



WHITEPAPER

The Seven Sins of Spreadsheets for Controlling Fixed Assets

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While there are a number of advantages to using spreadsheets including the speed and cost effectiveness of set up, the ease of modification, and the flexibility of conducting simple calculations, there are also a number of disadvantages which far outweigh these benefits. In particular, organizations that use spreadsheets to manage an ever-growing asset register constantly struggle to address a variety of issues surrounding the accountability and traceability of their asset base.

From a purely operational standpoint, having an accurate asset register that shows location, condition, and the responsible contact can help ensure that assets are available and usable when needed. But how an organization manages its assets also has multiple effects on the entity's finances, through the very tangible costs of heightened insurance premiums and neglected depreciation. These areas cannot be effectively addressed without a specialist fixed asset management solution.

Manual fixed asset management methods can be labor intensive and add considerably to the total cost of asset ownership. A good fixed asset management system that also incorporates barcode technologies will speed up your physical audits, making them both fast and efficient, leaving your finance team with more time to focus on other tasks at hand. It will also establish asset values and produce accurate depreciation calculations in accordance with relevant accounting and tax rules.

BUT WHY SHOULD AN ORGANIZATION TRADE IN ITS SPREADSHEETS FOR A DEDICATED FIXED ASSET REGISTER?

Proper fixed asset management can lead to significant tax savings in depreciation deductions, while poor fixed asset management can negatively affect the accuracy of financial reports, causing re-reporting and ultimately impacting the bottom line. Establishing the highest standards of depreciation accuracy and best practices in fixed asset management will pay off in savings.

There are many reasons why spreadsheets are not the solution for all business needs. With so many potential causes and opportunities for errors, companies must look to software solutions that are designed for specific, specialized tasks to eliminate these errors and ensure sound financial tracking and reporting.

This white paper will show you the top 7 issues in which businesses, using spreadsheets to manage their fixed asset management data, are failing to address.

1 CORPORATE GOVERNANCE REQUIREMENTS

Today, companies of all sizes are subject to increased scrutiny by government agencies and regulatory boards reacting to recent business reports and investor's requests for higher standards of accountability, transparency, and overall corporate behavior. Compliance with the latest legislation including US GAAP, Sarbanes-Oxley (SOX) and GASB 34/35 insists on improved financial management, reporting, and corporate governance. With such a high degree of attention focused on your organization, why would you risk the integrity of your financial data by relying solely on spreadsheets? Accurate and effective implementation, management, monitoring, and updating can easily be accomplished with a specialist fixed asset management system in place; it's the only real way to ensure compliance.

2 INACCURATE DEPRECIATION CALCULATIONS

Too many spreadsheets contain errors, which is to be expected with information entered by hand. Whether it be the background asset data or the formula itself, there's little doubt that depreciation calculations, when based on a spreadsheet, are likely to be inaccurate. Several people within one accounting department will often access, manage, and edit the same spreadsheet, making errors even more likely. In addition, a spreadsheet that is designed and managed by an individual brings its own risks of over reliance on their knowledge of the formulas etc, which if they were to leave the company, would be lost. A specialist fixed asset management system will eliminate costly depreciation errors. Depreciation formulas and asset lives can be defaulted for each book (core asset information can be shared across any number of books with different sets of figures) based on any defined asset category. Processing depreciation this way is both quick and easy, completed with just a click of a button.

3 LACK OF AN AUDIT TRAIL AND OVERALL SECURITY

A specialist fixed asset management system will track and record every detail of every action ever made by any user, which is unachievable with spreadsheets. Dates, times, and explanations are recorded as well, making it very simple to ensure the security and integrity of your fixed asset data. A specialist system will require a valid username and password combination to enter the system and will enable department heads to define security at an individual level to ensure that confidential information can be viewed only by those that need to see it and safely hidden from those who don't. In other words, limited access can be set by user in order to restrict read only and editing rights.

4 INABILITY TO LINK 'PARENT/CHILD' ASSETS OR CONDUCT ASSET SPLITS, BATCH DISPOSALS, ETC.

The ability to link 'parent/child' assets is key in order to establish hierarchical relationships and dependencies. A specialist fixed asset management system will display such links pictorially in collapsible branches. A typical example of this might be the association between a PC and software license, where the PC is the 'parent' and the license assumes the role of the 'child'. The option to transfer or dispose of the 'child' asset will subsequently follow the transfer or disposal of the 'parent' asset, keeping the relationship intact.

For obvious reasons, spreadsheets are unable to accommodate 'parent/child' asset relationships in such a way, making it difficult to accurately track and manage these important hierarchical dependencies. The ability to conduct automated asset splits and batch disposals will provide similar benefits.

5 ACCESS TO MULTI-CURRENCY, MULTI-LINGUAL, OR MULTI-BOOK CAPABILITIES

If your organization operates in many different countries then multi-currency, multi-lingual, and multi-book capabilities are most likely imperative in your fixed asset management procedures. A specialist fixed asset management system will have multi-book capabilities to allow core asset information to be shared across any number of books with different sets of figures, enabling compliance with both local and group depreciation policies. Vital information (such as analysis codes, descriptions, acquisition, and capitalization dates, etc.) can remain constant across all books while details such as asset life, depreciation rules, and residual values can be book dependent. As far as multi-currency capabilities go, a specialist system will allow each accounting book to be independently configured to meet international accounting standards. Within the asset register, each office location should be able to record and report on its own assets in local currency. User-defined exchange rates will allow the parent company to easily view and report on the same values in the home/group currency.

6 UNABLE TO MEET HISTORICAL REPORTING AND FORECASTING REQUIREMENTS

Composing reports and forecasts can be a complicated and daunting process, especially if attempted in a spreadsheet. With the raw data within a spreadsheet dictating that each report be constructed individually using often, complex macros, this provides much room for error as well as wasting valuable time at month-end. A specialist fixed asset management system will incorporate standard and customized reporting and forecasting templates to ensure an intuitive method of extracting and analyzing asset data quickly and accurately.

7 LACK OF CONFIDENCE IN DATA INTEGRITY

Total control over your fixed asset management data simply cannot be achieved through the use of a spreadsheet. Whether a user input error or unintentional miscalculation inaccuracies within your fixed asset register are inevitable. With that said, how can you be 100% confident in the integrity of this vital data? A specialist fixed asset management system will have strict security features in place to effortlessly address the issue.

Furthermore, entering and maintaining asset data becomes an endless task when working within the parameters of a spreadsheet. A specialist system will automate the entire fixed asset management process. From data import capabilities to automated reports and forecasts, a significant amount of valuable time can be shaved off the entire process.

RECOMMENDATIONS AND ADDED BENEFITS

While the spreadsheet is an integral part of business operations, it cannot perform all the tasks businesses face. And while importance on tracking and monitoring fixed assets is often overlooked, the return on investment that can be attained by maintaining a current inventory and properly accounting for fixed assets in a “best of breed” solution can be substantial. By implementing a dedicated asset accounting solution, companies can achieve many benefits.

As a part of a broader fiscal strategy, the move to more accurate and effective asset management can be invigorating to a business, providing essential short-term cash flow benefits as well as positive longer term advantages with regards to workflow processes, security, and disaster management preparation.

One of the most tangible ROI realizations for businesses that implement such a system can be a dramatic lowering of insurance premiums and more successful insurance claims. Many organizations complain about escalating insurance premiums however, in reality, the majority are actually over insured. Endemic failure to maintain accurate asset registers results in the majority of companies insuring assets they no longer own.

With often only a relatively low number of assets on the register being easily identified during a physical audit, and a certain percentage no longer in existence, organizations are not getting value for money from expensive insurance premiums. Furthermore, poor asset description typically results in claims being challenged by insurance assessors. Without detailed information from a specialist system, such as a serial number or barcode, and proof of location, an insurance company will be less likely to pay out, a risk that businesses cannot afford to take.

Automated fixed asset management systems are integral to responsible financial management, providing more accurate financial statements, streamlining workflow processes, and helping businesses to confidently comply with the latest corporate governance regulations including US GAAP and SOX.

ABOUT REAL ASSET MANAGEMENT

Real Asset Management (RAM), an MRI Software Company, is a leading provider of fixed asset management software. Over the last 30 years its products have been implemented by more than 3,000 organizations in over 70 countries.

The company has developed a powerful array of software modules around a central data repository that enable organizations of any size to manage every aspect of the asset lifecycle. It offers solutions for fixed asset accounting, capital project control, lease accounting, asset budgeting, and asset tracking.



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