Economic forecasts are increasingly pointing toward recession, a prospect not missed by executive management teams and the boards of many private and public entities who are exploring ways to proactively strengthen their financial positions in order to ride out the economic downturn. Among the strategies many of these organizations are taking is a move to more accurate and effective fixed asset management.

According to Don Tecklenburg, a Certified Public Accountant and assistant professor of accounting at Ohio Wesleyan University, proper asset management is a critical element of corporate accounting and responsibility, and the lack of it can put a business at risk.

"Fixed assets are often one of the largest line items on a company's financials, yet they are often too loosely tracked," he said. "Knowing where your assets are, what condition they are in, and having accurate descriptions of them, is crucial to not only tax depreciation strategies, but also to replacement cycles that, if not followed, can lead to down-time. This is true whether the assets are tech devices like computers and servers, production-focused equipment, vehicles or buildings.

As a former chief financial officer at several private universities, Tecklenburg

knows not only the risks of poor management, but also the inherent challenges of keeping up with potentially thousands of items. "Financial managers often find themselves mired in a combination of spreadsheets and programs, but newer technologies have greatly improved asset management, providing not only proper compliance, but also instant reporting and analysis, automated depreciation calculations and planning tools."

Marcus Scholes agrees. The vice president of U.S. operations for Real Asset Management International (RAMI; www.realassetmgt.com) also sees that improved asset management can actually help strengthen a business, especially in advance of a

heightened insurance premiums, property taxes and neglected depreciation. Here are several ways that implementing an automated asset management system can help a business be more fiscally responsible and better able to withstand economic turns.

Among the key short-term benefits of improved asset control is a potentially dramatic decrease in insurance premiums and property taxes. After performing thorough asset audits, Scholes said that RAMI's customers have found that up to 20 percent of assets listed on an organization's asset register are no longer in existence. Accordingly, their premiums may be considerably higher than they need to be and the company may be paying tens of thousands of dollars in property taxes on items that they no longer have. Poor asset descriptions and identification can also lead to denied insurance claims.

Tax depreciation strategies can also make a big impact on a company's financials, Scholes noted. Taking advantage of tax treatments designed to help recoup some of the costs of infrastructure is essential to sound financial management, but can be a challenge with ever-changing tax laws and the need to keep multiple books for state, federal, corporate and other purposes. Add to this the special tax treatments for particular items and organizations and it is nearly impossible to keep appropriate asset registers unless an automated system is used. Without such a system, not only are asset locations, descriptions and values likely to be incorrect, but the company is also likely to be missing out on strategies that could reduce its tax liabilities.

This is especially pertinent right now, according to professor Tecklenburg, since the new economic stimulus package that will be sending $600 checks to individuals also provides businesses with bonus depreciation for capital expenses. Bonus depreciation offers businesses an extra one-year boost in the amount they can deduct on capital expenses. Under this stimulus package, first-year depreciation on capital equipment (purchased in 2008) has been increased to 50 percent of the original purchase cost, with a maximum $250,000 write-off for companies with up to

system, these asset registers end up having conflicting and often contradictory information. A unified asset management system offers a more streamlined approach – one asset register – that provides customizable/user-defined dashboards that show each user and department the information and reporting options they need. It also helps reduce inconsistencies and wasted staff time that often causes businesses to run lean."

Such systems also allow for advanced forecasting and budgeting. "Simply rolling over depreciation year-to-year is a blunt instrument and it can give management only a very rough summary of potential data with no allowance for other changes," said Scholes. But when using an automated asset management system, financial directors can produce much more accurate forecasts that can take into account variables such as asset disposals, planned investments and the effects of specific actions on financials and future tax liabilities.

Another benefit of having an accurate asset register is the ability to quickly determine asset losses for insurance claims in the case of disaster, while also enabling the company to track the location and determine the condition of potentially affected items that need to be re-evaluated or disposed of. "Incorrect or non-specific asset registers can result in painstakingly long hours spent reconstructing and re-auditing asset bases at a time when the business' resources need to be focused on recovery," according to Scholes.

Both Tecklenburg and Scholes agree that an organization's fixed assets are critical to its fiscal health, but unfortunately, these items are frequently managed ineffectively, potentially costing a business hundreds of thousands of dollars a year.

That's where Scholes sees that a consolidated asset management system can offer multiple methods to decrease near-term expenditures, which can aid a business looking to strengthen itself in the face of a possible recession. "Responsible asset management also provides more accurate financials and forecasting capabilities and

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