

Asset Management

Powerful Investment Decisions

Drawn in by the automation of production processes and business activities, fixed assets - also referred to as property, plant and equipment - have become an ever more important item on the balance sheet. Not only is there the need to manage existing long-term assets but also to manage a wide range of important investment decisions. In addition to its routine uses, such as calculating depreciation, this data must now serve as a basis for managing capital investment decisions, maintenance standards and contributing to many other competitive decisions.

The proALPHA Asset Management system offers an efficient, convenient tool for the control of fixed assets.

Depreciation and Other Basic Functions

One of the central purposes of asset accounting apart from keeping track of the physical receipt and disposal of assets, is for the calculation of depreciation. A business can select from several methods for calculating the depreciation of assets. The methods may differ for the company's financial statements and tax reports. All recognised depreciation methods are supported in the proALPHA Asset Management module. The user sets when depreciation should begin, the basis used for tax reporting and the book or salvage value. For example, for financial reporting purposes, depreciation of plant begins after the sixth month, following the half-year convention, and is based on acquisition cost. However, for cost accounting purposes, the same equipment begins depreciating in the month it was put into service and is then based on replacement cost.

When using any of the declining balance methods of depreciation for facilities, it is especially helpful to have the ability to set the effective duration by type of depreciation. The inadvertent use of depreciation rules which are no longer valid for certain assets are prevented by the use of plausibility checks.

There are, of course, extensive possibilities for entry posting. Whether it involves capital expenditure, partial acquisitions or re-classification of assets after completion of construction, transfers or disposals to other cost centres by scrapping or sale, proALPHA will always find all the pertinent information stored in the system. In the physical disposal of multiple business assets - a simple example being a car that has had an air conditioner added - no component can be overlooked or forgotten. The workload of the asset manager is consequently considerably reduced.

Globalisation needs an International Perspective

proALPHA Asset Management is designed for use in the global market. Businesses whose activities span international borders appreciate the possibility to depreciate assets differently for different purposes within the same company. Accordingly, a UK subsidiary of an American corporation may take advantage of special deductions allowed by UK tax legislation while simultaneously conforming to the reporting requirements of the parent corporation.

Every asset valuation method has access to the full range of standard proALPHA system functions found in all modules. This applies to the type of depreciation, estimated useful life, start of depreciation, as well as for revised estimates of salvage value if such a need should arise.

Integration - Not Doing Things Twice

All data becomes available to the proALPHA Asset Management system from the first moment it is entered from any module in the system. Cost accountants readily appreciate this feature. Information that already exists in financial accounts – supplier data, acquisition costs, or invoice numbers need not be re-entered. The user simply selects the record and has all this detail available immediately.

The system not only supports capitalisation of acquisitions. All other processes and activities originating in asset management are immediately available to any other relevant process or proALPHA® module. The amount of depreciation, depending on the method and purpose, flows into the financial and cost accounting modules. The calculation of interest is user definable and is made available to departmental accounting. proALPHA also calculates the difference on disposal between the amount received from the sale of assets and their current book values and posts the resultant gains or losses.

Replacement Costs - Insurance and Cost Accounting

In some cases, it may not be appropriate to use a book value that reflects the deduction of accumulated depreciation. Therefore, it makes good business sense when costing a product to be able to include a depreciation expense based on current replacement costs not on the original purchase costs of the production equipment.

Insurance companies that insure capital investments against fire and electrical damage commonly use the estimated replacement value, when it differs from the stated acquisition cost, as the basis for the premiums. proALPHA can manage numerous indices and apply them in the most efficient and consistent manner to any asset in question - a particularly desirable feature in meeting such requirements.

What is the Impact of the Capital Budget on Profits? ... and on the Balance Sheet?

proALPHA provides the answer by projecting all figures. Whether the interest is simply in expected results for next year or, if a mid-range plan needs to be extended out over several years - the choice remains with the user.

Decision-making is supported not only by projected values that display a complete statement of acquisitions and disposals at any point in time. It is also possible to simulate capital budgets using various estimates of useful life and depreciation methods. It can be useful and very rewarding to see the effect of using an accelerated recovery method compared to the straight-line method - both on annual profit and on the valuation amount for the asset in subsequent years.

A Mirror of Asset Acquisitions and Disposals - and More

The manager can design numerous variations of the display of capital asset information for different purposes. He or she decides whether all capital investments of the firm, or simply those assigned to one specific cost centre should be displayed. Whether the need exists for a statement of gross investment in fixed assets containing all year-end data or, simply to ascertain a current book value - the desired information is always there - online, or available, printed out as a hard copy report.

proALPHA manages the information on property, plant and equipment over their entire life cycles - from the time of acquisition to the end of their estimated useful life. In this way, each asset can be examined as to when, for example, special deductions were taken, for a depreciation allowance, say, for the year 2006, or a salvage value for the end of this year can be calculated.

Acquisition reports for insurance companies, master data file sheets for assets, reports about asset disposal with net profit or loss, plus much more, can easily be completed or modified with the help of the proALPHA Report Builder.