

## EGUIDE

# Improving Inventory Accuracy for Better Fixed Asset Management

*Understanding the technology features required for eliminating and preventing zombie assets.*



## Are zombie assets eating your TCO alive?

If you're responsible for the status and value of your organization's fixed assets, you understand the challenge to efficiently account for, inventory, and track everything. Research by Aberdeen Group shows 80% of Fortune 500 companies list fixed assets as the largest line item on their balance sheet. It's a high-priority task across all industries that leaves little room for inaccuracies.

The cost of getting it wrong can add up in a big way. Managing various depreciation rates on your balance sheets is tedious enough, but if a company does not know with certainty what fixed assets it has on the books, which is fundamental for calculating fixed asset depreciation, it will soon have a complex and time-consuming problem on its hands.

Zombie assets are assets that exist within the company but aren't added into a depreciation schedule on your balance sheets. The price tag for carrying them around can be as scary as the name implies. If you manage your organization's fixed assets inventory and depreciation schedule using spreadsheets, conducting informal and ad hoc surveys of fixed assets to update records can be low priority in comparison to other responsibilities like preparing high priority budget materials and navigating yearly audits. This can lead to gaps in record keeping, quickly throwing the inventory off kilter.

Managing fixed assets on spreadsheets, while commonplace, leaves you more susceptible to zombie assets and can prove to be expensive in terms of capital and staff time. If assets that are no longer in service are not properly disposed of in accounting records, companies can continue to overpay property taxes and insurance costs associated with them.

Secondly, manually managing fixed assets in this way eats up a considerable amount of staff time that could be better invested elsewhere. In fact, it's one of the most common productivity drains that plague businesses who use spreadsheets according to Sage's whitepaper, "Avoiding the Admin Sinkholes—Business burdens, and how to deal with them."

### Technology for the solution

Like virtually every other business challenge, technology through digital transformation is the solution. This guide will help you navigate the process of choosing a fixed asset management software solution. We'll explain the features available through digitizing, their benefits for the finance function, and what makes some digital solutions more effective than others.

In the end, you'll have a clear understanding of where you should invest to make the function more seamless while lowering total cost of ownership (TCO).

## Key features required for eliminating zombie assets

### Inventory management

In order to support optimal management, fixed assets should be inventoried on a regular basis using a consistent method at every business location. Your fixed asset management solution should include built-in quality and accuracy checks to assist with physical inventories and managing data in one central location. The accounting and facilities departments and any other stakeholders should be able to easily access inventory data to establish a system for conducting inventories, as well as creating new assets in the fixed asset management system upon purchase. In this way, both the facilities team and fixed asset accounting managers can be confident that ongoing operational procedures will result in the most accurate information possible in the companywide fixed asset management system.

### Asset tagging

If your organization owns multiple fixed assets that are nearly identical, it can be easy to fail to dispose of the correct asset when identical assets are retired. The best practice is to tag each asset with a unique identifier in the form of bar code labels. This provides the additional advantage of speeding up the inventory process through handheld technology that can scan and record each bar code in seconds. Labels are an important aspect of fixed asset management that is often overlooked. Due to environmental requirements, bar code necessities, and custom printing needs, your solution should offer a variety of labels that can be printed on demand to meet your specifications.

### Tracking and depreciating fixed assets

Important data and details about assets can be difficult to manage using a spreadsheet. Tracking disposals, transfers, labor, locations, materials, and capital investments, and generally accepted accounting principles (GAAP) are examples of key information you'll want to be able to easily access and filter on one platform for a pulse on self-constructed assets. Digital tracking allows you to customize the specific data points you'd like to track through automation, saving you the time it would take to search manually and facilitating a confident analysis. Robust solutions allow you to create custom depreciation methods, so you can track hundreds of different types of assets comprehensively and in real-time in most cases.

## Beyond digitization: Planning for growth and future zombie asset risks

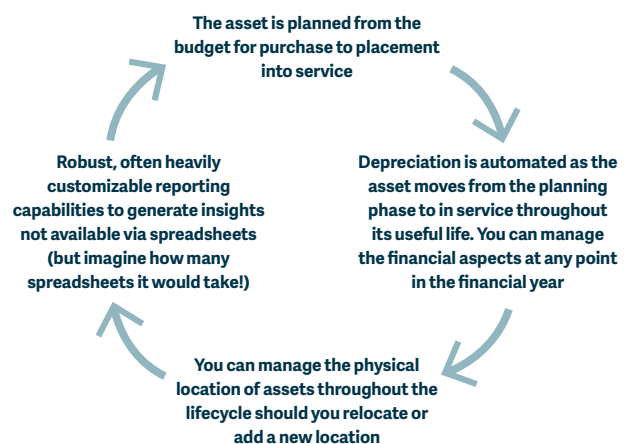
### Workflow integration

Many stakeholders feed into fixed asset management and your solution should support this level of collaboration. In Aberdeen Group's research mentioned earlier, 53% of companies who use a fixed asset management solution say the biggest benefit is having a centralized repository of asset, lifecycle, and performance data. Spreadsheet formulas can break when passed from one employee to another, or improper cell reference can lead to inaccurate values. With a digital solution, it's easy for these inaccuracies to lead to bigger problems.

But simply digitizing processes doesn't totally resolve data challenges. Integration with your organization's purchasing or accounting software adds another layer of control and simplicity. Purchasing data is automatically loaded from one business stream to the other, reducing human error and ensuring accuracy at each touch point. You can even attach an invoice to one or 10 newly purchased computers, for example. An integrated accounting and fixed asset reporting system eliminates the need to duplicate entries or export data between systems.

### Project management

As time progresses and it's time to replace assets (or depreciate new ones), you'll want to start planning for budget and other resources to do so – especially if you have multiple locations. This essentially allows you to track assets through the entire lifecycle and reduce the risk of zombie assets from conception.



## Sage Fixed Assets keeps zombie assets at bay

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Managing fixed assets at the volume and complexity levels required of a growing business is challenging. Accuracy, accountability, and efficiency are crucial to save money on taxes and insurance, apply proper asset depreciation for maximum benefit, ensure regulatory compliance, and optimize staff time. Sage Fixed Assets 2019.1 – the latest release of our premier fixed assets management solution – delivers powerful new features that make tracking and depreciating thousands of assets as simple as managing one asset.

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- **Tax updates:** The latest tax updates and tools to it easier for you to take advantage of the Tax Extenders from the Bipartisan Budget Act of 2017.
- **Bulk editing:** Bulk edit of critical depreciation fields for a fast and easy way of managing estimated life and depreciation methods for multiple assets and depreciation books at once
- **New depreciation methods:** Two new depreciation methods and the ability to use the mid-month, half-month, and/or mid-quarter averaging conventions when changing the remaining life of assets. This provides more flexibility for GAAP compliance.

## See it in action

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Request a demo and see how easy Sage Fixed Assets makes asset management.

Request a demo: [equationtech.us](http://equationtech.us)

or call: 866. 436.3530

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