

Importance of a fixed assets register accounting essay



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\n[[toc title="Table of Contents"](#)]\n

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1. [STATEMENT OF THE PROBLEM](#) \n \t
2. [OBJECTIVES OF THE STUDY](#) \n \t
3. [SIGNIFICANCE OF THE STUDY](#) \n \t
4. [SCOPE OF THE STUDY](#) \n \t
5. [LIMITATIONS OF THE STUDY](#) \n \t
6. [Definition of terms](#) \n

\n[/toc]\n \n

Nigerians generally are not in the practice of keeping proper records of the assets in their custody. We find it difficult to follow up on the depreciations and damages that mandatorily occur to these assets. Investment in fixed assets refers to capital investment and the purchase of long term goods. Fixed assets is a major part of the total assets in the case of all manufacturing organisations. Even in the case of service entities such as hotels, banks, financial institutions, insurers, mobile / telephone service providers etc. it has become essential to commit high investment into furnishing, equipment, and technology to attract, and retain customers.

A Fixed Assets Register must be maintained essentially in conformity with the rules governing corporations, companies, etc. Keeping fixed asset register avails a company the opportunity to trail the details, status and location of each fixed asset thereby guaranteeing control and avoiding misuse of assets. Furthermore, it follows-up on having uptodate knowledge of the actual worth of assets, these information will form a basis for

calculation of depreciation and also for the purposes of insurance and taxation. The Fixed Assets Register generates an accurate, complete and customized report that suits the needs of management.

It also enables a company to follow-up on its fixed assets that are not under simple, direct control of the company. This means owned and leased assets, assets under construction, and imported assets.

This helps to identify loss of assets through theft or carelessness, provides a place where depreciation can be calculated and details of insurance. The importance of fixed assets register made it very important to maintain an up-to-date recording of these items in a Government Statutory format, incorporating the following:

Purchase Cost

Asset Value after Taxes and VAT availed

Asset Location and Identification

Asset Sales particulars

Insurance Details

AMC entered into Details

Depreciation

etc.,

The importance of maintaining an up to date fixed assets register cut across all faces of life and sector, from individual to business entity or even government parastatal. A Fixed Asset Register is that record of all organizational assets.

In time past these assets are being registered manually in spreadsheets, diaries and other manual methods of recording and keeping tab on the depreciation of these items to guide the Management on decisions regarding replacement of obsolete items and locating items in an organization.

There are many reasons for keeping a fixed assets register; it is pertinent to know that most times Government are more concerned in knowing the worth of a company's fixed assets generally for the purposes tax evaluation, thus leading to putting up the legislation in that respect, but as much as that is true, there exist several other benefits accrued to having a knowledge of the separate financial values of these assets not least for the sole purpose of a company's insurance.

This record is not just a simple list; as it was designed to gather very particular data in a defined and comprehensive manner. In addition to giving the nature and the composition of a company's fixed assets, the accountant must report any loss or mutilation of assets as well as entering into the record-book the ongoing condition and altering in the values of these assets.

The process of monitoring the actual starting point of bulky assets is always a problematic exercise for whoever is to carry out the exercise, as it can require physical confirmation, which just, as the name implies would require physically locating and visiting each unit of equipment or building to
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ascertain that they really existed and that they are in their respective locations; it is a good practice to label each asset in the register with the aid of an engraved alpha-numeric recognition number to make locating these items easier; it is of importance to note that in the case of landed properties and motor vehicles these are always suitably given sovereign registration numbers.

However, most bookkeepers and accountants saddled with the duty of keeping the Fixed Asset Register these days achieve this with the aid of specifically designed computer application; these applications has the capability of generating reports based on requirements and bringing together huge volumes of information. These programs or software are designed to make the job of keeping and maintaining records of fixed assets less hectic and less cumbersome, thereby resulting in more accurate records.

Objective of Keeping Fixed Asset Register

To control the acquisition and disposal of fixed assets and ensure their security and proper use.

To ensure that fixed assets are properly accounted for.

Whose Responsibility is the Fixed Asset Register?

In most organizations it is the Head of Accounts that is responsible for the complete and correct recording of details on fixed assets.

Procedure for acquiring Fixed Assets

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Fixed assets may be through annual budgets of the programme or through donations. Methods that can be used in the procurement of goods include:

- Competitive Tendering
- Single Source (Direct Procurement)
- Request for Quotations (RFQ)

Cost of fixed assets

The cost of an asset is the total expenditure incurred to bring the item to its present location and condition which comprise of the purchase price (per invoice) and any directly attributable cost.

Marking of fixed Assets

On receipt of an asset, the accounts unit should given a unique identification mark with indelible ink/paint. The marking should be alpha-numeric to show the following:

– Unit; Asset Class; Location; and Serial Number

Fixed Assets Register

A Fixed Assets Register is kept to facilitate monitoring and control of assets in use and the following particulars provided:

Description; Marks; Supplier; Location; Cost and Remarks.

Disposal of fixed Assets

An asset may be disposed off after the proper authority has been sought.

Disposal may be by scrap, sale, write off or destruction.

STATEMENT OF THE PROBLEM

Some of the major problem associated with fixed assets register they are:

Manual Management of Fixed Assets is cumbersome and difficult.

Maintaining Fixed Asset Register (FAR) manually is not only difficult but they are also huge and bulky.

Fixed Assets Register requires calculations under different sections of Companies Act as well as under Income tax Act, thereby increasing the calculation work.

OBJECTIVES OF THE STUDY

The objective of this study is to find a lasting solution to all the problems associated with the manual keeping of fixed asset register.

The study also seeks to proffer easier and more accurate records of the organizations assets and depreciation.

Amongst other things this study presents a portable means of record keeping and depreciation computation.

SIGNIFICANCE OF THE STUDY

This study is centered on the Computerization and Automation of the whole fixed assets register. By using a very robust Relational Database

Management System (RDBMS) to manage fixed assets data. A RDBMS is a

program that lets you create, update, and administer a relational database mostly with the use of the Structured Query Language (SQL) to access the database.

It must be said that a success in this study marks a major breakthrough in the practice of fixed assets record keeping and computation of depreciation.

SCOPE OF THE STUDY

This study takes the design and implementation of fixed assets register in a public organization into consideration with different components of the fixed assets register keeping an effective and accurate computation of depreciation.

The study will provide step by step procedure of creating an electronic fixed assets register and the screen shots of these steps will be made available at each milestone of the project. The study focuses more on maintenance of fixed assets register in a public organization.

LIMITATIONS OF THE STUDY

A Major limitation of this study has to do with the fact that it is centered basically on the public organizations which are definitely fewer in number than what is obtainable in the private organizations most of which are yet to deploy electronic fixed assets register , hence, making the process of obtaining information was almost impossible.

Definition of terms

In the course of this study some words, terms and phrases had been used and will be used. I will not like to assume that all these words and phrases were all understood. Hence some of the words are defined below:-

Fixed Assets Register:

A Fixed Asset Register is an accounting method employed for registration and keeping tab on an organisation's major assets. Fixed Assets include: patents, buildings, office equipments, land, machines, trademarks, copyrights, etc. owned for the main purpose of manufacturing of goods and commodities or services rendering and not for items being stocked to be sold.

Public Organisation:

A government agency can be described as an organization in the machinery of government that carries out the supervision and carrying out of specific responsibility. Agencies can be established by legislation or by executive powers. They are mostly put in place to cater for specific need of the citizen, they are funded by the government. These organizations can either be established by the federal government or the state government.

Oracle 10g:

The Oracle Database (commonly referred to as Oracle RDBMS or simply as Oracle) is a relational database management system (RDBMS) produced and marketed by Oracle Corporation.

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