

Using the Fixed Asset Register

What is a Fixed Asset Register?

Most business will use some fixed assets in their day to day trading activities. From manufacturing machinery, warehouse and fork lift truck equipment, office furniture, computer equipment to vehicles. The purchase cost of these assets has to be accounted for in the business financial statements. UK financial reporting standards require that when Tangible fixed assets are acquired the cost of acquiring them should be treated as an asset on the balance sheet. The profit and loss account should receive a regular expense that represents the portion of the cost (or in certain circumstances a re-valued amount) that has been consumed during the period. This expense is known as depreciation.

The notion of an amount to be expensed during time periods implies that assets have a useful economic life. This can vary by asset, however for convenience, it is usual for businesses to group assets into types of assets that have a similar nature, function or use, and then have a specific useful economic life policy by asset class.

For example all computer equipment would be grouped together and a policy of three years useful economic life adopted. This would mean that one third of the cost of a computer would be expensed as depreciation each year of its life.

The Fixed Asset Register records all the details of assets purchased for the business, if required it will also automatically calculate the relevant depreciation and charge the expense to the profit and loss account. Your accountant will use reports from the Fixed Asset register to prepare elements for tax computations.

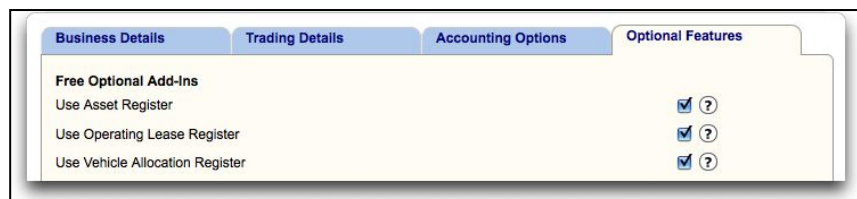
We recommend that if you are unsure on any element of setting up and using the fixed asset register you should discuss with your advisor.

The Asset Register

The asset register is initiated by ticking the **Use Asset Register** box on the **Optional Features** tab of the **Profile**.

ENTITY NAME → PROFILE → OPTIONAL FEATURES tab

An **Asset Register** sub-menu is now visible under the **ADD-INS** menu



Business Details	Trading Details	Accounting Options	Optional Features
Free Optional Add-Ins			
Use Asset Register <input checked="" type="checkbox"/> ?			
Use Operating Lease Register <input checked="" type="checkbox"/> ?			
Use Vehicle Allocation Register <input checked="" type="checkbox"/> ?			

The asset register is accessed via the **ADD-INS** menu.

ADD-INS → ASSET REGISTER

The register provides functions to add new assets, re-value, impair or sell them. In addition facilities exist to deal with the purchase activity as well as a journal voucher capability to effect adjustments or correct errors.

Reports are available which show all the transactions relating to a particular asset. These are available via the **REPORTS** menu

REPORTS → TRANSACTIONS → TRANSACTIONS BY ASSET

Reports also are available to present the Net Book Values of assets, either in summary or by asset.

REPORTS → ASSETS → Asset Net Book Value Or Asset Net Book Value Summary

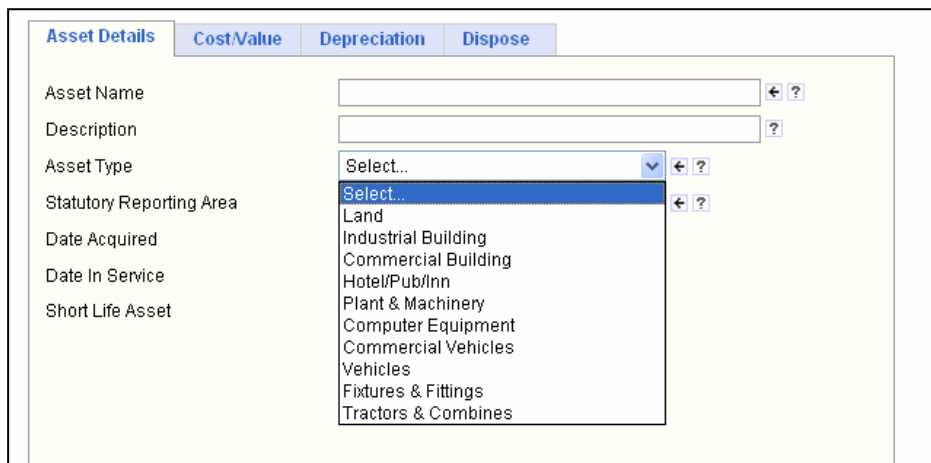
Using the **ENTITY NAME** menu accesses the particular feature of entering opening balances.

ENTITY NAME → OPENING BALANCES → TANGIBLE FIXED ASSETS

Types of tangible fixed assets

Commonly tangible fixed assets are grouped together by similar nature, use or function. This enables common policies for depreciation to be adopted as well as simplifying reporting. UK financial reporting standards outline the major types of tangible fixed assets that are used. The system has defined these types of assets into the asset register. In your business you may use assets that fall into all or some of these classifications. You need only use the types that are relevant.

The types of assets defined are:



The screenshot shows a web-based form titled "Asset Details" with four tabs: "Asset Details", "Cost/Value", "Depreciation", and "Dispose". The "Asset Details" tab is active. The form contains several input fields and a dropdown menu:

- Asset Name: Text input field with a back arrow and question mark icon.
- Description: Text input field with a question mark icon.
- Asset Type: A dropdown menu currently showing "Select..". A list of asset types is displayed below it: Land, Industrial Building, Commercial Building, Hotel/Pub/Inn, Plant & Machinery, Computer Equipment, Commercial Vehicles, Vehicles, Fixtures & Fittings, and Tractors & Combines. Each item in the list has a back arrow and question mark icon.
- Statutory Reporting Area: Text input field with a back arrow and question mark icon.
- Date Acquired: Text input field.
- Date In Service: Text input field.
- Short Life Asset: Text input field.

What is Depreciation?

For accounting purposes depreciation represents the extent to which the economic value of an asset to the business has been consumed by the business. For example, a computer is purchased to day for £1500 and it is estimated to have an economic useful life of three years. Today the depreciation is zero (the computer has not yet been used). However in six months time the depreciation is £250 (1/6 of £1500) and at the end of the first year the cumulative depreciation is £500 (1/3 of £1500).

The above example is known as straight line depreciation, because the consumption of the useful economic life is evenly spread over the life of the asset. An alternative rule is known as reducing balance. In this case the depreciation in each year is calculated as a percentage of the un-depreciated value. So for an asset with a purchase cost of £1000 depreciated at a reducing rate of 30%, the first year depreciation is £300 (30% of 1000), the second year depreciation is £210 (30% of 1000-300) and so on. The reducing balance rule is commonly used where the value of an asset falls more quickly in the early years than the latter years of its useful economic life. Car and Personal computers probably follow this pattern. There are other rules for depreciation but straight line and reducing balance are the most common and Liberty Accounts offers these two options. If a different rule is required than a manual depreciation option exists in which figure can be input directly rather than being calculated by the system.

NOTE: With the reducing balance depreciation rule ever increasing small amounts will be incurred in the latter years. In theory depreciation can go on for ever. In order to prevent this, when the cumulative depreciation is 95% or more of the original cost (or re-valued amount), The system writes off all of the balance not depreciated.

Opening Balances of Tangible Fixed Assets

If the business is using tangible fixed assets (Machinery, Computers, Vehicles etc) then the trial balance will include amounts for the value of these assets. The value of these assets will have to be entered as opening balances for the original cost or valuation of the assets and the cumulative depreciation.

We recommend that data is entered for each individual asset. If this is not possible then an aggregation may be used. Please consult your accountant if you are unsure.

Information needed

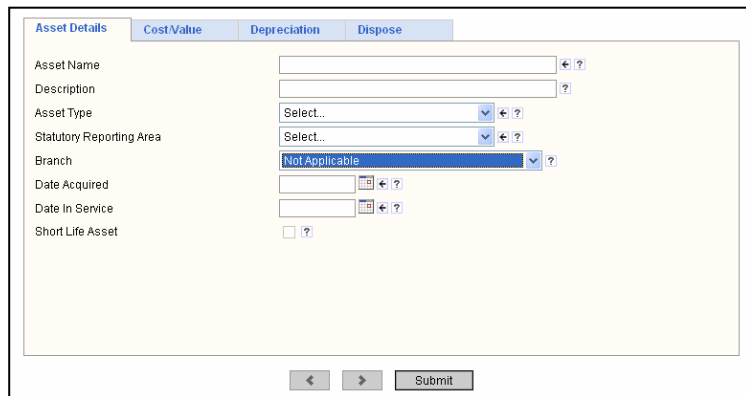
- ◆ A reference name and description of the asset.
- ◆ The original purchase cost of the asset or the re-valued amount if it has been re-valued.
- ◆ The date the asset was acquired and the date in service
- ◆ The estimated economic useful life
- ◆ The cumulative depreciation as at the date of entering the opening balances.
- ◆ The depreciation rule, straight line or reducing balance, to be used.
- ◆ If the asset is an Industrial Building than two other pieces of information are required, the residual qualifying expenditure and the original qualifying date. Consult your accountant for this information
- ◆ If the depreciation charge is to be allocated to a particular branch, then ensure that the relevant branches are set up. See **Setting up and using branches** user guide for more details.

Each fixed asset opening balances transaction is entered via Opening Balance Tangible Fixed Asset screen accessed via the **ENTITY NAME** menu.

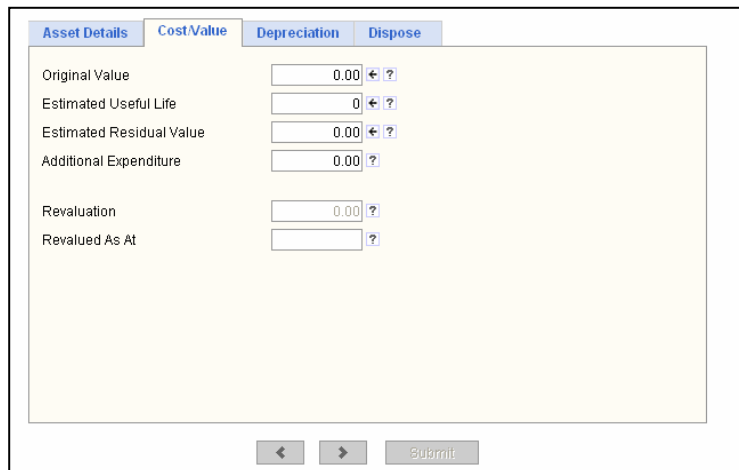
ENTITY NAME → OPENING BALANCE → TANGIBLE FIXED ASSET

- ◆ Asset details are entered in the first Tab, **ASSET DETAILS**.
ASSET NAME is a unique name for the asset or asset pool. A **DESCRIPTION** may be added

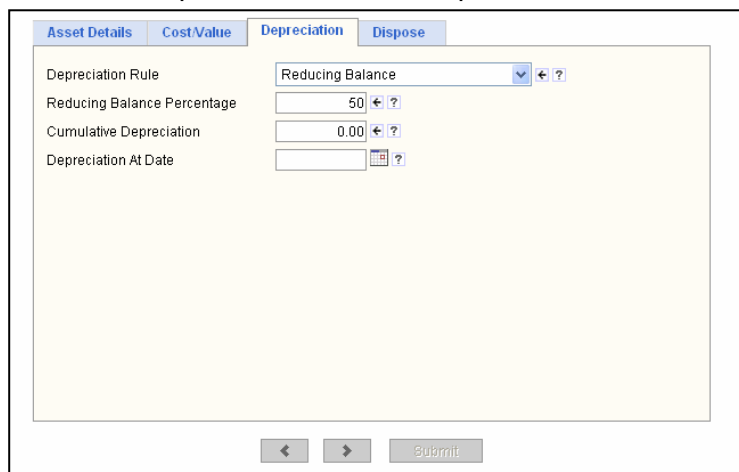
as necessary. Select the **ASSET TYPE** from the drop down list (see above). Select the **STATUTORY REPORTING AREA** from the list. (If unsure seek advice from your accountant. Select the relevant **BRANCH** if branch analysis is required. Enter the **DATE ACQUIRED** and the **DATE IN SERVICE** in the next two fields. For tax purposes an asset can be categorised as a short life asset. If your accountant confirms that an asset is a short life asset check the **SHORT LIFE ASSET** box.



- ◆ Details of the asset's cost information is entered in the second tab, **COST/VALUE**. The purchase cost is entered in the **ORIGINAL VALUE** box. The estimated economic useful life is entered in **ESTIMATED USEFUL LIFE**. If at the end of the asset's life, there may be a residual value enter it to **ESTIMATED RESIDUAL VALUE**. If some additional expenditure is attached to the asset (Legal Fees, Capitalised Interest), add it in **ADDITIONAL EXPENDITURE**. The system depreciates the additional expenditure using the same rule as the original value. If the asset has been re-valued at some point then enter the re-valued amount and the date of the valuation in the next two fields **REVALUATION** and **REVALUED AS AT**. Advice from your accountant may be useful here.



- ◆ The third tab, **DEPRECIATION**, is used to input the cumulative depreciation details. Select the rule from **DEPRECIATION RULE** drop down. If the rule is reducing balance enter a percentage in the **REDUCING BALANCE PERCENTAGE** (The system will prompt with a calculation based upon the estimated useful life, over-type as necessary). Enter the cumulative depreciation in the **CUMULATIVE DEPRECIATION** box and enter the opening balance date in the **DEPRECIATION AT DATE**.



- ◆ The fourth tab **DISPOSE** is not used in the opening balance routine.
- ◆ At the fourth tab the **SUBMIT** button is highlighted, clicking this stores the record.

Purchasing and recording a new asset in the asset register

Two activities are involved; first is the purchasing process the second is data entry into the register. These may be done in any order.

Purchasing a New Asset

Purchasing an asset is just like any other business purchase. The main difference is that the expense account to be charged is a special account known as **Asset Additions** (found in the **Current Liabilities** section of the chart of accounts). If you use the **Buy Asset** function provided under the **ASSETS** menu the accounting will be completed automatically.

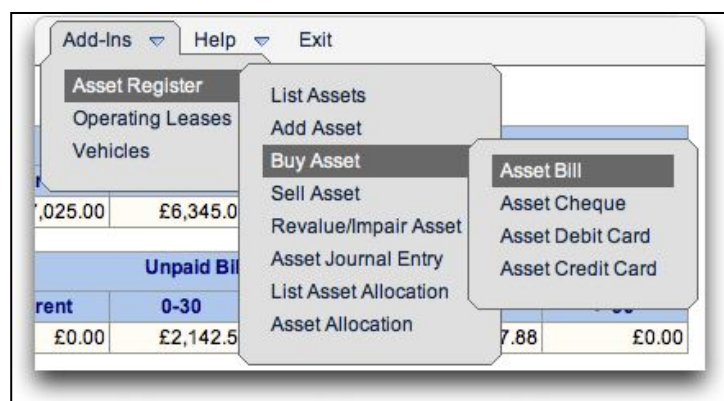
Access to this function is via the **AD-INS** menu.

ADD-INS → ASSET REGISTER → BUY ASSET → select the Purchase route.

In common with other purchase activities an asset can be purchased by the business being sent a bill by the supplier, the raising of a cheque, or a debit or credit card transaction. These routes are all provided by the system. Select the most appropriate.

More details for these processes can be found in:

- ◆ Receiving Supplier Bills and Paying them
- ◆ Writing Cheques
- ◆ Using Credit Cards
- ◆ Using Debit Cards
- ◆ Electronic Payments



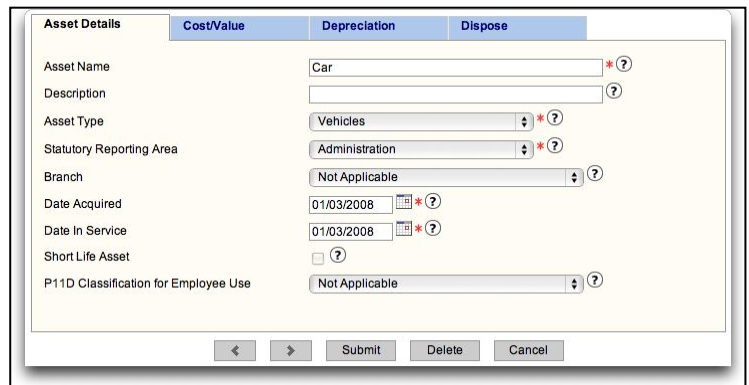
Recording a new asset in the asset register

Details of a new asset are entered in the **Add Asset** screen. This is accessed via the **ADD-INS** menu.

ADD-INS → ASSET REGISTER → ADD ASSET

- ◆ Asset details are entered in the first Tab, **ASSET DETAILS**.

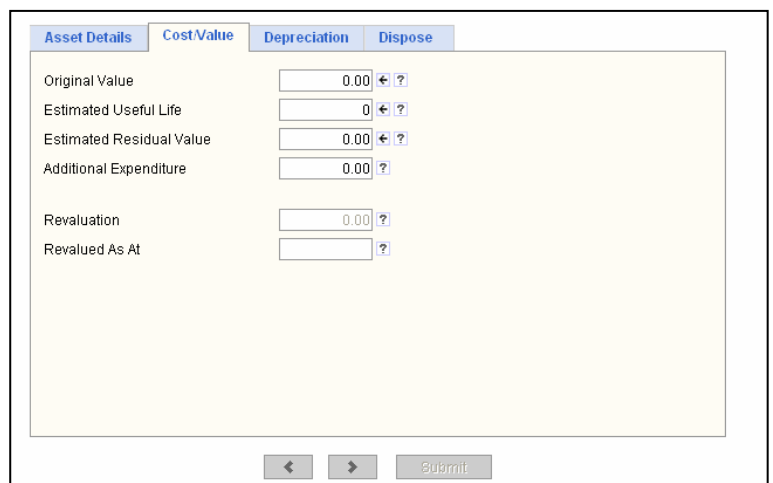
ASSET NAME is a unique name for the asset or asset pool. A **DESCRIPTION** may be added as necessary. Select the **ASSET TYPE** from the drop down list (see above). Select the **STATUTORY REPORTING AREA** from the list. (If unsure seek advice from your accountant. Select the relevant **BRANCH**, if branch analysis of the depreciation charge is required. Enter the **DATE ACQUIRED** and the **DATE IN SERVICE** in the next two fields. For tax purposes an asset can be categorised as a short life asset. If your accountant confirms that an asset is a short life asset check the **SHORT LIFE ASSET** box.



The screenshot shows the 'Asset Details' tab with the following fields and values: Asset Name: Car; Description: (empty); Asset Type: Vehicles; Statutory Reporting Area: Administration; Branch: Not Applicable; Date Acquired: 01/03/2008; Date In Service: 01/03/2008; Short Life Asset: (unchecked); P11D Classification for Employee Use: Not Applicable. Navigation buttons for back, forward, Submit, Delete, and Cancel are at the bottom.

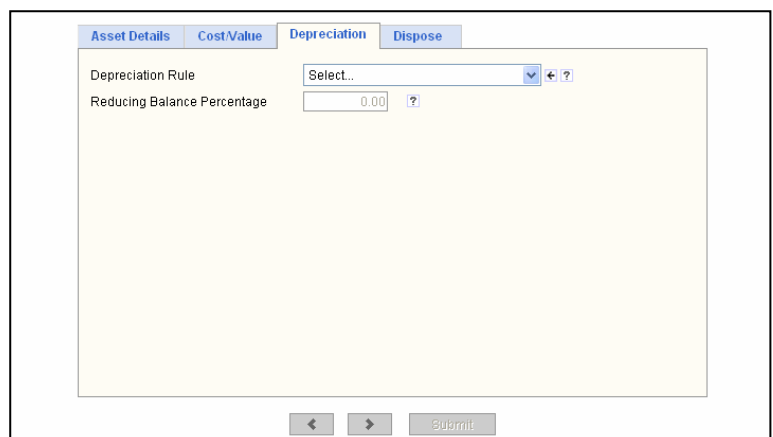
The last item, **P11D Classification for Employee Use** may not be visible if Tracking of Employee Expenses and Benefits is not switched on. If an asset is made available to employees/directors for private use as a benefit in kind than a potential income tax liability needs to be reported on a P11D return. When this is the case a P11D Classification is added to the p11D return, that classification is set here. Note setting a classification does not of it self create a P11D return entry this only happens when the asset is allocated to an employee/director.

- ◆ Details of the asset's cost information is entered in the second tab, **COST/VALUE**. The purchase cost is entered in the ORIGINAL VALUE box. The estimated economic useful life is entered in **ESTIMATED USEFUL LIFE**. If at the end of the asset's life, there may be a residual value add it to **ESTIMATED RESIDUAL VALUE**. If some additional expenditure is attached to the asset (Legal Fees, Capitalised Interest), add it in **ADDITIONAL EXPENDITURE**. The system depreciates the additional expenditure using the same rule as the original value It is unlikely that the next two fields would be used in adding an asset **REVALUATION** and **REVALUED AS AT**., leave them both blank.



The screenshot shows the 'Cost/Value' tab with the following fields and values: Original Value: 0.00; Estimated Useful Life: 0; Estimated Residual Value: 0.00; Additional Expenditure: 0.00; Revaluation: 0.00; Revalued As At: (empty). Navigation buttons for back, forward, and Submit are at the bottom.

- ◆ The third tab, **DEPRECIATION**, is used to input the depreciation details. Select the rule from **DEPRECIATION RULE** drop down. If the rule is reducing balance enter a percentage in the **REDUCING BALANCE PERCENTAGE** (The system will prompt with a calculation based upon the estimated useful life, over-type as necessary).



The screenshot shows the 'Depreciation' tab with the following fields and values: Depreciation Rule: Select..; Reducing Balance Percentage: 0.00. Navigation buttons for back, forward, and Submit are at the bottom.

- ◆ The fourth tab **DISPOSE** is not likely to be used in adding an asset.
- ◆ At the fourth tab the **SUBMIT** button is highlighted, clicking this stores the record.

NOTE: With the reducing balance depreciation rule ever increasingly small amounts will be incurred in the latter years. In theory depreciation can go on for ever. In order to prevent this, when the cumulative depreciation is 95% or more of the original cost (or re-valued amount), The system writes off all of the balance not depreciated.

Disposing or selling a tangible fixed asset.

From time to time a tangible fixed asset will cease to be used in the business and will be disposed off. If there is value in the market place for it, then it will usually be sold. For any particular asset the fixed asset register will be able to show the carrying value (known as the Net Book Value). This is the difference between the original value (or revaluation) and the cumulative depreciation at the particular date. Where a tangible fixed asset is fully written down i.e. the cumulative depreciation equals the original cost (or revaluation) then the carrying value is zero. If an asset is sold for more than the carrying value then there is a profit on disposal, if it is sold for less than the carrying value then there is a loss on disposal.

Two activities can therefore be involved; first is the disposal process the second is the sale process. These may be done in any order.

Selling an asset

Selling an asset is just like any other business sale. The main difference is that the income account to be charged is a special account known as **Fixed Asset Disposals** (found in the **Current Assets** section of the chart of Accounts). If you use the Sell Asset function provided under the **ASSETS** menu the accounting will be completed automatically.

Access to this function is via the **ADD-INS** menu.

ADD-INS → ASSET REGISTER → SELL ASSET

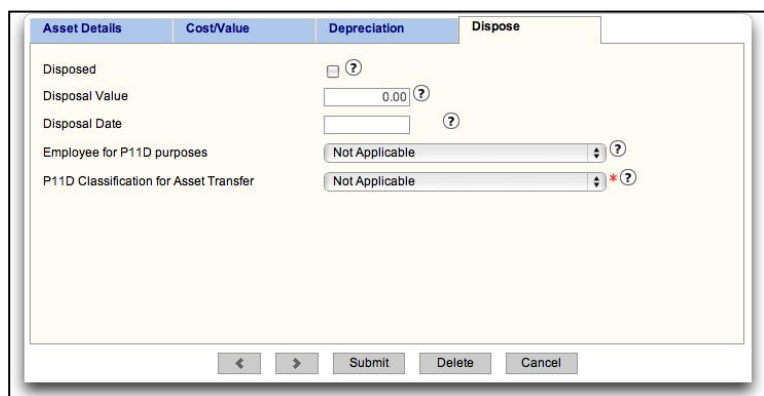
The creating Sales Invoice screen is displayed and is filled in the usual way and creates a sales invoice for the sale. For more details see **Creating Sales Invoices** user guide.

Recording the disposal of a tangible fixed asset.

Details of an asset disposal are entered via the Add Details screen in the Disposal Tab... This is accessed via the **ADD-INS** menu.

ADD-INS → ASSET REGISTER → LIST ASSET → Select the relevant asset

- ◆ Click in the **DISPOSED** box.
Enter the Disposal Value, if there is one, or leave as zero.
- ◆ Enter the relevant date of the disposal in the **Disposal Date** box



The screenshot shows a software window with four tabs: 'Asset Details', 'Cost/Value', 'Depreciation', and 'Dispose'. The 'Dispose' tab is selected. The form contains the following fields:

- Disposed:** A checkbox with a question mark icon.
- Disposal Value:** A text input field containing '0.00' and a question mark icon.
- Disposal Date:** A text input field with a question mark icon.
- Employee for P11D purposes:** A dropdown menu showing 'Not Applicable' and a question mark icon.
- P11D Classification for Asset Transfer:** A dropdown menu showing 'Not Applicable' and a question mark icon.

At the bottom of the window, there are navigation arrows and three buttons: 'Submit', 'Delete', and 'Cancel'.

- ◆ If the asset is being transferred (sold or given) to an employee/director at below market value, then the benefit will need to be reported on a P11D return and there may be an income tax liability. If this is the case select the relevant employee/director from the **Employee for P11D purposes** dropdown as well as the **P11D Classification for Asset Transfer**. See **P11D and Online Filing** user guide for more information.
- ◆ The **SUBMIT** button is highlighted; clicking this stores the record of the disposal.
- ◆ Any profit or loss on the transaction will be shown automatically in the **Profit or Loss on Disposal account** in the **Expenses** section of the chart of account and will be shown in the profit and loss reports

Revaluing Fixed Assets

When a tangible fixed asset has been acquired by a business entity and entered in the asset register at original cost. A policy of revaluing the asset may be adopted. In order to prevent 'cherry picking' of assets the policy must be applied to types of assets. Accounting standards require that if a revaluation policy is adopted then valuations should be kept up to date and be performed by suitably qualified valuers. We recommend that you consult with your accountant before undertaking any revaluations.

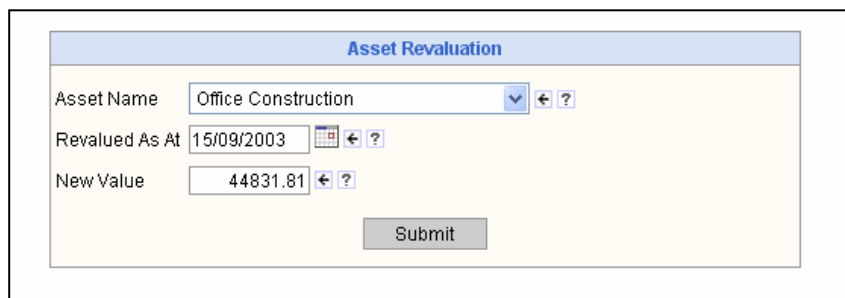
Information needed to make revaluations

- ◆ The reference name and description of the assets
- ◆ The value of each asset
- ◆ The date of the valuation

The revaluation process is accessed via the **ADD-INS** menu.

ADD-INS → ASSET REGISTER → REVAL/IMPAIR ASSET → Select the relevant asset

- ◆ Select the asset to be re-valued from the drop down list in the **Asset Name** field
- ◆ Enter the relevant date of the revaluation in the **Re-valued as at** box
- ◆ Enter the new value given to the asset by the valuer in the **New Value** box.



The screenshot shows a web form titled "Asset Revaluation". It contains three input fields: "Asset Name" with a dropdown menu showing "Office Construction", "Revalued As At" with a date picker showing "15/09/2003", and "New Value" with a text box containing "44831.81". A "Submit" button is located at the bottom right of the form.

- ◆ Complete the transaction by clicking **SUBMIT**

The system will put an amount representing the amount of the revaluation in to the relevant asset revaluation account (see the Fixed Assets section of the chart of accounts). The calculation is as follows:

Revaluation amount = New value – Original Cost (or previous valuation) + Cumulative depreciation

Depreciation will now be based on the new value over the remaining economic useful life of the asset.

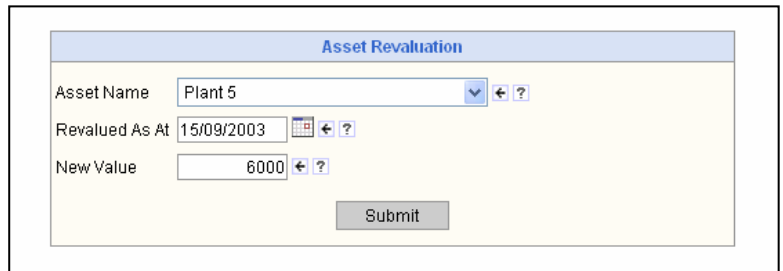
Impairment of a Fixed Asset

From time to time business circumstances may change which mean that the carrying amount of the tangible fixed assets may not be recoverable. There are a number of indicators which would need to be considered and it is strongly advised that full consultation with your accountant is necessary before commencing an exercise in impairment. Assuming that impairment is to be recorded follow the process described below.

Information needed:

- ◆ The reference name and description of the assets
- ◆ The impaired value of each asset
- ◆ The date of the impairment

The impairment process is accessed via the **ADD-INS** menu.



ADD-INS → ASSET REGISTER → REVAL/IMPAIR ASSET → Select the relevant asset

- ◆ Select the asset to be impaired from the drop down list in the **Asset Name** field
- ◆ Enter the relevant date of the impairment in the **Re-valued as at** box
- ◆ Enter the new impaired value given to the asset in the **New Value** box.
- ◆ Complete the transaction by clicking **SUBMIT**

The system will put an amount representing the amount of the increased depreciation in to the relevant asset depreciation account (see the Fixed Assets section of the chart of accounts). The calculation is as follows:

Additional Depreciation = Impaired value – Cumulative depreciation immediately before impairment

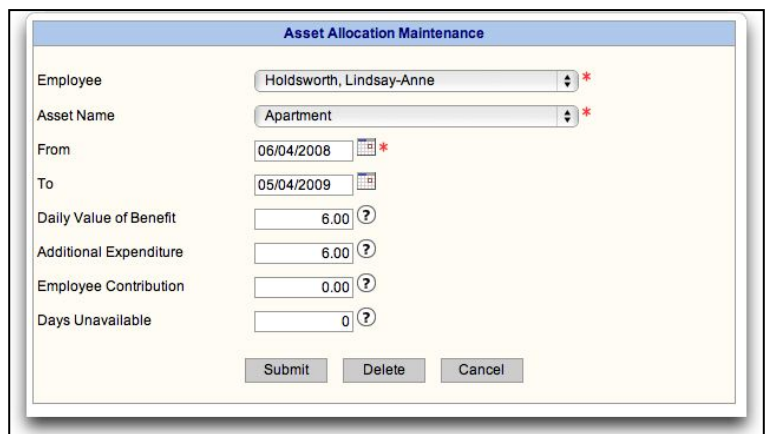
Depreciation will now be based on the impaired value over the remaining economic useful life of the asset.

Asset Allocation (Only visible if Tracking of Employee Expenses and Benefits is activated)

An asset allocation register is used to maintain details of assets and any employees/directors who have use of them. This information is used to calculate any P11D liability.

ADD-INS → ASSET REGISTER → ASSET ALLOCATION

The Employee and Asset are selected from the dropdown boxes. The dates record the period of use. Note the system checks for any overlapping dates if more then one employee/director is linked to the



asset. Enter the daily value for the use of the asset (This is usually a market value). The daily rate is applied to the use period determined by the **To** and **From** dates (adjusted by any Days unavailable) to determine the cash equivalent. To this is added any additional expenditure and any employee/director contribution is deducted.
See **P11D and Online Filing user guide** for more information.

Depreciation Calculation

If the charge schedule that was selected for the entity (see **Setting up limited company, LLP, sole trader or Not for Profit Organisation user guides**) is **Month End**, then the system will charge each month to the relevant depreciation expense account the appropriate monthly amount and add the same amount to the Cumulative Depreciation Account on an asset by asset basis. If the charge schedule is **Annual**, it will make the charge at the last day of the accounting year. If an asset is allocated to a Branch, then the depreciation charge will be allocated to the branch profit & loss as well as the full entity. The allocation to a branch takes place from the next depreciation batch run and does not allocate the cumulative depreciation, only the depreciation amount for that period and subsequent periods. If it is necessary to have the allocation from a prior date, it may be possible to roll back depreciation batch runs and re-run to current date. See **Running Batch Jobs user guide**.

It is possible to run a batch job that allows the user to select a date up to which depreciation should be calculated and accounted for. See **Running Batch Jobs user guide**.

Manual Depreciation

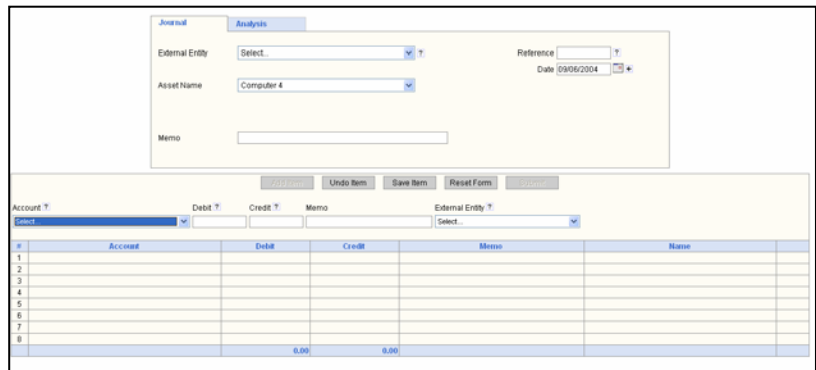
Depreciation which is calculated manually can be input via a journal entry. If a general depreciation is to be recorded use a standard journal entry See **Using Journal Entry user guide**.

If asset specific depreciation is to be manually input, use the **Asset Journal Entry Screen**. This is accessed via the **ADD-INS** menu

ADD-INS → ASSET REGISTER → ASSET JOURNAL ENTRY

The Journal is prepared as usual but the specific asset is selected from the drop down list in the **Asset Name** box

Using this Journal Entry retains the link and transaction history with the specific asset and it is recommended this route is used.



Account	Debit	Credit	Memo	Name
1				
2				
3				
4				
5				
6				
7				
8	0.00	0.00		

Transition from manual depreciation to the automatic calculation

When a business entity is set up, a choice of using manual depreciation was available. See either

- ◆ Setting up a limited company
- ◆ Setting up an LLP
- ◆ Setting up a sole trader
- ◆ Setting up a Not for Profit Organisation

In order to accurately make the transition to automatic follow the process described below:

1. If not already entered input all assets as if opening balances, including depreciation rules except do not enter any cumulative depreciation. Fixed asset cost balances in the chart of accounts will now have both the value of the opening balances just entered plus any figures previously recorded. These latter figures now need to be reversed so the correct cost balances are shown.
2. Run a depreciation batch run (see Batch run processes) as at a relevant date. This provides information about the cumulative depreciation which will be calculated by the system at the date when it runs automatically. Note the figures (or print a report) and reverse the batch run to reset the system data.
3. Prepare a journal voucher to reverse the previously entered manual depreciation and enter this at the same date of the next automatic depreciation run.
4. The correct depreciation expense will be shown in the profit and loss period and the system will now continue to automatically update the depreciation

Asset Register Reports

Reports are available on all transactions relative to a specific asset, groups of assets or all assets. These reports are available via the **REPORTS** menu.

REPORTS → TRANSACTION → TRANSACTIONS BY ASSET

Select the relevant asset, group or All, determine the period over which you want the transactions to be shown and click on **GENERATE** to prepare the report. See 'Preparing Reports' for more information.

Net Book value reports are accessed via the **REPORTS** menu

REPORTS → ASSETS → Asset Net Book Value **OR**
REPORTS → ASSETS → Asset Net Book Value Summary

Select the date for the run in the **For All Recorded transactions** to field and select the asset or group of assets.