Organizations are currently making or considering the somewhat painful move to IFRS, yet despite the significant changes to asset valuation and management, many are still relying on inaccurate and inefficient spreadsheet based processes.

The adoption of a fixed asset register not only streamlines year-end audits and reduces reliance on specific, skilled personnel but also provides the detailed insight into corporate assets required to attain maximum asset utilization across the organization.

With many companies now reporting a capital expenditure freeze, the ability to reuse and reinvigorate existing asset value will become increasingly important as the recession bites, suggests Marcus Scholes, Vice President of U.S. Operations for Real Asset Management International.

Good Housekeeping

As the U.S. remains mired in a significant recession, organizations across the country are imposing far tighter financial controls – and capital expenditure is being reduced to the bare minimum. Many of these entities are also facing the pending mandatory transition from GAAP to IFRS accounting standards, which may tempt some finance directors to batten down the hatches on new expenditures and dig in for the long haul.

However, over the past decade of boom, organizations have invested heavily in new assets and equipment. Manufacturing lines have been replaced, state of the art IT infrastructure deployed and property portfolios extended. Yet very few of these businesses have any real idea of where much of this asset base resides, whether it is being effectively utilized or whether it has been disposed of, despite still being depreciated on the balance sheet.

What happened to the assets that were replaced by the shiny, new equipment?

the majority are still reliant upon spreadsheets to manage the asset register.

The process is cumbersome, prone to errors and provides the finance team with no insight into an asset’s location or its current operational role within the business. Those organizations that have moved to component accounting as part of the shift to IFRS may have achieved a greater insight into the overall asset register but still have no proactive way of imposing control over this base. The result is a massive, highly valuable corporate investment that is, to all extents and purposes, visible only on the balance sheet.

Yet businesses that can impose rigorous control over their asset register will be in a far better position to maximize the existing, deceptively valuable, asset base. They will have a complete picture of asset location and current use; they will be able to keep track of assets – a key issue with the growth in portable IT equipment. And they will be able to ensure that new employees
are not automatically purchasing brand new equipment but that existing, serviceable
assets are reused where appropriate.

In a recessionary climate, this degree of prudence and operational control are essential. Businesses that take care of the pennies on the asset register will soon start to see appreciable dollars appearing on their balance sheet.

Decreased Administrative Costs
With a good asset register in place, organizations can not only impose excellent control over the management of assets but also streamline processes to reduce their administrative overhead. Rather than relying on complex spreadsheets and the expertise required to maintain them to manage depreciation calculations and changes to the treatment of leased assets and impairments, organizations

can leverage an automated asset management solution to dramatically reduce

locations or operating companies. A centralized asset register supports the move to a shared service center across the entire organization, delivering significant financial savings.

In addition, automated generation of reporting combined with a full audit trail significantly reduces the time taken to undertake the year-end audit and confirm the asset value – resulting in a reduction in auditor fees.

Asset Value
It seems extraordinary that so many organizations are making the painful transition to IFRS, with its associated implications for asset valuation, without recognizing the administrative overhead and inaccuracy created by reliance upon spreadsheets.

The fixed asset register is key to business value in many ways. Disaster recovery strategies, business continuity plans, insurance claims and due diligence during a merger or acquisition all begin with the information recorded in the asset register.

Those businesses that recognize the need for a tailored asset management solution rather than a massive spreadsheet will not only enable maximum asset utilization and achieve a reduction in administrative cost, but will be in a very strong position once the economy swings around again.

Technology