. It should be unique and descriptive enough that someone would be able to identify this asset in the future based on the description. There is a forty character limitation to this field. If an Extended Description is necessary or desired, then the Description line immediately below can be completed as well. The system does have an Extended Description field.
- Class ID – Enter a Class ID related to capitalized assets –
 - o BLDGBH is used for building and improvement items related to the Bloodgood House
 - o BLDGHH is used for building and improvement items related to the Hawley House
 - o BLDGLH is used for building and improvement items related to the Lion House
 - o FURNBH is used for furniture and fixtures related to the Bloodgood House
 - o FURNHH is used for furniture and fixtures related to the Hawley House
 - o FURNLH is used for furniture and fixtures related to the Lion House
 - o TECHBH is used for capitalized technology items related to the Bloodgood House
 - o TECHLH is used for capitalized technology items related to the Hawley and Lion Houses
- Location – Enter the abbreviation for the location of the asset (HH, LH, BH, EXT, OFF)
- Cap/Exp – Enter CAP
- Account Number – Do not enter anything in this field. The account number will be determined by the Class ID entered.

- Placed in Service Date – Enter the payment date of the final invoice related to the asset, unless the asset has not been placed in service as of the date that the final invoice is paid. In this case, consult with the Finance staff to discuss the appropriate date to include.
- Unit Price – Enter the cost per unit of the asset.

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Asset General Information - HARR2 (laura)

Save Clear Purchase Go to View View File Tools Help Add Note Help

Purchases

Class ID OFFEQUFURN

Asset ID 01114 1

Description Four-drawer lateral file cabinet

Extended Description 42W x 19-1/4 x 53-1/4

Short Name Commercial

Status Active

Master Asset ID

Type: New

Property Type: Personal

Account Group ID

Acquisition Date 10/16/14

Currency ID

Acquisition Cost \$849.99

Physical Loc ID

Asset Label

Structure ID

Custodian

Manufacturer Name

Location ID LION HOUSE

Quantity 1

Last Maintenance

Date Added 10/16/14

☐ Auto Add Book Info

by Asset ID