Ramco ERP Suite

Enterprise Edition

Application Reference Manual

Fixed Asset Management

This document is published for the offering

Ramco ERP Suite Enterprise Edition Version 5.4

and has been issued in **May 2018**.

Table of Contents

1 Introduction

The Fixed Assets Management system of Ramco ERP Suite Enterprise Edition facilitates the user to manage various processes associated with the fixed assets of an organization. All the activities encompassing the lifecycle of assets starting from Acquisition till Retirement can be carried out. A host of activities within the lifecycle like Capitalization, Revaluation, Depreciation and Retirement can also be executed. A detailed history of all these transactions is maintained by the system in the books of the company.

Fixed Assets are high value properties that are held by a company, which plays a major role in the core areas of manufacturing or service, maintenance and day-to-day operations of an organization. Since fixed assets costs as well as the risks associated with asset management are high, the Ramco ERP Suite Enterprise Edition Fixed Asset system has been developed to cater to all functions required for managing the assets right from planning to execution and controlling the assets.

Ramco ERP Suite Enterprise Edition Fixed Assets system is one of the business processes, supported as part of the Financials solutions and is integrated with other processes like General Accounting, Payables Management, Receivables Management, Purchasing, Maintenance and Management Accounting.

Every organization reports its financial status to its stakeholders in form of financial statements and one of the critical information needs of management is the fixed assets data. The fixed asset reports, as part of the Ramco ERP Suite Enterprise Edition – Fixed Assets system, is envisaged to cater to both statutory and management information requirements.

1.1 Function Overview

Ramco ERP Suite Enterprise Edition - Fixed Assets system supports most of the activities involved in managing the various functions associated with the life of an asset. The lists of functions supported in the Fixed Assets system are:

a) Asset Capitalization – The assets are capitalized and given identification number and other associated details like in-service date, location, cost center, etc. The asset comes into existence at this stage. Capitalization is the first major function, which forms the basis for the other downstream functions like depreciation, insurance, revaluation, etc. Click here for details on Asset Capitalization concepts.

b) Asset Depreciation – The assets once capitalized need to be depreciated for its wear and tear due to time and usage. The depreciation function of the Fixed Assets system facilitates this process. Further, the depreciation rules can also be configured based on every organization's need with various methods and conventions and the life of the asset. The depreciation is charged to the profit and loss account based on the percentage applicable to each asset and hence the net profit of the organization can be correctly stated. Click here for details on Asset Depreciation concepts.

c) Asset Planning – Purchase of assets involve a large outlay of funds in an organization. In order to monitor the expenditure incurred against the purchase of assets and for variance analysis, capital budgets can be created. Further, the financial sanctions pertaining to the purchase of assets and the retirement of assets in a future period can also be planned through an Asset Proposal. Click here for details on Asset Planning concepts.

d) Asset Disposal – Organizations scrap or sell the assets that are no longer required and retire them from the books of accounts. On retirement, the cost of the asset and the accumulated depreciation value are negated from the books of the company and is accounted as profit or loss. Click here for details on Asset Disposal concepts.

e) Asset Transfer – Depending on business requirements:

Assets can be moved from one location to another or from one Cost Center to another; and

The assets can also be moved from one Business Unit to another through Finance Book transfers. Click here for details on Asset Transfer concepts.

f) Asset insurance – By their very nature and the enormous costs involved, fixed assets are prone to high risks. In order to manage the risks associated with the fixed assets, organizations opt for insurance coverage for the assets. The asset insurance process deals with all the relevant functions like taking an insurance policy for assets, renewal before the scheduled date, premium payments and claims recovery. Click here for details on Asset Insurance concepts.

g) Asset Inventory – The Asset Inventory function is intended to ensure whether assets are being physically inventoried, as this is one of the important internal control functions. Normally, assets are inventoried on a specific frequency decided by the management. The statutory reporting to stakeholders should also state whether the fixed assets are being inventoried as part of the internal control system. Click here for details on Asset Inventory concepts.

h) Asset Revaluation - Revaluation is used to reflect the Market Value of the fixed assets in the financial statements of the company instead of reporting them as Historical Cost. Typically, asset revaluation is a process by which asset values can be changed, to comprehensively reflect the effects of changing prices or its real worth. Click here for details on Asset Revaluation concepts.

i) Asset Leasing – Facilitates Record assets taken on lease. Assets can be taken on lease; rental payments can be auto-mated. Lease can be renewed for extensions and terminated for short closures.

j) Fixed Assets Book Closure – In order to report the financial status of an organization using various financial statements, the finance books must be closed at the end of a financial period. However, book closure is left to the discretion of the organization. But financial year closure is mandatory. On closing the finance books, fixed assets related reports could be generated to represent the assets schedule as part of financial statements. Click here for details on Asset Book Closure concepts.

k) Financial Postings – Ramco Enterprise Fixed Asset system is closely integrated with the General Accounting module. On completion of every fixed assets transaction, accounting entries (if applicable) are posted to the appropriate finance books, which are then updated in the corresponding account ledger. Click here for details on financial postings concepts.

1.2 Process Overview

Ramco ERP Suite Enterprise Edition Fixed Assets Management System business process is a closely integrated application and is linked to Purchasing (POM), Payables Management (PM), Receivables Management (RM), Maintenance Operations (EAM), General Accounting (GL), and Management Accounting (MAC).

The following are the major processes covered by Fixed Assets Management System of Ramco ERP Suite Enterprise Edition.

- Asset Master Setup
- Asset Budget and Proposal
- Asset Capitalization
- Depreciation Calculation
- Depreciation Change
- Asset Retirement
- Asset Transfer
- Physical inventorying of assets
- Insurance Policy covers and claims

- Asset Revaluation
- Asset Leasing
- Financial Postings
- Fixed Asset Book Closure
- Fixed Asset Reports

The integrated Fixed Asset process is diagrammatically represented as shown in Figure 1:

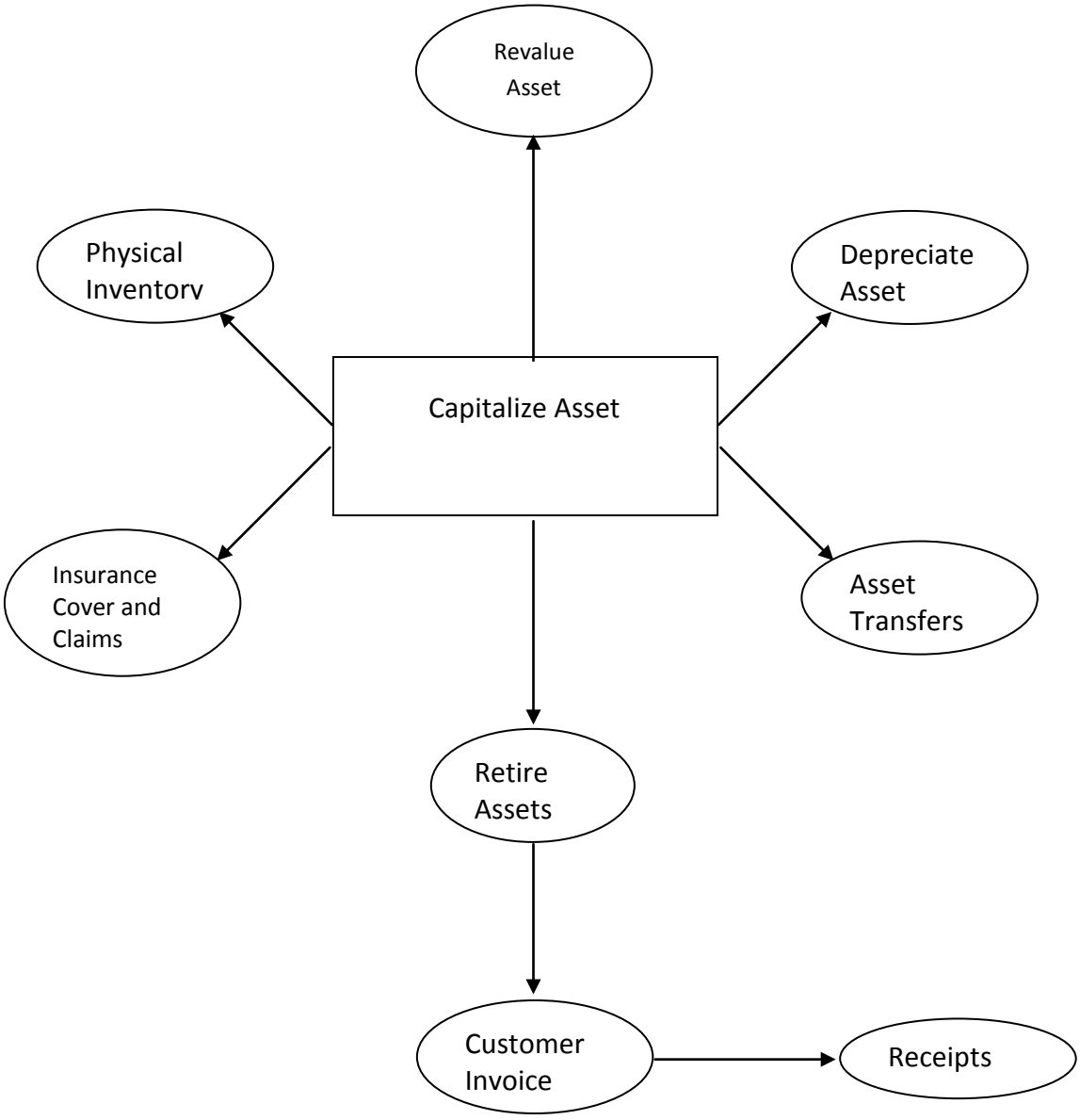


Figure 1: Fixed Asset Process Overview

2 Enterprise Application Architecture

The Fixed Assets Management system is configured to meet the requirements of organizations structured with multiple companies and business units thereby supporting most of the prevalent enterprise structures. As an instance, most of the functions of the Fixed Assets Management system are flexible enough to cater to both centralized as well as decentralized method of operations. However, certain functions must necessarily be centralized and some have to be decentralized. Typically, centralized functions can run in environments like

company head offices and decentralized functions at business units or organization units like plant sites and branch offices.

A characteristic way of configuring the Fixed Assets Management system is to define the Masters as one-time definitions at the company or the group-company level and centralize or decentralize transactions as per corporate requirements.

For example, some of the operating activities like physical inventorying, insurance coverage, and asset transfer can be decentralized along with periodic premium payments pertaining to the fixed assets. While larger issues like asset planning, calculation of depreciation, change in depreciation policies practiced by the organization and revaluation of fixed assets are more a matter of corporate strategy and thus should involve employees who are empowered to take such decisions.

Thus, Ramco Enterprise Modeling aims at providing a flexible Organization Setup, which has the ability to capture and analyze information from different dimensions of a business enterprise. This forms the basis for crucial decision-making.

Ramco Fixed Assets can also be configured to disallow some or all types of transactions that are without an authorized proposal. Security can further be enforced by selectively restricting the permissions to authorize a proposal. In addition Capital Budgets can be centrally approved at the Corporate Office and can be monitored against actual expenditure for variance analysis.

For detailed understanding of the Enterprise Setup function, refer the *General Accounting Application Reference Manual*.

3 Key Concepts

3.1 Fixed Assets

Fixed assets are tangible / intangible items of property, plant, equipment and goodwill with the following properties:

- Fixed assets are held by an enterprise for use in the production or supply of goods and services, for rental purposes, or for administrative purposes
- Fixed assets expected to be used for more than one accounting year
- It is probable that future economic benefits associated with the fixed assets will flow into the enterprise
- The cost of the asset to the enterprise can be measured reliably

3.2 Asset Tags

Asset tags are those tangible components of an asset, which could be independently valued and recorded.

3.3 Assets and Tags

Asset No and Tag No are unique numbers allocated to an Asset and its tag respectively at the company level.

Tag Cost is the amount of cash or cash equivalents paid or the fair value of any other consideration given to acquire an asset at the time of its acquisition or construction.

The cost of an item of fixed asset comprises of:

a) Its purchase price

b) Import duties and other non-refundable taxes or levies and

c) Any directly attributable cost of bringing the asset to its working condition for its intended use, trade discounts and rebates deducted in arriving at the purchase price.

Examples of directly attributable costs are:

- Site preparation costs
- Initial delivery and handling costs
- Installation cost, such as special foundations for plant
- Professional fees, such as fees paid to architects, engineers etc.

The cost of a fixed asset may undergo changes subsequent to its acquisition or construction due to exchange fluctuations, price adjustments, changes in duties etc.

Salvage (or Residual) Value is the net amount that the organization expects to obtain for an asset at the end of its useful life after deducting the anticipated costs of disposal.

3.4 Depreciation

Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, over a period of time or obsolescence through technology and market changes. From the accounting point of view, depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Depreciable Amount is the cost of an asset, or the other amount substituted for cost in the financial statements, less its residual value.

Asset Book Value is the net difference between Asset Cost and accumulated depreciation.

3.5 Depreciation Methods

The three depreciation methods supported by the Ramco ERP Suite Enterprise Edition – Fixed Assets system are: Straight Line Method, Reducing Balance Method and the Sum-of-the-Years Digit method.

a) **Straight Line Method (SLM)** – In this method the depreciation is equally distributed throughout the life of the asset.

b) **Reducing Balance Method or the Written Down Value Method (WDV)** – In this method the depreciation is charged on the reduced balance of the asset (Asset Book Value) but at a constant percentage. Hence the depreciation charge is higher in the early years of the asset life and gradually reduces every year.

c) **Sum-of-the-Years digit (SYD) method** - One form of accelerated depreciation method is the sum of the years' digits method where in depreciation expenses are higher in the early years of the asset's useful life and lower in the later years. Here the depreciation is charged on the Asset cost (less salvage value if any) but the applicable rate reduces every year based on the remaining estimated useful life.

Method of calculation:

Sum of years' digits depreciation = Asset cost less salvage value x Applicable fraction

Where Applicable fraction = Number of years of estimated life remaining as of the beginning of the year

---

Sum of Years digits

Sum of Years' digits = n*(n+1) and n = Estimated useful life

2

3.6 Depreciation Books

Depreciation rates for a fixed asset can be different for internal management use, statutory requirements, income tax requirements, etc. Hence Ramco ERP Suite Enterprise Edition - Fixed Assets system allows the user to maintain different depreciation books (i.e. CORP and TAX. In each book, the user can define a different depreciation method or depreciation rate for an asset. Fixed Assets system will maintain the asset cost, depreciation value and book value separately for each of these predefined depreciation books.

3.7 Depreciation Category

Depreciation asset category is a group of assets/tags for the purpose of depreciation calculations. Depreciation category can have different depreciation rules across depreciation books. For example, depreciation category - Plant & Machinery can be depreciated with SLM 10% in one book and WDV 15% in another book. By default, each asset class will be a depreciation asset category. However, the need to have multiple depreciation asset categories under an asset class arises, if different depreciation rate/methods must exist in the same depreciation book, for assets falling under the asset class. For example, depreciation for Heavy Machinery may be SLM 10% and for Light Machinery may be SLM 12%, though they fall under the same Asset class. This will result in two depreciation asset categories for one asset class.

Depreciation Convention

Depreciation convention is meant to identify the type of depreciation property applicable for depreciating an asset in the initial year of purchase on a pro rata basis, or using mid-year, mid-period or user defined or Full Period conventions.

3.8 Revaluation

Asset Revaluation is used to reflect the Market Value of the fixed assets in the financial statements of the company instead of reporting them as Historical Cost. This gives the users an overview of the company's financial status and its net worth on a realistic basis.

3.9 Asset Proposals

Fixed Assets normally cost very high and has a major impact on the financial statements of the enterprise. Hence, asset acquisition and retirement transactions must necessarily be scrutinized and authorized by Managers empowered to take decisions. The documents with such financial sanctions are called Asset Proposals. Proposals are of two types – Acquisition proposal and Retirement proposal.

3.10 Asset Migration or Initial Balance entry

Asset migration is the initial entry of the entire asset history from any legacy system or manual records to Ramco ERP Suite Enterprise Edition - Fixed Assets system. All the Fixed Asset data pertaining to the period prior to the Fixed Assets installation date is migrated from the legacy system to the Ramco ERP Suite Enterprise Edition – Fixed Assets system.

Asset migration can capture the closing balances or the entire transaction details depending upon the user's requirement. During asset migration both the master data (like asset description, asset tags, asset location etc.) and the transaction data (like depreciation charge, asset cost, revaluation cost) pertaining to the asset is transferred.

Parallel Base Currency

Apart from the base currency of the company, a company could also arrive at its balances in another additional currency. This additional currency is termed as the parallel base currency of the company. A parallel base currency is required for a company, when its parent company is located in a different geography and maintains its books of accounts in a different currency.

Fixed Asset sub-ledger is also maintained in parallel base currency and reports can be taken in both base and parallel base currency.

4 Master Definition

A pictorial definition of the asset master definitions overview is shown in Figure 2.

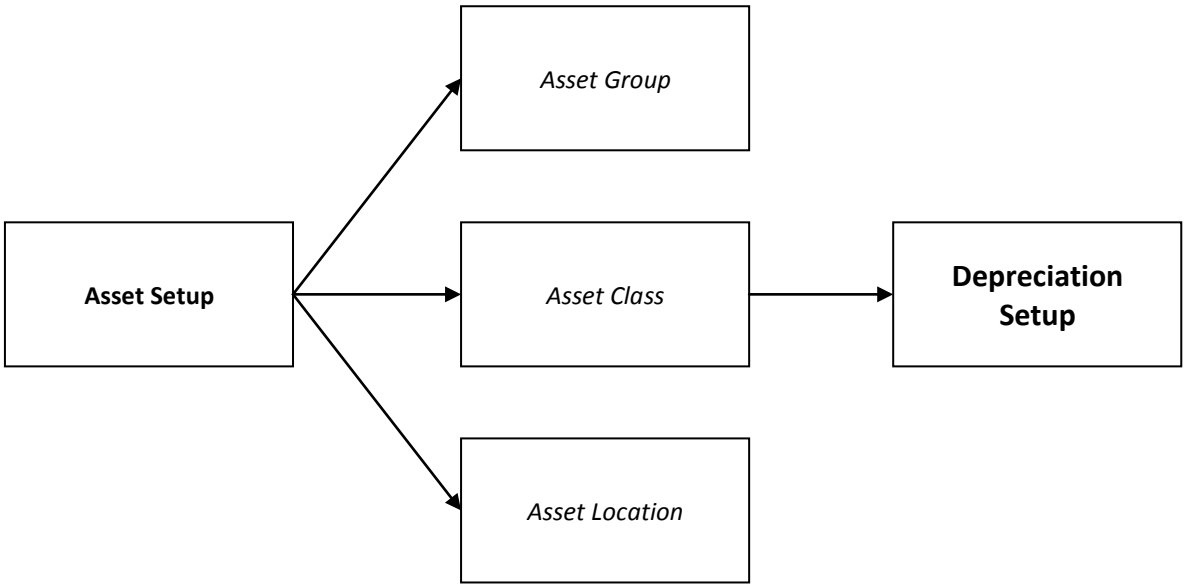


Figure 2: Fixed Asset Masters Definition Overview

4.1 Asset Type Definition

4.1.1 Purpose

Asset Class definition is the grouping of assets based on their nature and their accounting implication. For example, buildings can be defined as one Asset Class. The accounting implication deals with how the assets are to be accounted i.e. if the assets are to be tracked through different accounts, they may be defined in different classes. In addition, the Fixed Asset Schedule will display the class-wise information of assets as part of the Schedules in the Financial Statements.

Asset Group is a group of assets defined for analysis and reporting purposes. For example, to avail and negotiate manufacturer discount, companies need a list of assets bought from a particular manufacturer. To arrive at this list the manufacturer name can be defined as an asset group and all assets bought from him can be consolidated under this group. Asset groups are created and maintained in a hierarchy so that different types of analysis for decision-making become easy. For example, if an organization would like to analyze vehicles under various heads such as cars, trucks, tractors etc, and also specific to certain brands, asset groups can be created in a hierarchical fashion as depicted below (refer Figure 3):

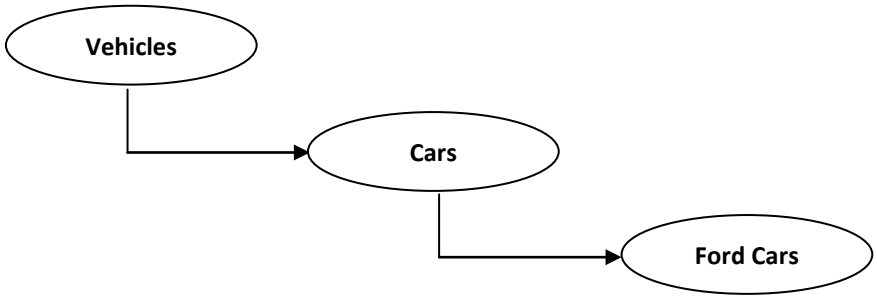


Figure 3: Sample Asset Group Structure

4.1.2 Overview

The asset class definition is primarily used for accounting purposes. Since fixed assets are a major head in the balance sheet, their accounting implications become very important. Asset transactions are posted to various accounts namely, asset account, depreciation account, revaluation account etc. However, specifying the details of the asset level accounts to which the asset transactions are posted, is a tedious task. In order to overcome this, transactions pertaining to assets that affect the same accounts are grouped under an asset class. In addition to postings, assets belonging to a particular class can also be marked as depreciable and can be assigned with a cycle for inventory verification.

Asset groups are defined in a hierarchy in order to provide a structured approach and to support analysis and reporting on different basis. After the creation of an initial structure of asset groups, a need might arise to add new levels or insert levels within the structure depending on the granularity of the reports needed. Hence provision to continuously modify the existing asset group hierarchy is also provided as part of the Fixed Assets system.

4.1.3 Concepts

4.1.3.1 Defining Asset Class

An asset class with a unique code is defined for mapping an account code to it and is primarily meant for accounting purposes. No hierarchy levels are supported while defining asset classes. However, asset classes are created at the company level to maintain uniformity among the various organization units. The status of Asset Class code is ”Fresh” on creation and changes to ”Active”, when mapped to a posting account code.

If the depreciable option is set to “Yes” for the Asset Class, then all the assets mapped to the asset class can be depreciated. However, if the value is set to “No”, then the assets mapped to the asset class will not be considered for depreciation. For example, if an asset class “Land” can be set with the default depreciable value, as “No”, then no depreciation will be computed for the asset class.

If Inventory cycle is selected then during capitalization of assets (in Create Simple Asset activity of the Asset Capitalization component), then the inventory cycle will be defaulted with the value specified during definition of asset class.

Lease Assets “Yes”/ “No”, can be specified during asset class creation to mark the asset class for leasing purpose.

Status

The status of an Asset Class code is ‘Fresh’ on creation

The status of the asset changes to ‘Active’, when mapped to a posting account code

4.1.3.2 Modifying Asset Class

All the elements of an asset class like the description, the default inventory cycle, depreciation applicability etc, can be modified. However, if depreciation of assets that has been mapped to an asset class has already been done, then the depreciation applicability of this asset class cannot be modified from “Yes” to “No”.

4.1.3.3 Defining Asset Group details

While asset classes are defined for accounting purposes, asset groups are defined for MIS purposes. The asset groups created can be identified using unique asset group codes and can be arranged in a hierarchy in order to facilitate different dimensions for analysis. Asset Groups are created at the company level to maintain uniformity among the various organization units. Reports can be configured based on the asset group for management analysis and decision-making.

Status

The status of an Asset Group code is “Active” on creation.

4.1.3.4 Modifying Asset Group

Asset groups that are in Active status can be modified. Normally asset groups that have undergone some changes can be modified. The modification of description can be made, provided the asset group is in Active status. Similarly, the parent group can also be modified.

Existing asset group structure can be modified depending on the restructuring proposed by management. For example, the user can add a parent asset group to an existing asset group.

4.1.3.5 Activate / Inactivate Asset Group

Any asset group that is not required for further use can be inactivated from the system, which results in a soft deletion of the asset group. One of the pre-requisites for inactivation is that no assets must be mapped to the asset group in Active status.

Since the inactivation of asset group is only a soft deletion, there is a facility to re-activate these asset groups. On re-activation, the asset group code changes to “Active” status.

Another prerequisite for inactivating a parent asset group is that, all the child groups must be inactivated before inactivating the parent account group.

4.1.4 Key features

- Default Inventory cycle can be specified for an Asset Class
- Support to specify whether the assets belonging to an asset class are depreciable or not
- Support to maintain any number of levels in an Asset Group structure
- Support to specify the Prefix for Asset Numbering

4.1.5 Predefined Values

List of pre-defined values used in the component

S No	Entity	Predefined Values
1.	Depreciable	Yes No

S No	Entity	Predefined Values
2.	Inventory Cycle	Monthly Quarterly Half-yearly Yearly Not Required
3.	Leased Assets	Yes No

4.1.6 Functional Parameters

There are no functional parameters associated with the asset class definition.

4.1.7 Deployment

One instance of the Asset Type Definition component must be deployed per Company. This is because the Company decides the list of asset classes that are necessary to be disclosed in the Financial Statements separately and hence needs to be centralized. Similarly asset groups can also be defined at company level.

4.1.8 Component Interaction

Cardinality → Asset Type Definition: Other Components

Input from Component	Cardinality
Organization Setup	N:1
Account Rule Definition	1:1
Asset Capitalization	1:N
Asset Depreciation Setup	1:N

4.1.9 Status

S No	Entity	Status From	Status To	Task Performed	Remarks
1.	Asset Class Code	-NA-	Active	Create Class	
		Active	Active	Edit Class	No change in status. Asset class remains as “Active”.
2.	Asset Group Code	-NA-	Active	Create Group	
		Active	Inactive	Inactivate Group	On inactivation of asset group code, status is updated to “Inactive”.
		Inactive	Active	Activate Group	On activation of asset group code, status is updated to “Active”.

S No	Entity	Status From	Status To	Task Performed	Remarks
		Active	Active	Edit Group	No change in status. Asset group remains as “Active”.

4.2 Asset Location

4.2.1 Purpose

Asset Locations are defined to identify the place where the assets are physically located. The purpose of defining asset locations is to ease the process of physical inventorying of the asset at periodic intervals and thereby ensure control. Another aspect is to facilitate the transfer of asset from one location to another.

4.2.2 Overview

An asset can be mapped to only one location at one point of time. However, any number of assets can be mapped to an asset location. Asset Location actually defines the geographical (physical) locations both within and outside the company where an asset can be placed. Asset locations can also be maintained in a hierarchy in order to facilitate better identification of the assets. A sample asset location hierarchy is shown in the figure below (refer Figure 4):

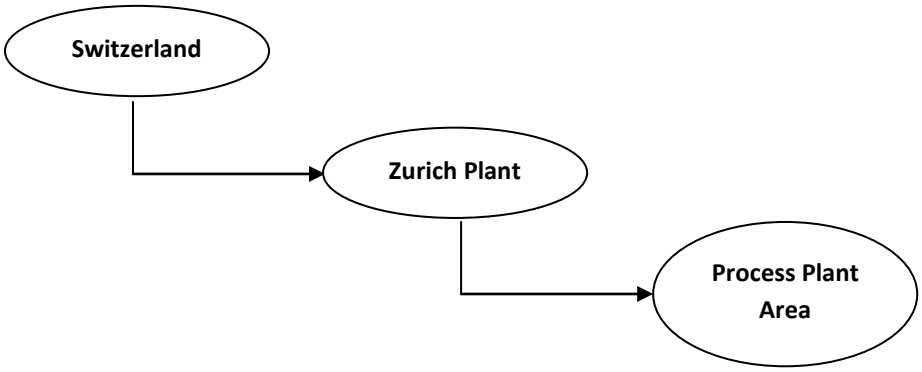


Figure 4: Sample Asset Location Hierarchy

This information is useful especially during physical verification of assets. Also they are used frequently for Management analysis purposes. When assets are capitalized, the Location to which it is mapped needs to be specified (could be a parent or child location).

When a company starts operating, it defines the geographical locations where its assets could be spread across. These locations could be company locations (i.e. its own plants, factories, and offices), customer locations (i.e. in case of franchisees where the company assets are with the customer) or contractor locations (i.e. in case of contract or sub-contract where the company machinery resides at the contractor or a sub-contractor’s site).

During acquisitions the assets are associated to the location where they are to be placed. From then on, any movement of the assets from one location to another will be handled through asset transfers. If assets are common to multiple child locations, then they will be placed in the parent location.

Locations are defined in a hierarchy to provide a structured approach for location definition and report generation.

4.2.3 Concepts

Asset Locations are defined for identifying the physical location of fixed assets. Assets when capitalized are physically placed in a location, which is specified during capitalization. Since assets have useful life exceeding one

year, one of the critical organizational need is to perform physical inventorying of assets on an ongoing basis. The physical verification will be done based on the location mapped to the assets.

All the fixed asset reports can be configured based on the Asset Location for management analysis and decision-making.

It also becomes important to record the transfer details when an asset is transferred from one location to another. The asset will be traced to the new location to which it is transferred.

4.2.3.1 Defining Asset Location

A company can define multiple asset locations. Asset locations can be defined in a hierarchy also. For this purpose, the parent location has to be defined first and the child location can be added later to this. An example of the asset location hierarchy is given below (in both pictorial and tabular format, refer Figure 5):

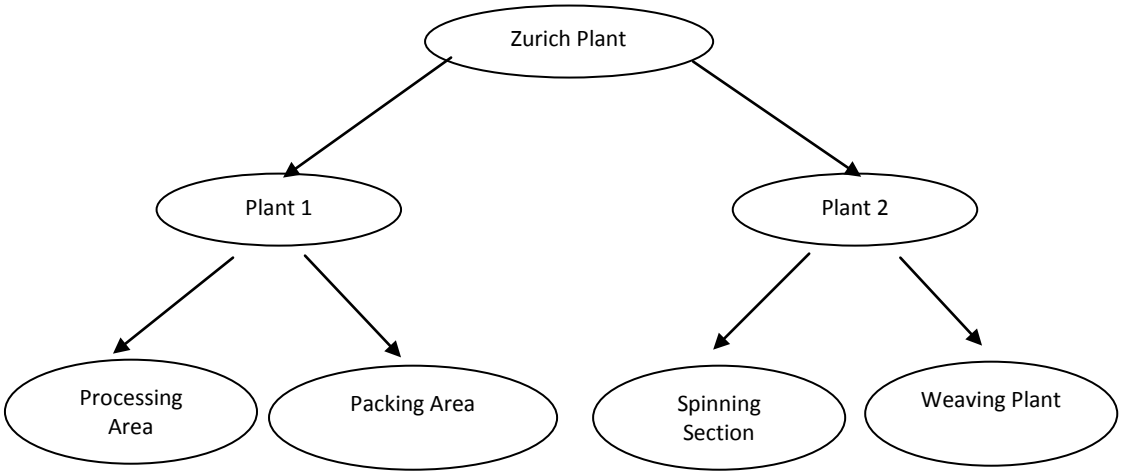


Figure 5: Asset Location

Location Code	Parent Location
Switzerland	--NA--
Zurich Plant	Switzerland
Process Plant	Zurich Plant
Processing Area	Process Plant
Packing Area	Process Plant

Asset location hierarchies can be created with any number of levels and new locations can be added to the structure at any time.

An asset can be mapped to only one location at a time but can be transferred from one location to another. Assets can also be mapped to a location at a particular level. In the above-explained example, certain assets must necessarily be mapped to the Processing Area level, whereas, some can be at the Plant level. Thus, the assets can be mapped to the appropriate location level.

Ramco ERP Suite Enterprise Edition – Fixed Assets System also supports *Location Types* and certain pre-defined location types like: Company, Customer, Contractor and Others are available. However, apart from these predefined values, the user can also add new location types. This can be done in the “Quick Code” component. (Refer the Application Reference Manual on General Accounting for more details).

Status

The status of an Asset Location code is “Active” on creation.

4.2.3.2 Modifying Asset Location

Asset location details can be modified as long as it in Active status. For example if the description of the asset location changes or the parent location needs to be changed then the change can be done through the Edit activity. Further in course of business operations, a location could be sold off or removed from operations. In such cases, Fixed Assets system provides facilities for “soft deletion” and “re-activation” of asset locations. However before any location could be suspended, all the assets in that location have to be sold or transferred.

Whenever an asset location has undergone some changes, say name, address or zip code, then these changes must be updated. In the example given above, change in the name of the locations Processing Area and Packing Area to “Processing Zone” and “Packing Zone” will call for asset location modification.

After the creation of an initial structure of asset locations, a need might arise to add new levels or insert levels within the structure depending on the granularity of the reports needed. Hence provision to continuously modify the existing asset location hierarchy is also provided as part of the Fixed Assets system.

4.2.3.3 Activate / Inactivate Asset Location

In an organization’s business operation, an asset location could be sold off or not used due to several reasons. Such asset locations that are not needed for future operations can be deleted from the system.

Apart from the permanent deletion of asset locations, Ramco ERP Suite Enterprise Edition also provides a facility for “Soft Deletion” i.e. the status of the asset location is changed to “Inactive”. However, inactivating an asset location does not mean that the details are deleted from the system. The location is just unusable. The only pre-requisite for inactivation is that, all the assets lying in the location have to be transferred to another location or must be retired.

Provision to re-activate assets that are in “Inactive” status is also available. On re-activation, the asset location code changes to “Active” status. One of the prerequisites for inactivating a *parent asset location* is that all the child locations present under it must be in “Inactive” status.

4.2.4 Key Features

- Support to maintain any number of levels in an Asset location structure

4.2.5 Predefined Values

S No	Entity	Predefined Values
1.	Location Type	• Company • Contractor • Customer • Others

4.2.6 Functional Parameters

There are no functional parameters associated with the asset location definition.

4.2.7 Deployment

Asset Location component deployment can either be centralized or decentralized, depending on the organizational requirements.

If a company consists of multiple plants and each plant wants to define asset locations independently, then asset location can be deployed in as many organizational units required.

4.2.8 Component Interaction

Cardinality → Asset Location: Other Components

Input from Component	Cardinality	Remarks
Organization Setup	N:1	
Quick Codes	N:1	
Asset Capitalization	1:N	Status of assets lying in the Location.

4.2.9 Status

S No	Entity	Status From	Status To	Task Performed	Remarks
1.	Asset Location Code	-NA-	Active	Create Location	
		Active	Inactive	Inactivate Location	On Inactivation of Location code, status is updated to 'Inactive"
		Inactive	Active	Activate Location	On Activation of Location code, status is updated to "Active".
		Active	Active	Edit Location	No change in status. Location remains as "Active".

4.3 Asset Depreciation Setup

4.3.1 Purpose

Depreciation Setup covers the master data to be defined that will be used for calculating depreciation for an asset. This is a preliminary step that has to be executed before calculation of depreciation. The primary objective of the depreciation set-up process is to minimize the definition and association of depreciation rules to assets, as a one-time activity. Consequently, whenever a new asset is added to the system at a later point of time, there is no need to define the depreciation rates/ methods again. The depreciation setup process includes definition of Depreciation Rule, Depreciation Category and mapping a depreciation category to a depreciation rule.

4.3.2 Overview

Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes over a period time. From the accounting point of view, depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Assessment of depreciation and the amount to be charged thereby in an accounting period are usually based on the following three factors:

- Historical cost or other amount substituted for the historical cost of the depreciable asset, when the asset has been revalued
- Expected useful life of the depreciable asset

- Estimated residual value of the depreciable asset

Depreciation Books are used to derive the different depreciation calculations for each of the stakeholders in the business like Management, Statutory Authorities, and Costing etc. For example the depreciation method adopted by the organization for book purposes may be “Straight Line Method” whereas Income Tax laws demand the usage of “Reducing Balance Method” (e.g. Indian Income Tax laws). Pre-defined Depreciation Books are:

- Corporate – this will post financial entries for depreciation charged to the Finance Books
- Tax – this will post financial entries for depreciation charged to the Tax Books

Depreciation Calendars: Financial Calendar and Tax Calendar that have been defined in the Accounting Setup component of the General Accounting business process will be associated to the ‘Corporate’ and ‘Tax’ depreciation books respectively.

The Depreciation calendar associated with the tax book can be different from that of the corporate book. This flexibility has been provided to take care of the statutory requirement of maintaining the tax year as prescribed by the laws. For example in India, a company may have the Financial Year as decided by its management but must necessarily follow the tax year from the month of April to March only. **Depreciation Rules** are a combination of depreciation properties that will be assigned to a Depreciation Category. When the assets are depreciated, the method of depreciation, applicable rates for depreciation etc. will be obtained from the depreciation rule to which the assets have been mapped.

Depreciation rule is a combination of the following properties:

- Methods
- Rates
- Useful Life
- Basis
- Convention
- Range (Maximum/Minimum)

Depreciation rules are defined for every asset class.

Depreciation Range

Maximum depreciation - This will be the maximum depreciation that can be set for a depreciation calendar year for a set of assets mapped to the depreciation rule. If the depreciation processed is greater than the maximum depreciation for that period, the system restricts the depreciation to maximum depreciation amount specified for the asset.

Minimum depreciation – This will be the minimum depreciation that can be set for a depreciation calendar year for a set of assets. In some countries assets costing less than a specified value must be charged 100% in the year of purchase. In such cases, the minimum depreciation can be set as a parameter. For example, consider a situation where a capitalization rule has been set as: if the capitalization value of an asset tag is less than USD 5000, then 100% depreciation must be charged. To meet this requirement, the depreciation rule must specify the minimum depreciation as USD 5000, for the asset class concerned. However, the applicability of the minimum depreciation is subject to whether the asset cost exceeds the depreciation charged (in the Corporate Book and Tax Book).

Depreciation Basis is the parameter based on which depreciation can be done. Basis that can be selected are:

Acquisition Cost

Acquisition Cost - Salvage

Depreciation Convention is meant to identify the type of depreciation property, applicable for depreciating an asset in the initial year of the asset purchase. The five types of conventions supported by the Fixed Assets system are:

Prorate: Depreciation will be applied from the in-service date of the asset/tag.

Mid Year: Half year of depreciation is taken for the first year the asset is placed in service after the mid date calculated regardless of in-service date. If the asset is disposed before the end of its useful life, a half-year of depreciation is taken for the year of disposal regardless of the month in which the asset was disposed. If the asset is kept for the asset's entire useful life, a half-year of depreciation is taken in the year following the last year of its useful life.

Mid Period: Same logic as specified for midyear except that depreciation will be charged for the period instead of the year.

User defined: The cutoff date will be based on the first year's convention percentage.

Full Period: Irrespective of the In Service Date of the Assets, Depreciation will be calculated for the first period fully in which in service date lies for the asset tag.

Full Year: In Full year convention, total cost of the asset tag would be charged to depreciation in the year in which it is put into use. This convention would be useful when the asset cost is less than or equal to the minimum value as per statutory provisions for which whole depreciation can be claimed in the first year itself.

Example:

- Asset cost : 4000
- Put into use : 15/7/2010
- Depreciation for 10-11 year would be 4000.

Depreciation Methods are used to calculate depreciation. The three methods supported by the Fixed Assets system are:

Straight Line (SLM) method

Reducing Balance (WDV) method

Sum-of-the-Years' Digit (SYD) method

Depreciation Rates can be defined based on:

Rate ID (this will have date ranges for the rates)

Useful life of asset (rates will be derived)

Yearly rates (will vary for each year)

Example:

Depreciation setup can be illustrated with the following simple example:

A Generator is purchased for USD 105,000; Expected salvage value is USD 5000.

It is mapped to an Asset Class "Equipment".

In-service date is 1/6/2003.

Depreciation Method applicable – Straight Line Method.

When the depreciation processing is run for the asset, the depreciation will be calculated based on the applicable parameters as defined in the Depreciation setup.

Depreciation calculated for the Generator equipment is as follows:

Depreciable amount = 105000 (Cost) – 5000 (Salvage Value) = 100000 USD

Applicable method = SLM

Applicable useful life = 5 years

Derived Depreciation Rate per year = 20%

Depreciation calculated per year will amount to USD 20000.

4.3.3 Functional Parameters

Parameter Description	Parameter value	Level	Remarks
Allow depreciation before period or year-end	Yes/No	Company Level	Specifies whether partial processing of depreciation can be done before the end of the financial period or the financial year if set to "Yes". If set to "No", then depreciation processing cannot be done prior to the financial period/financial yearend.
Depreciation - 30 days (for prorata convention) month	Yes/No	Company Level	Specify whether the applicable days for the purpose of depreciation is 30 days or the actual number of days of the month. If set to "Yes" the depreciation will be calculated for 360 days in a year.
Include capitalization date for depreciation	Yes/No	Company Level	Specify whether the asset capitalization date should be considered for depreciation or not.
Include processing (non-capitalization) date	Yes/No	Company Level	Specify whether the date on which depreciation processing is run should be included or not.
Number of rounding off decimals – Rate	0 – 5	Company Level	Indicates the number of digits to which the depreciation rate is rounded. A depreciation rate can be rounded off up to 2 digits.
Allow Modification of Residual Value at tag level	Yes / No	Company Level	Based on Residual value applicable for the company, indicates whether the same can be modified at tag level or nor.
Allow Modification of Useful Life at tag level	Yes / No	Company Level	Indicates whether the useful if in months can be modified at tag level or nor.
Depreciation Round Off Value	Blank, .05, 1	Company Level	Indicates whether the depreciation charges to be rounded off or not.

4.3.4 Concepts

Depreciation setup is the first step in maintaining the masters for processing depreciation on fixed assets. Depreciation Rates can be different for different types of fixed assets in a company like Buildings, Machinery, Computers, Furniture, etc. Also there could be different depreciation method or different rates for internal management use (costing purposes), companies act requirements or income tax requirements. Instead of mapping every asset to every method / rate, the depreciation setup master defined once can cater to number of assets having similar depreciation properties.

The setting up of depreciation rules across various depreciation books are handled in this component. Ramco ERP Suite Enterprise Edition - Fixed Assets System supports user-defined depreciation rules for calculating depreciation with different combination of rates / methods / basis / limits and conventions.

4.3.4.1 Maintaining Depreciation Setup

4.3.4.1.1 Defining Depreciation Category

Depreciation asset category is defined for a group of asset tags for the purpose of determining depreciation calculations. This is required when the company is bound to identify assets differently for depreciation purposes. Depreciation category can have different depreciation rules across depreciation books. For example, depreciation category - Plant & Machinery can be depreciated with SLM 10% in one book and WDV 15% in another book. By default, each asset class will be a depreciation asset category. Need for multiple depreciation assets categories under an asset class will arise, if there is a need to have different depreciation rate/methods in the same depreciation book, for assets falling under the asset class. For example, depreciation for Heavy machinery may be SLM 10% and for Light Machinery may be SLM 12%, though they fall under the same asset class. This will result in having two depreciation asset categories under an asset class.

4.3.4.1.2 Depreciation Calendar

The calendar details for Corporate Book and Tax Book will be defaulted from the Finance Book and Tax Books applicable for the company.

Depreciation Rates

Depreciation rates can be defined based on:

- Rate ID (with the date ranges for the rates)
- Useful life of asset (with rates derived based on the asset life)
- Yearly rates (with variation for every year)

Defining depreciation rates will be useful in situations where the depreciation rates are different for different years or periods. For example, some machines of a company may work for single shift during a particular period, whereas it may run for double or triple shift during peak seasons. In such a scenario, the depreciation rates can be defined based on actual rates to be charged.

Depreciation rates are specified for asset classes. The definition of depreciation rates becomes mandatory when the rates are of varying nature and does not follow a normal pattern based on standard methods like the Straight Line Method or Reducing Balance Method. The depreciation rates must be fully defined for a specific Rate ID. The validity dates for the depreciation rate ID must also be specified so that any asset mapped to this depreciation rate will be depreciated for the applicable date range alone.

4.3.4.1.3 Defining Depreciation Convention

While defining a depreciation rule, the applicable *Depreciation Convention* must be specified. Depreciation convention is meant to identify the type of depreciation property applicable for depreciating an asset in the initial year of the asset purchase. The four types of convention applicable in the Fixed Assets System are:

Prorate

Depreciation will be applied from the in-service date of the asset/tag. For example, consider an asset that costs USD 20000 and with the applicable rate as 15% for the year. If the asset is capitalized on 20th December 2002, the depreciation will be applicable for a period of 102 days up to March 2003 and hence the depreciation for the first year will be USD 850, calculated as: 20000 * 15% * (102/365).

Mid Year

This convention is followed in some countries with the definition as explained below:

- Half year of depreciation is taken for the first year if asset is placed in service after mid date, regardless of its in-service date and Full Year of Depreciation is taken for the first if asset is placed in service before/ON the mid date regardless of its In-service date
- If the asset is disposed before the end of its useful life, a half-year of depreciation is taken for the year of disposal if the asset is disposed in the first half year and full year of depreciation is taken for the year of disposal if the asset is disposed in the second half year, regardless of the month in which the asset was disposed
- If the asset were purchased before the middle of the year, depreciation would be processed from the beginning of the year
- If asset were purchased after the middle of the year, depreciation would be processed from the middle of the year date, up to the last date of the period in which depreciation is processed. For all the subsequent periods, full depreciation will be processed

For example, consider an asset capitalized on 14 February 2003 and costs EURO 25000. If the mid-year convention has been set, then the midyear date for depreciation processing would be 2nd July 2003, calculated as:

((Year End date - Year Star date + 1) / 2 + Year Start Date))

In this case, the depreciation would be processed for the asset only from the month of July 2003, when the processing is taken up for that period.

Mid Period

If mid-period depreciation convention were applied, depreciation would be processed for half the period of the financial period if the asset is capitalized after the mid date and full period will be considered if the asset is capitalized before the mid date. The same logic as specified for midyear will be applicable, except that depreciation will be charged for the period instead of the year.

User Defined

The applicable depreciation rate will be based on the first year convention percentage and the depreciation amount will be calculated on prorate basis during the first year. The user must specify the depreciation percentage applicable for the first year while defining the depreciation rule.

If user defined convention % is specified, depreciation would be processed proportionately for the first year. Under this convention the user-defined percentage would be applied on the formula as given below:

Cost of the asset	USD 10, 00,000
Depreciation	Straight Line Method – 20%
User-defined convention	40%
Last day of First Year	31 March 2007
Total Depreciation Days	146 (365 * 40%)
Mid Date	25 August 2006 (1 April 2006 + 146)

If the In Service Date lies before the Mid Date Depreciation will be processed from the Year Start Date and if the in service date lies after the Mid date, depreciation will be processed from the Mid date. Last year depreciation will be adjusted accordingly.

Full Period

Depreciation will be charged for the full period in which the asset has been capitalized irrespective of the in-service date of the asset.

Full Period Depreciation Calculation in Full Period Convention

If Depreciation processing 30 days in a Month Parameter is Yes

If a period is one calendar month and a year is having 12 periods,

Depreciation calculation will be

Ex 1: In service date: Any date in Any Month (Assuming 15th of October)

Asset Cost: worth 10,000

Rate Id: 20% (assuming 100% business use)

For the period

10000*20/100*(30/360) = 166.67 and

For the 1st year

10000*20/100*(30+30+30+30+30+30)/360 = 1000

For the next years

10000*20/100*(30+30+30+30+30+30+30+30+30+30+30+30)/360 = 2000

And if the Period is April to June, July to Sep, Oct to Dec and Jan to Mar

Depreciation calculation will be

Ex 1: In service date: Any date within a period i.e. Oct to Dec. (assuming 30th Dec)

Asset Cost: worth 10,000

Rate Id: 20% (assuming 100% business use)

For the period

10000*20/100*((30+30+30)/360) = 500 and

For the 1st year

10000*20/100*(30+30+30+30+30+30)/360 = 1000

For the next years

10000*20/100*(30+30+30+30+30+30+30+30+30+30+30+30)/360 = 2000

If Depreciation processing 30 days in a Month Parameter is No

If a period is one calendar month and a year is having 12 periods,

Depreciation calculation will be

Ex 1: In service date: Any date in Any Month (Assuming 15th of October)

Asset Cost: worth 10,000

Rate Id: 20% (assuming 100% business use)

For the period

10000*20/100*(31/365) = 169.86 and

For the 1st year

10000*20/100*(31+30+31+31+28+31)/365 = 997.26

For the next years

10000*20/100*(30+31+30+31+31+30+31+30+31+31+28+31)/365 = 2000

And if the Period is April to June, July to Sep, Oct to Dec and Jan to Mar

Depreciation calculation will be

Ex 1: In service date: Any date within a period i.e. Oct to Dec. (assuming 30th Dec)

Asset Cost: worth 10,000

Rate Id: 20% (assuming 100% business use)

For the period

10000*20/100*((31+30+31)/365) = 504.11 and

For the 1st year

10000*20/100*(31+30+31+31+28+31)/365 = 997.26

For the next years

10000*20/100*(30+31+30+31+31+30+31+30+31+31+28+31)/365 = 2000

4.3.4.1.4 Defining and Mapping Depreciation Rules

The depreciation rules defined, combines the properties of method, rates, useful life of the asset, basis, convention and range. After defining the depreciation rule, they have to be assigned to a depreciation category. Once this mapping is done, the depreciation setup is complete and the assets can be processed for depreciation.

4.3.4.1.5 Charging Different Depreciation Rates for Different Periods

Business need

Some companies will have extensive usage of machinery during a particular season in a year and normal usage in rest of the year (example - Sugar processing based on sugarcane harvest season; Garment industry during festival season etc.). The company may like to depreciate the machinery with higher depreciation during the season and with lower rates for off-season.

Depreciation rates in many countries are driven by statute. The rates can be revised during the financial year and these rates must be captured across the periods.

Supporting multiple rates for the same asset within the financial year is done indirectly. Depreciation rates are defined for a depreciation rate identifier and assigned to depreciation rules. These depreciation rate identifiers have effective and expiry dates. For example, consider depreciation for a Crushing Machine and other similar machines under an asset class “Plant & Machinery”, as 10 % off-season (1 Apr 2001 to 31 Aug 2001) and 15 % during season. In this case, two different depreciation rates have to be defined with the above effective date and expiry dates (1 Apr to 31 Aug 2001). This provides flexibility to the user to define varying rates for varying periods. The end date of the rate identifier can be left open.

4.3.4.2 Steps Involved in Depreciation Setup

The depreciation set-up can be illustrated with the following simple example:

Example:

A Generator is purchased for USD 105,000. The expected salvage value is USD 5000.

It is mapped to an Asset Class “Equipment”.

In-service date is 1/6/2003.

Depreciation Method applicable – Straight Line Method.

The following are the various steps involved:

Step 1: Select the Asset Class – “Equipment”

Step 2: Select the Depreciation Method – “Straight Line Method”

Step 3: Select the Basis: a) Acquisition Cost or b) Acquisition Cost minus Salvage Value.

Step 4: Specify whether the applicable rate is Yearly Percentage. If this is set to “Yes”, then the yearly percentage must be entered. On the other hand, if it has been set to “No”, then the system will calculate the yearly percentages automatically.

> ***Note**: If Depreciation Rate ID’s are maintained, then rates need not be specified for each depreciation rule. The depreciation rule can be directly mapped to the depreciation rate id.*

Step 5: Specify the useful life of the assets for calculating the applicable percentages.

Step 6: Specify the depreciation convention for the first year. If the prorate convention is selected, the depreciation will be charged from the in-service date to the year end date on a proportionate basis on the applicable rates.

Step 7: Specify the maximum and minimum depreciation, if required.

The Depreciation rule is created based on the information given in Steps 1 to Step 7. For example if the method selected is SLM and the useful life of the asset is 5 years, and the yearly percentage specified is “No”, the system calculates the applicable rates as 20% for the years 1 to 5. Once the Depreciation rule is created it will be mapped to the depreciation category.

Later, when the depreciation processing is run for any asset, the depreciation will be calculated based on the applicable parameters as defined in the Depreciation Setup. In the above example, for the Generator equipment the depreciation will be calculated as follows:

> Depreciable amount = 105000 (Cost) – 5000 (Salvage Value) = 100000 USD
>
> Applicable method = SLM
>
> Applicable useful life = 5 years
>
> Derived Depreciation Rate per year = 20%

Depreciation calculated per year will amount to USD 20000. During the first year, depending on the convention applicable, the depreciation would be charged accordingly. In this case, if the prorate convention is used, then depreciation would get charged from 1/6/2003 – 31/12/2003.

4.3.4.3 Modifying Depreciation Setup

The depreciation setup details can be changed, if required, in order to meet the changes in rates or rules. However any change of the depreciation setup will not have any retrospective effect for depreciation processing. If there is a rate change applicable on assets with retrospective effect, then the first step is to change the depreciation setup by defining a new rule mapped to the depreciation category. Subsequently, the activity “Change Depreciation” must be done to perform the depreciation processing with retrospective effect.

4.3.4.4 Activate / Inactivate Depreciation Setup

Some validations pertaining to activation or inactivation of depreciation setup are hereunder.

Depreciation Rule

If a depreciation rule has been assigned to a depreciation category, it cannot be inactivated.

Depreciation Rate

Depreciation rate ID cannot be inactivated if it has been mapped to a depreciation rule

Depreciation Category

Default depreciation category derived by asset class cannot be inactivated.

If rules have been assigned to a category, it cannot be inactivated.

4.3.5 Key Features

- Support for user-defined depreciation rules for calculating depreciation with different combination of rates, methods, basis, limits and conventions
- Provision to define depreciation rates both as annual rate common across useful life of asset as well as varying yearly rate (varying rate not supported for Declining Balance Method)
- Support for grouping assets under depreciation category based on common depreciation parameters
- Facility to depreciate at asset tag level
- Provision for a centralized depreciation setup

4.3.6 Predefined Values

S No	Entity	Predefined Values
1.	Depreciation Book Code	Corp Tax
2.	Depreciation Method	Straight Line Method Diminishing Balance Method Sum of Years Digit method
3.	Yearly Percent	Yes No
4.	Depreciation Convention	Pro-rate Mid Year Mid Period User Defined Full Period Full Year
5.	Basis	Acqn. Cost Acqn. Cost – Salvage

4.3.7 Deployment

Depreciation setup can be both centralized as well as decentralized in an installation. Depreciation setup will be done at the organizational unit level and single depreciation setup information can cater to multiple companies. However depreciation setup cannot be decentralized if processing of depreciation is centralized. In case of centralized deployment of depreciation setup, say at corporate level, then and then a single instance of depreciation setup needs to be deployed whereas the depreciation processing function can be decentralized.

On the other hand, if a company wants to decentralize asset depreciation function due to varied nature of business of different operations, then this component can be deployed in multiple organizational units of the company. For example, if a company consists of different types of business having assets of unique nature and each plant wants to maintain depreciation setup for fixed assets independently, then asset depreciation can be deployed in as many organizational units as required.

4.3.8 Component Interaction

Cardinality → Asset Depreciation Setup: Other Components

Component Name	Cardinality	Remarks
Organization Setup	N:1	
Accounting Setup	N:1	
Asset Type Definition	N:1	Asset class definitions can be centralized and depreciation setup can be at decentralized
Asset Depreciation Processing	1:N	
Asset Capitalization	1:N	

4.3.9 Status

S No	Entity	Status From	Status To	Task Performed	Remarks
1.	Depreciation Rule	-NA-	Active	Create Depreciation Rule	
		Active	Inactive	Inactivate Depreciation Rule	On inactivation of depreciation rule, status is updated to “Inactive”.
		Inactive	Active	Activate Depreciation Rule	On activation of depreciation rule, status is updated to “Active”.
		Active	Active	Edit Depreciation Rule	No change in status. Rule remains as “Active”.
2.	Depreciation Category	-NA-	Active	Create Depreciation Category	

S No	Entity	Status From	Status To	Task Performed	Remarks
		Active	Inactive	Inactivate Depreciation Category	On inactivation of depreciation category, status is updated to “Inactive”.
		Inactive	Active	Activate Depreciation Category	On activation of depreciation category, status is updated to “Active”.
		Active	Active	Edit Category	No change in status. Category remains as “Active”.
3.	Depreciation Rate	-NA-	Active	Create Depreciation Rate	
		Active	Inactive	Inactivate Depreciation Rate	On inactivation of depreciation rate, status is updated to “Inactive”.
		Inactive	Active	Activate Depreciation Rate	On activation of depreciation rate, status is updated to “Active”.
		Active	Active	Edit Depreciation Rate	No change in status. Depreciation rate remains as “Active”.

4.4 Asset Planning

4.4.1 Purpose

Every organization usually plan for fixed asset acquisitions since business plans are usually built on the increasing capacities as a result of fixed asset additions. A substantial amount of money is required to be committed for acquiring any fixed assets. The Asset Planning or Budgeting exercise involves collection of information relating to fixed asset requirements from various business units of the organization. At the company level fixed asset budgets are prepared and presented to the Board of Directors for their approval. Later the financial sanctions for procuring an asset are made at the business unit level. The functionality of asset budgeting is covered in the Ramco ERP Suite Enterprise Edition under “Asset Planning” component.

4.4.2 Overview

Information pertaining to budget and proposals are usually available with officials who are involved in the day-to-day monitoring/running of the unit. They will also be aware of the assets already in use, the level of utilization, the expected life and their replacement value. Alternatively, such crucial information is also readily available in the Fixed Asset Register under the relevant finance books. Based on the business plan prepared, the people at the business unit level compare the expected capacity and available capacity and request for additional fixed assets to be purchased.

Further, people involved in consolidation and subsequent processes have a view of the company as a whole and are aware of other macro level plans, budgets, strategies and objectives. These people also have permissions to view the Fixed Asset budgets in conjunction with the other budgets and take decisions on the overall Company budget and further allocations to the other Finance Books. Essentially Asset Planning involves a bottom–up

approach for consolidation of requirements from individual business units and top-down approach for allocation at the corporate level.

4.4.2.1 Asset Proposal

As fixed assets transactions are invariably high value transactions, which make a big difference to the financial statements of the Enterprise, every transaction must be scrutinized and authorized by employees empowered to take decisions. Hence, proposals are created and authorized.

Ramco ERP Suite Enterprise Edition - Fixed Assets system allows the user to create proposals for the following transaction types:

- Asset Acquisition
- Asset Disposal

Acquisition Proposal

Acquisition proposal is the financial sanction accorded by the company prior to the purchase of fixed assets. Normally a budget gives the roadmap for the capital purchases during a year and is specified for an asset class only. However, the proposal gives much more details like asset details, cost, board approval reference, date etc. An asset proposal will be updated to “Fresh” status on definition and can be modified till authorization.

Retirement Proposal

Retirement proposal is the financial sanction accorded by the company prior to the disposal of fixed assets. Since fixed asset disposal can result in significant profit or loss on sale and has material impact in the financial statements, the Board usually approves the retirement of high value assets. The retirement proposal gives the corresponding asset details like: sale value, board reference number, date etc.

4.4.3 Concepts

4.4.3.1 Steps involved in Asset Planning

Asset Planning involves three steps:

1. Creation of Budget requirements (non-mandatory)
2. Budget definition
3. Asset Proposal definition

4.4.3.2 Key Data Elements in Asset Planning

Budget Requirement Amount is the amount specified for the financial year in the respective finance books. The operating business units based on the business plan give the Capital Budget requirements for the approaching financial year. The budget requirement can be specified in both the base currency and other transaction currencies.

Allocated Amount is the budget amount allocated to a combination of Asset Class, Finance Book, Financial Year and Currency. The allocated amount in a Budget may be lesser or greater than the budget requirement amount. Allocated amount represents the actual budget amount allocated by the company based on the business plan and cash flow projections. Allocated amount can have a variance based on the parameter value set during budget creation.

Variance Amount is the budget variance that is allowable against an Asset Class. Normally companies specify the variance limits against the budgetary allocations so that during unforeseen circumstances, the variance amount can be utilized.

Total Proposed Cost in Base Currency represents the acquisition proposal cost in base currency for an Asset Proposal. If the proposal details are given in other currencies, then it is converted into base currency by multiplying with appropriate exchange rate specified.

Proposed Cost Including Variances represents the total cost of an asset proposal including the variance amount or % specified for an Asset. The variance amount is added to the asset cost specified. The variance may be specified as fixed amount or as a % of the allocated amount, based on which the proposal cost is recalculated including the variances.

Committed Amount represents the amount of purchase orders raised on the suppliers. The company has to accept the materials supplied as specified in the order subject to other terms and conditions. It also represents the Sundry Payment vouchers raised, by referring the Asset Proposal Numbers.

Liability Booked amount represents the amount payable to the supplier based on the actual material supplied for which the company is liable to make the payment.

Amount Utilized represents the amount capitalized for an asset against a proposal.

Exchange Rate Variance % is the exchange rate variance allowed in an acquisition proposal, wherein the proposal is defined in a non-base currency.

Cost Variance % represents the amount of total cost variance allowed against an acquisition proposal.

4.4.3.3 Defining Budget Requirements

Budget Requirement is the list of requirements for budget in a financial year. This is done for a combination of asset class, currency, and finance book. Once the budget requirement is specified, then budget can be allocated against this requirement. In the budget requirement, the user must specify the asset class, finance book, amount required and the currency. The requirement amount can be in the base currency of the company or any other transaction currency. The exchange rate will be defaulted from the exchange rate master, which can be changed by the user if required. The budget requirement is generated in “Fresh” status.

On authorization the status changes to “Active”. Unless the budget requirement is authorized, the requirement cannot be taken up for generating budgets.

However defining budget requirement is not mandatory. A company can decide to go ahead with budgets directly, instead of specifying budget requirements. However once budget requirements are specified for an asset class in a financial year, then for that financial year, asset class, currency and finance book combination, the budgets must be made as a requirement-based budget.

4.4.3.4 Editing Budget Requirements

The budget requirements in “Fresh” status can be modified at any time before authorization. This may be done in circumstances wherein the budget requirements have changed and has to be incorporated. The modified budget requirement remains in “Fresh” status and can be authorized later to make it “Active”.

Budget requirements that are no longer in use can be deleted. This can be done in circumstances wherein the company needs to change the budget requirement details or where the company does not need the budget requirement. The status of the budget requirement changes to “Deleted”.

4.4.3.5 Amending Budget Requirement Details

Necessity for more budget requirements during the year, calls for amending the requirement. However, amending budget requirements can result in decrease in the budget requirement also. All the budget requirements in “Active” status can be amended during the year.

Pre-requisites

Once the budget is already utilized then the budget requirement cannot be reduced below the utilized amount. However the budget requirement can be increased by any amount wherever required. The financial year should be in “Open” status at the time of amending the budget requirement.

4.4.3.6 Defining Budgets

Capital budgets can be defined for an asset class, finance book, currency and financial year combination. This can be based on a requirement or without it, depending upon the needs of the company. The company can give the budget amount allocated against the asset class. The variance allowed can be set to either “Yes”, “No” or “Unlimited”. If the variance is allowed, then the variance amount or the variance percentage applicable on the allocated amount needs to be specified.

The budget can be specified either in the base currency or the transaction currency permitted for the company. If the budget is specified in other currencies, then the system calculates the budget amount in base currency based on the exchange rate applicable. The budget is generated in “Fresh” status during definition.

Requirement Based Budget is the centralized function of arriving at the budget for the company in a financial year. Normally the budgets are approved at the corporate head office based on the requirements received from the operating units. The corporate office after careful consideration of the budget requirement and the projected business plan and cash flows, will approve the budgets for the operating units. The budgets so authorized may be the same as the budget requirement or even lesser or greater than the requirement amount. The corporate office also specifies whether variance is allowed and if so what is the percentage of variance to be allowed.

Non-requirement Based Budget is the budget approved by the company without reference to the budget requirement. Budget requirement is not mandatory information. Hence a company can operate with non-requirement based budgets also. All the other functions are the same as that of a requirement based budget. However if a budget requirement exists for a financial year in a finance book, then it is necessary to go through a requirement-based budget.

If the variance applicable parameter is set to “No”, then proposals can be generated without any limit. However if the variance applicable is set to “Yes” and the variance amount is specified, then the proposals can be generated to a maximum of “Allocated Amount” + “Variance Amount”. If the variance percentage has been specified, then the proposals can be generated to the maximum of “Allocated Amount” + Variance Amount (= Allocated Amount * Variance %).

4.4.3.7 Modifying Budgets

Budgets in “Fresh” status can be modified any time before authorization. Such a need arises when some of the budget needs to be corrected before forwarding it for authorization. The allocated amount, variance amount or a percentage of the allocated or variance amount can be changed in this activity.

Any budget that is not required in future can also be deleted due to various business reasons. On deletion, the status of the budget changes to “Inactive”. Budget once deleted cannot be reactivated. However, another similar budget can be created for the financial year.

4.4.3.8 Authorizing Budgets

Budgets in “Fresh” status can be authorized and on authorization its status changes to ”Active”. An Active budget can be taken up for generating asset acquisition proposals. During authorization the allocated amount and the variance details can be modified, if required.

The person approving the budget, due to certain reasons or for further clarifications, can also return a budget. A budget that has been returned can either be modified or deleted.

4.4.3.9 Amending Budgets

Due to the very dynamic nature of the business environment the budgets may undergo certain change, which calls for amending the budget details. For example, a company may find a sudden investment opportunity, which demands additional capital budget. This could not have been originally envisaged when the budget was originally proposed. To accommodate such requirements, a feature for amending the existing budget is provided as part of Ramco ERP Suite Enterprise Edition – Fixed Assets System. Any budget in "Active" status can be amended and the budget amount can be increased as much as required by the company.

Prerequisites

The following things must be ensured before amending a budget:

- If the budget has already been utilized, then the budget requirement cannot be reduced below the utilized amount. However the budget requirement can be increased to any amount wherever required
- The financial year must be in "Open" status at the time of amending the budget requirement

4.4.3.10 Defining Asset Proposal details

Proposal is a document representing the financial sanctions, which, would result in, increase or decrease in the total value of Fixed Assets of a company. If a company chooses to implement the Asset Planning component, then large-scale integration with other components like Purchase Order, Direct Invoice, and PO based Invoice, Asset Acquisition, Asset Disposal and Asset Information is required.

The outcome of the Asset Planning exercise is the Fixed Asset budget. This budget is primarily for fixed asset acquisitions and tracking the actual expenditure. After the budget has been frozen, it is also necessary to track the various stages at which the acquisition process is in progress, so that a realistic analysis of the budget can be made to arrive at further conclusions. The various stages of a typical asset purchase process are:

- Commitment of costs based on Purchase Orders raised,
- Booking of Liability based on Invoices raised and Vouchers Paid,
- Booking of Utilized Amount on Capitalization of Assets against an Asset ID in the Asset acquisition function; and
- Balance unutilized amount

The common thread in all the above functions is the Proposal Number. A Proposal is a document, identified by a unique Proposal Number, in which a particular course of action is proposed and its corresponding financial implications are also drafted. A Proposal raised may or may not refer to a budget. For example, a proposal raised for retirement of assets will not refer to a budget. For such proposals, budget tracking is done at the Proposal number level. Therefore creation of Proposals of various types, some of which mandatorily refer to budgets and some that do not, are supported.

Proposal Creation

Two types of Asset Proposals are supported. They are:

- Asset Acquisition Proposal
- Asset Retirement Proposal

Proposals of the first type i.e. Asset Acquisition proposals, must refer to an authorized Budget of the relevant financial year. All Acquisition proposals must always be created for a single Asset Class, referring to a Finance Book.

When Proposals are raised Asset Acquisition validation has to be done in order to verify whether the sum of all proposals raised in the referred proposal type does not exceed the allotted amount of the budget. When a Proposal is created, specification on whether variation is allowed, and if yes, by what value or percentage can also be given. Also, if a proposal is created as a non-base currency proposal, then the percentage of variance allowed on the exchange rate must also be specified. Proposals can be modified as long as they are in 'Fresh' status. Once

a Proposal has been “Authorized” further modifications are possible only by amendments. Amendments are allowed till the Proposal is closed. Every proposal has an Expiry Date indicating its validity period.

Asset Retirement Proposals are created for an Asset ID and indicates a sale value if the asset is meant for sale. The Company can decide on the minimum cost for the sale of the asset, for which the retirement proposal is created. This value can be specified in the “Company Parameter Setup” component.

Proposal Tracking

Committed Amount

Committed Amount in the Asset Proposal will get updated at the time of Approving Capital Purchase Order, Amending Purchase Orders, Short-closing Purchase Orders, Authorizing Sundry Payment Vouchers, Reversing Sundry Payment Vouchers, Approving Material Request, Amending Material Request and Short closing the Material Request.

Liability Amount

Liability Amount in the Asset Proposal will get updated at the time of Authorizing Supplier Order Based Invoices, Authorizing Supplier Direct Invoices, Payment of Sundry Payment vouchers, Authorizing Credit Note and Approving Inventory Issue. The Liability Amount will get updated downward while reversing the above invoices or void the payment of the vouchers.

Utilized Amount

Utilized Amount will get updated upward on Authorization of Assets based on the above documents and by Downward on Reversal of Assets.

All the above activities can be done only within the expiry date of the proposal. Tracking proposals is always done with reference to the base currency and the budget currency (if requested by the Company).

Reports on a comparison between the budget and the proposal amounts, against actual amount spent on Fixed Assets purchase, are provided as part of the Fixed Assets system. These reports can be used for analysis and control purposes.

4.4.3.11 Amending Asset Proposal Details

Asset proposal details can be amended to increase or decrease the proposal amount. However this is subject to following pre-requisites:

- The asset proposal should be in “Active” status. A deleted or closed proposal cannot be amended.
- The asset proposal can be reduced subject to the condition that the reduced amount is not less than the liability booked against the proposal number. However the asset proposal amount can be increased as much as required by the company subject to the budget amount.
- The financial year in which the proposal is made should be in “Open” or “Provisionally Closed” status for amending the proposal.

4.4.3.12 Closing an Asset Proposal

When the amount specified in the asset proposal is fully utilized the status automatically changes from “Active” to “Closed” on utilization.

However an asset proposal can be pre-closed before the amount is utilized, during certain circumstances in which the company decides to discontinue with further capitalization of the asset. Normally when the asset envisaged in

the asset proposal is fully utilized then the proposal number gets automatically closed. However if only part of the proposal is utilized and balance is available then there is a need to pre-close the asset proposal.

But when the Committed or Liability amount is already booked against the Proposal, it cannot be short closed.

4.4.4 Algorithm

Finance Book: Watch Manufacturing Division

Financial Year: 2003-04

Base Currency: USD

Asset Class Code	Currency	Amount Required	Exchange Rate	Base Requirement Amount
Equipment	EUR	500000	0.90	450000
Computer	USD	25000	1.00	25000
Building	USD	200000	1.00	200000

When the budget requirement amount is authorized, then its status changes to “Active” and the budget can be generated.

Budget requirement can be generated for a combination of finance book, financial year, and asset class. There is also a provision to generate budget requirements in currencies other than the base currency of the company.

4.4.4.1 Requirement Based Budget

Where requirements are specified, budgets can be approved only against the requirements sought. However, the budget approval can be less or even more than the requirements made.

4.4.4.2 Validation of Proposals during Transactions

4.4.4.2.1 Acquisition Proposal

Asset proposals can be validated either in the base currency or in the transaction currency depending on the requirements of the company. Ramco ERP Suite Enterprise Edition supports asset proposals in both the base currency as well the other currencies. The company has to decide whether currency validation is required for asset budget, which can be set as a parameter in the “Company Parameter Setup” component.

During transactions pertaining to capital purchases, the amount spent will be validated against the specified proposal details. Transactions will take place, provided the actual amount spent is less than or equal to the proposal amount. If not, then the transaction will be rejected. This model has been designed to ensure that the company does not overshoot the budgeted capital expenditure.

The proposal amounts can be specified either in the base currency of the company or other transaction currencies. As a result, the following validations are done during transactions:

- If the process parameter (in the Company Parameter Setup component) for currency validation in budgets is set to “Yes” and whenever any proposal is entered in a currency other than the base currency, then the proposal amount is estimated with respect to the proposal currency.
- On the other hand, if the process parameter is set to “No”, then all the validations will be done with respect to the base currency of the company during transactions. This is done by calculating the base amount and by converting the transaction currency into base currency using the exchange rate specified.

4.4.4.2.2 Asset Proposal in Base Currency

If the process parameter for currency validation in budgets is set to “No”, then the budget or proposal defined in other currencies will be for information and analysis purposes only. The system does not validate the proposal amount as specified in the transaction currency. Instead it validates the amount against the base currency that has been derived based on the exchange rate applied on the transaction currency.

For example consider a company that is planning to buy machinery for USD 20000 and the base currency is INR. The exchange rate for USD to INR is INR 48 per USD. The proposal amount in base currency is Rs. 960000. If the currency validation is set to “No”, then the proposal will be validated only against base currency even if the actual cost is more than USD 20000.

4.4.4.2.3 Validation of Asset Proposal in Non-base Currency

To validate asset proposals in non-base currencies, the “Currency validation required for asset budget” parameter must have been set to “Yes” in the Company Parameter Setup component. Subsequently, the system validates the transaction amount against the proposal amount in the transaction currency. In the example mentioned in earlier, the proposal amount has been created for USD 20000. Hence transactions will validate the proposal only against USD (the transaction currency). Even if the value of the asset cost is more than INR 960000, the system will validate the transaction amount against the USD value only.

4.4.4.3 Retirement Proposal

During retirement of assets, the retirement proposal will be validated for the asset details and the sale value of assets.

Retirement proposal is mandatory in a company if the component Asset Planning is deployed. However some companies may require a threshold limit up to, which a proposal is not required. This will ensure that small value assets can be disposed off without board sanctions or approvals. This threshold limit is specified as the process parameter “Retirement Proposal not required for Amounts below” in the Company Parameter Setup component.

Once the limit is specified, the Asset Disposal component will validate for retirement proposal only where the cost of asset exceeds the threshold limit. During an asset disposal, where the proposal number has been referred to, only the assets included in the retirement proposal can be retired.

4.4.5 Key Features

- Defining Budget requirements at the finance book level
- Defining or approving Budgets at corporate level based on overall Capital Expenditure planning. Budgets can be either requirement or non-requirement based budget
- Defining Acquisition Proposal for financial sanctions of asset purchases
- Retirement Proposal for controlling Asset Retirement
- Support for tracking Asset Acquisition type proposals through different stages of commitment
- Support for allocation of amounts to Finance Books with provision to indicate whether variance is allowed and also specify the amount of variance
- Facility to create budgets / proposals in multiple currencies
- Amendment of budgets / proposals based on business requirements
- Facility to View the Amendment History of Budget Requirement, Budget and Proposals
- Provision to configure Multi-level authorization of acquisition / retirement proposal

4.4.6 Predefined Values

S No	Entity	Predefined Values
1.	Allow Variance	• Yes • No • Unlimited
2.	Proposal Type	• Acquisition • Retirement

4.4.6.1 Transaction Types

The component will lead to the following transaction types.

S. No	Tran Type	Description
1.	APRO	Acquisition Proposal No.
2.	RPRO	Retirement Proposal No.
3.	APLANBUDREQ	Budget requirements
4.	APLANBUDG	Budgets

4.4.7 Functional Parameters

There are no functional parameters associated with the asset planning process.

4.4.8 Deployment

One instance of the Asset Planning component can be deployed for a company. Typically the budget requirements are sent from difference units and the budgets are authorized centrally in the Head Office. Once the budgets are authorized, proposals can be generated for the respective finance books and the asset classes. The transaction components can refer to the proposal numbers while purchasing fixed assets and all the validations with respect to proposal numbers will be made during the transactions. The transactions can be decentralized at various organization units, which refers to the single Asset Planning component defined for the company.

4.4.9 Status

4.4.9.1 Document Status

S No	Entity	Status From	Status To	Task Performed	Remarks
1	Budget Requirement	-NA-	Fresh	Create Budget Requirement	
		Fresh	Active	Authorize Budget Requirement	On authorization of budget requirement, the status changes to “Active”.

S No	Entity	Status From	Status To	Task Performed	Remarks
		Fresh	Deleted	Delete Budget Requirement	On deletion of budget requirement, the status is updated to “Inactive”.
2	Budget	-NA-	Fresh	Create Budget	
		Fresh	Active	Authorize Budget	On authorization of asset budget, the status changes to “Active”.
		Fresh	Deleted	Delete Budget	On deletion of asset budget, the status is updated to “Inactive”.
3	Asset Proposal	-NA-	Fresh	Create Asset Proposal	
		Fresh	Active	Authorize Asset Proposal	On authorization of asset proposal, the status changes to “Active”.
		Fresh	Deleted	Delete Asset Proposal	On deletion of asset proposal, the status is updated to “Inactive”.
		Active	Closed	Close Asset Proposal	Asset Proposal status changes from “Active” to “Closed”.

Note: *The status of budget requirements, budgets and asset proposals remains “Active” during amendment.*

4.4.10 Component Interaction

Cardinality → Asset Planning: Other Components

Input from Component	Cardinality
Asset Type Definition	1:1
Purchase Order	1:N
Goods Receipt	1:N
Supplier Order Based Invoice	1:N
Supplier Direct Invoice	1:N
Sundry Payments	1:N
Supplier Debit Credit Note	1:N
Asset Capitalization	1:N
Asset Disposal	1:N
Customer Direct Invoice	1:N
Organization Setup	N:1

Input from Component	Cardinality
Numbering Class	N:1
Exchange Rate	N:1
Financial Calendar Closure	1:N
Company Parameter Setup	1:1
RP	1:N
Accounting Setup	1:1
Asset Inquiry	1:1
Material Request	1:N
Stock Issue	1:N
Stock Return	1:N

4.4.11 Reports (Online)

4.4.11.1 View Budget

<Company Report CSOL-FA-001-

View Budget

Budget No.<Requirement No> Amendment No.<Amendment No.> Status<Finance Book Name>
Budget Date<Date> Financial Year<Financial Year> Finance Book<Finance Book Name>
Total Base Requirement Amount Total Base Allocated Amount
Total Base Variance Amount Total Base Balance Amount

Finance	Asset Descriptio	Amount Required	Currenc	Exchange Rate	Base Amoun	Allocated	Variance %	Variance	Base Allocated Amoun	Base Variance Amoun	Remark

<<<End of

4.4.11.2 Budget Requirement Report

<Company Name> Report ID: CSOL-FA-001-02

Budget Requirement

Requirement No. *<Requirement No>* **Amendment No.** *<Amendment No.>* **Status** *<Finance Book Name>*

Request Date *<Date>* **Financial Year** *<Financial Year>* **Finance Book** *<Finance Book Name>*

Asset Class	Description	Amount Required	Currency	Exchange Rate	Base Amount	Allocated Amount	Allow Variance	Variance Amount	Remarks

4.4.11.3 Acquisition Proposal

<Company Name> Report ID: CSOL-FA-016-01

Acquisition Proposal

Proposal No. *<Requirement No>* **Amendment No.** *<Amendment No.>* **Status**

Proposal Date *<Date>* **Finance Book** *<Finance Book Name>*

Proposal Description **Financial Year** *<Financial Year>* **Budget No.**

Asset Class Code **Board Reference** **Board Reference Date**

Expiry Date **Currency** **Exchange Rate**

Exchange Rate Variance % **Cost Variance %** **Committed Amount**

Liability Booked **Amount Utilized** **Balance Amount**

Asset Description	Number of Units	Currency	Proposed Cost	Cost In Base currency

Total Proposed Cost In Base Currency

<<<End of Report>>>

4.4.11.4 Retirement Proposal Report

<Company Name>					Report ID:	CSOL-FA-016-01
Retirement Proposal						
Proposal No. <Requirement No>		Amendment No. <Amendment No.>			Status	
Proposal Date <Date>		Finance Book <Finance Book Name>				
Proposal Description		Financial Year <Financial Year>			Retirement Mode	
Board Reference		Board Reference Date			Board Reference Date	
Asset No.	Description	Tag No.	Description	Asset Cost	Cost In Base currency	Net Book Value
Total Sales Value						
<<<End of Report>>>						

4.4.11.5 Process Configuration

Source Activity	Task	Next Activity	Of Component
Create Budget	Create	Authorize Budget	Asset Planning
Edit Budget	Edit	Authorize Budget	Asset Planning
Create Asset Proposal	Create	Authorize Asset Proposal	Asset Planning
Edit Asset Proposal	Edit	Authorize Asset Proposal	Asset Planning
Authorize Proposal	Return Asset Proposal	Edit Asset Proposal	Asset Planning

4.5 Asset Account Rule Definition

4.5.1 Purpose

Most of the asset transactions have financial implications and so the accounts that would be affected must necessarily be specified during the transactions. Since fixed asset transactions are high in value, the consequences of wrong entries being passed will be serious. Hence specifying accounts that would be defaulted during asset transactions becomes inevitable. This facilitates ease of data entry and speeds up the completion of transactions. So, asset account rules are defined to default the accounts based on the asset transactions and the assets involved.

4.5.2 Overview

Asset Account Rule Definition specifies the accounts that would be affected by the asset transactions, with respect to the asset class and the finance book of the assets involved in the transaction.

Definition of Usage

Usage indicates the nature of the account, which can be called by different components. For example, An Asset account created for the usage Capitalization can be used while posting entries pertaining to both Asset Capitalization (during capitalization) and Asset Disposal (during retirement). The following usages are available in Asset Account Rule Definition:

- Capitalization Asset
- Depreciation
- Cumulative Depreciation
- Capital Work In Progress

- Gain On Revaluation
- Loss on Revaluation
- Revaluation Asset
- Revaluation Reserve
- Revalued Cumulative Depreciation
- Revalued Depreciation
- Impairment Loss
- Accumulated Impairment Loss

Refer the Application Reference Manual on *General Accounting* (Section 4.5), for more details on Account Rule Definition.

5 Transaction / Processing

5.1 Asset Capitalization

5.1.1 Purpose

Asset Capitalization refers to the process of posting accounting entries pertaining to fixed assets, to the financial book of the company. Apart from this, all the details pertaining to the fixed assets of a company are also captured. In majority of the cases, asset capitalization process is triggered by purchase of fixed assets. Moreover, assets of a company that are under construction can also be maintained and accounted. On the date of completion, these WIP (Work in Progress) assets can be capitalized as fixed assets.

Capitalization is the first stage in the life cycle of an asset. Once an asset is capitalized, it is available in the system for further processing like depreciation processing, insurance payments, physical inventorying, transfers, revaluation and retirement.

5.1.2 Overview

Asset capitalization refers to the process by which an Asset comes into existence in the books of a company.

The normal way of acquiring an asset is through Purchasing, that is, the Accounts Payable method. The company budgets for capital expenditure in a financial year and issues a financial sanction through an asset proposal, towards the purchase of the asset. In the Purchasing function, the user raises a Capital Purchase Request followed by a Capital Purchase Order, against a Proposal Number (created in the Asset Planning component (Refer *Reference Manual on Purchasing* for more details on Capital Purchase Request / Orders). The asset is capitalized by mapping the Supplier Invoice Numbers, against which the asset was supplied.

Invoices in multiple currencies can be retrieved for capitalization. For example, if assets are imported, then in all probabilities, the supplier may raise invoices in a currency other than the base currency of the company.

Two categories of asset capitalization has been provided as part of the Fixed Assets system, namely-

1. Create Simple Asset – This is more frequently used in business scenarios, wherein one or more documents are referred to capitalize an asset. These documents must necessarily be Capital documents. Also, only one asset tag can be added to a Simple Asset.
2. Create Complex Asset – This flavor is designed to capitalize assets at both document level and line level details. For example, consider an invoice consisting of 2 asset items, raised by a supplier. Line 1 pertains to one asset and Line 2 to a different asset. Capitalization in such cases can be done by specifying details at the document level and at the line level.

There can also be a situation when expenses charged need to be capitalized. For example, foreign technician charges may be charged to revenue expenditure initially. When such expenses need to be capitalized, the invoices can be selected and capitalized. The asset capitalization process is diagrammatically represented as shown in Figure 6.

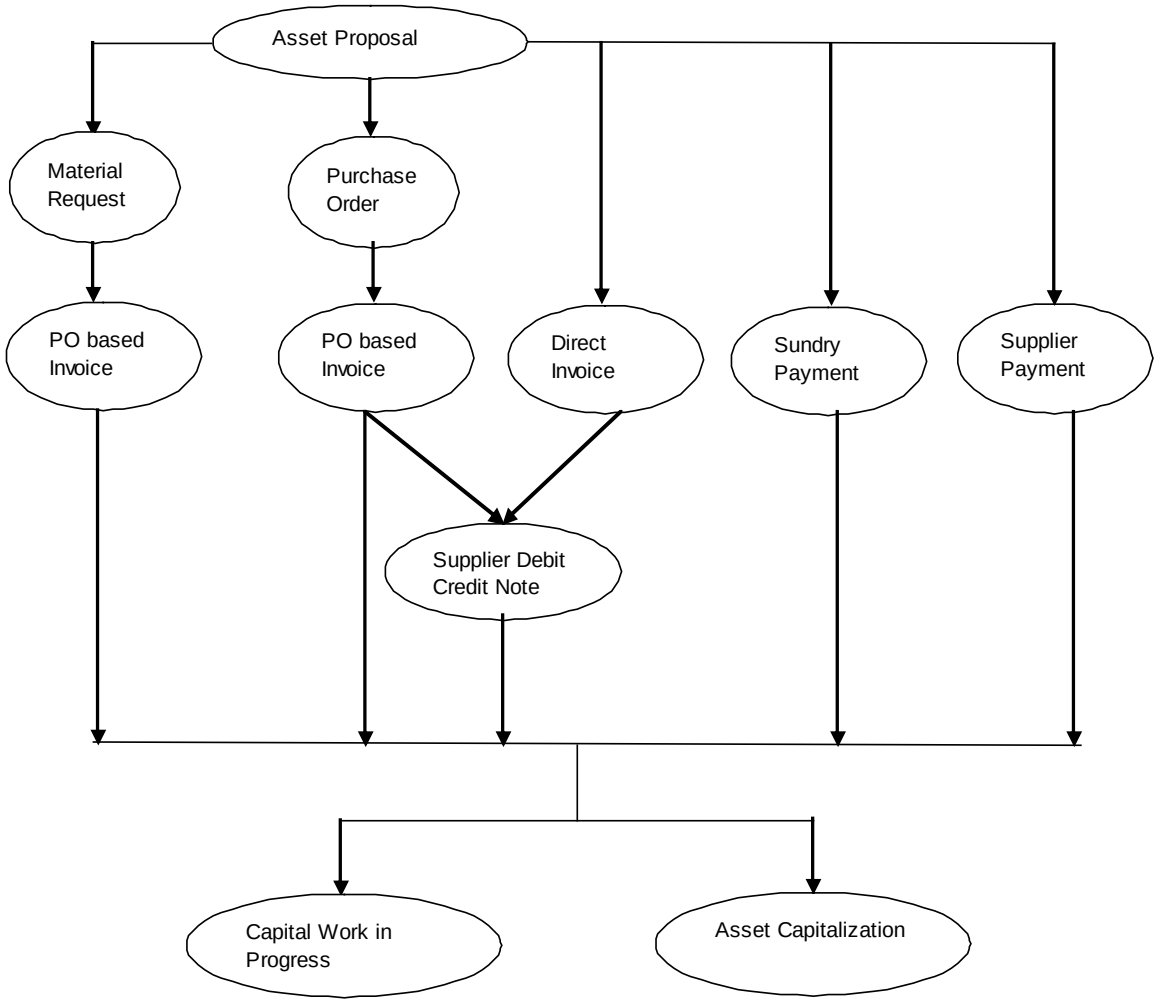


Figure 6: Asset Capitalization Process

5.1.2.1 Generating Bulk Assets

In the Ramco ERP Suite Enterprise Edition - Fixed Assets System, the feature for generating bulk assets can be used to generate multiple assets of the same type through a single activity. For example, if a set of computers has to be registered as assets in a company, then they can be created with separate asset numbers for easy tracking. However, while creating assets in bulk, the reference documents are the same and the asset costs specified in these documents are distributed among all the assets. This feature allows the users to capitalize multiple assets through quick asset creation.

Example of Bulk Asset Generation

Supplier Invoice No:	**A001**
Invoice Date:	**12/5/2003**
Asset purchased:	**25 Computers**
Cost of each Computer	**USD 1500**

Total Invoice Value **USD 37,500**

In-Service Date: **15/5/2003**

A company wants to capitalize a set of 25 computers installed at various locations. The document reference is the single invoice. In order to avoid repetitive data entry, a feature has been provided by which bulk capitalization of assets can be made.

During bulk asset generation, each asset will be generated with a unique asset number with a tag attached to it. There is also a facility to generate multiple assets with multiple tags using this feature.

5.1.2.1.1 Bulk Tags generation

This feature is applicable where the company wants to capitalize a single asset but with multiple tags for similar type of assets purchased. Generation of bulk tags for a single asset can also be done in the Fixed Assets System.

5.1.2.2 Capitalizing an asset

As already mentioned, asset capitalization process is usually triggered by the purchase of assets. These purchases are usually accompanied with the generation of invoices and other reference documents. The reference documents can be fetched either as a capital Document or Non capital document based on the availability of Proposal Id. The following are the various documents that can be referred to while capitalizing an asset:

Order based invoice

The information flow and sequence of operations while purchasing assets through a Purchase Order Based Invoice are as follows:

Capital Purchase orders can be used to purchase fixed assets and such Purchases may or may not have a Goods Receipt stage. When an Order Based Invoice is received in the Payables Management function, two-way or four-way matching of the assets is done and the invoice is authorized. Subsequently, information pertaining to the capital purchase is brought into the Fixed Asset system. Further, single asset or multiple assets can be created depending on the nature of items contained in the invoice.

It must be noted that multiple Purchase Orders, Goods Acceptance and Invoices would have been raised for the purchase of a single asset. On the other hand, a single invoice could also contain multiple assets that have to be capitalized. Hence the user can apportion the invoice amount over multiple assets and can also select specific line items from an invoice for capitalizing an asset.

Taxes, Charges or Discounts (TCD) applicable on the invoices can also be considered for capitalization. If tax, charge or discount is applicable on the items, then the capitalization amount will include the same, while retrieving details into the Fixed Asset system. However, if the TCD amount is expensed off, then it will not be available for capitalization.

A Regular Order based invoice can also be capitalized by fetching the same through non capital document.

Refer the *Basic Reference Manual on Payables Management* for details on Purchase Order Based Invoice function.

Delivery Charges Invoice

TCDs added in capital Purchase Orders payable to non document suppliers can also be capitalized by fetching the Delivery Charges Invoice for capitalization.

Direct Item Invoice

Payables Management function can raise direct Item invoices based on Proposal numbers created in the Fixed Assets system and the Information pertaining to these invoices come into Fixed Assets system on authorization of the direct Item invoice. Similar to an Order based Invoice, a direct Item invoice can also be used to create multiple assets and multiple such direct Item invoices can be used to capitalize a single asset. Capitalizing tax, charges and discounts will be similar to that of an Order based invoice as mentioned in the previous section.

A Regular Item invoice can also be capitalized by fetching the same through non capital document.

Refer the *Basic Reference Manual on Payables Management* for details on Supplier Direct Item Invoice function.

Direct Expense Invoice

Payables Management function can raise direct Expense invoices based on Proposal numbers created in the Fixed Assets system and the Information pertaining to these invoices come into Fixed Assets system on authorization of the direct Expense invoice. A direct invoice can also be used to create multiple assets and multiple such direct Expense invoices can be used to capitalize a single asset.

A Regular Expense invoice can also be capitalized by fetching the same through non capital document.

Refer the *Basic Reference Manual on Payables Management* for details on Supplier Direct Expense Invoice function.

Credit Note

Credit Notes pertaining to capital invoices, issued to a supplier can be retrieved during asset capitalization. If a credit note has been issued to suppliers for the service charges levied during installation of assets, then the corresponding amount will be added to the asset cost during capitalization.

Credit Note pertaining to Non capital invoices can also be capitalized through Non capital document.

Refer the *Basic Reference Manual on Payables Management* for details on Supplier Debit / Credit Note function.

Sundry Payments

When assets are purchased from suppliers who are not a part of the Supplier master (one-time suppliers), then payments made to them are handled as part of Sundry Payments. For example, the interest charged by a bank on the loan availed for the purchase of assets can be capitalized. When the bank debits this interest amount, Sundry Payment vouchers raised against it, can be capitalized.

Regular Sundry payment vouchers can also be capitalized by giving the asset proposal number at the time of capitalization.

Refer the *Basic Reference Manual on Payables Management* for details on Sundry Payment function.

Supplier Payments

Any exchange gain or loss that occurred on releasing payment to a supplier in a currency other than base currency can be capitalized. The Supplier Payment Vouchers raised in this regard can be retrieved to capitalize the exchange gain or loss. The exchange gain will be reduced from the asset cost whereas the exchange loss will be added to the asset cost.

Exchange rate variance in the Payment Vouchers with respect to the Capital invoices will be fetched as capital documents and with respect to Regular invoices will be fetched as Non capital documents. However the user has to be conscious in capitalizing the non capital supplier payment vouchers to ensure that the supplier payment voucher belongs to the capitalized regular invoices.

Refer the *Basic Reference Manual on Payables Management* for details on Supplier Payments function.

Capital Work Order

Asset acquisition can also be done through the Capitalization method, where the user can build a new asset accounting its capital as well as revenue expenses. Invoices from the Payables Management function can be captured and records can also be manually added to the Fixed Assets system in order to capitalize the entire lot on a new asset.

Capital Work Order can only be fetched as Capital Documents.

Inventory Issue

The information flow and sequence of operations while receiving capital items through a Material Request and Inventory Issue are as follows:

Material Request Based Inventory Issue can be used to receive Items from the Normal warehouse for Capital Purpose. These Issue Documents are brought into the Fixed Asset system as a Reference Document for capitalized. Further, single asset or multiple assets can be created depending on the nature of items contained in the inventory Issue.

It must be noted that multiple Inventory Issues would have been raised for the capitalization of a single asset. On the other hand, a single Inventory Issue could also contain multiple assets that have to be capitalized. Hence the user can apportion the Issue amount over multiple assets and can also select specific line items from an Issue for capitalizing an asset.

Material Request Based inventory Issue with capital items will not be fetched for capitalization and it will be capitalized through normal PO, GR and Invoice cycle by fetching the capital Invoices.

However, Material Request Based Inventory Issue which contains non capital items can be capitalized either as a capital document or as a non capital document. Material Request which contains proposal number will be considered as Capital document and which do not contain proposal numbers will be considered as non capital documents. Hence while capitalizing the non capital items, care to be taken by the user to avoid double capitalization of the items.

Capitalization generally happens only when all the materials have been used and unused materials if any exists are returned. But with respect to Inventory Returns against the Material Request after capitalization, the user has to go for a manual capital Journal Voucher to reduce the value of the asses for the return value.

Maintenance work order

The information flow and sequence of operations while capitalizing the maintenance expense through a Maintenance work order are as follows:

Maintenance work order can be used to capitalize the Maintenance expense incurred for capital purpose from EAM Module. These Documents are brought into the Fixed Asset system as a Reference Document for amending the value of the asset tag. It is to be noted that Reference document type Maintenance Work Order would be available only in Amend Asset.

Capitalizing through Capital Journal Vouchers

Assets can also be capitalized using a Capital Journal Voucher. This method is followed when a small amount need to be capitalized. For example, capitalization of exchange rate variance on account of currency revaluation.

Modifying asset details during Capitalization

Asset details can be modified before its authorization. For example a new document can be added to the asset. The assets are capitalized on authorization and the corresponding entries are posted to the finance books. The accounts are defaulted through the Account Rule Definition component based on the Asset Class applicable for the asset. The Fixed Asset Register is also updated with the new asset entry on authorization of the asset. The status of the asset is updated to “Active” on capitalization.

5.1.2.3 Specifying additional details for the asset

During capitalization the following purchase details can be attached to an asset: (PO Number, GR Number, GR Date, Invoice Number, Invoice Date, Transaction Amount, Currency Code, Exchange Rate, Base Currency Amount, Number of Units acquired). Before authorizing the asset, Asset Group, Cost Center (if Management Accounting has been linked with the Fixed Assets system), Number of Units, In Service Date, Location Code, Salvage Value and Business Use %, Residual value(%), useful life in months are to be specified. Linking the asset to an Asset Class and Depreciation Category helps in classifying the Asset on different dimensions – the account code to which the

financials entries are to be posted is determined by the Asset Class and the Depreciation Rule to which the depreciation process has been mapped is given by the Depreciation Category.

5.1.2.4 Capitalizing additions or extension to existing asset

Expenditures subsequent to the enhancements of an asset have to be added to the gross book value. However, this expenditure must necessarily increase the future benefits that can be attained from the asset, when compared to the previously assessed standard of performance. For example, increase in capacity of machinery.

The cost of adding new components or extending an asset, which is of a capital nature and which becomes an integral part of the existing asset is usually added to its gross book value. However, any such additions or extensions, which have a separate identity and can be used even after the existing asset has been disposed, are accounted for separately.

Extensions to an asset can be accounted through the Amend Asset activity and additional costs can be capitalized against an existing tag or new tag of the asset. But if an existing tag is further processed for depreciation or revaluation or like any process, it will not be amended. Only new tags can be added in such case. Such capitalization can be done by retrieving documents like invoices, sundry payment vouchers etc.

5.1.2.5 Reversing a capitalized asset

Reversing capitalized assets are done when the user feels that the capitalization has not been done properly and has to be redone. However this reversal can be done only before the end of the Financial Year in which the Asset has been capitalized. On reversal the capitalization entries are reversed and all the documents attached to the asset are restored to their original status i.e. pending capitalization. These documents can be selected again for capitalization of another asset.

Asset capitalization can be made in any of the open Financial Periods provided the capitalization date falls within the period. However in certain cases, the Asset In-Service date given can fall within a closed financial period but still in the current open Financial Year. This is to cater to the time lag between the capitalization of asset and the expenditure made for purchase of the asset.

5.1.2.6 Updation of asset proposal on capitalization

When assets are capitalized, the capitalized amount is updated against the Proposal number as utilized amount. The capitalization amount cannot exceed the amount specified in the Proposal to which the asset refers. This feature has been provided to maintain control over the expenditure incurred on capital assets.

5.1.2.7 Bifurcating asset tag after capitalization

Asset tags can be split when there is a need to retire part of an existing tag. For example, consider a Desktop computer, which has been capitalized with its monitor and CPU as a single tag. Now if the company wants to replace all the existing 14” monitors with a 20” monitor then the user will have to split the asset tag into two tags. The corresponding cost of the split tags needs to be specified and the depreciation will be allocated on a proportional basis. Hence both the split tags can be retired and accounted in the books.

Some of the Asset properties can be changed if required after capitalization of the asset. For example, some of the properties that can be changed are asset / tag description, Warranty No., Custodian, Asset Group code, etc.

For example, consider a Desktop computer, which has been capitalized with its monitor and CPU as a single tag. Now if the company wants to replace all the existing 14” monitors with a 20” monitor then the user will have to split the existing asset tag into two tags. The corresponding cost of the split tags needs to be specified and the depreciation will be allocated on a proportional basis. Hence both the split tags can be retired and accounted in the books.

Asset Tag Description	Tag Cost	Accumulated Depreciation	Net Book Value
Computer	50,000	40,000	10,000
After bifurcation			
Computer	45,000	36,000	9,000
14” Monitor	5,000	4,000	1,000

Revaluation cost is also considered while bifurcating the tags and the proportionate cost of the main tag, including the revaluation depreciation, is allocated to the split tags.

Asset Tag Description	Tag Cost	Accumulated Depreciation	Net Book Value	Revalued Asset Cost	Revaluation Depreciation	Revaluation Reserve
Building	5,000,000	2,000,000	3,000,000	7,500,000	1,500,000	6,000,000
After bifurcation						
Office Building	3,000,000	1,200,000	1,800,000	4,500,000	900,000	3,600,000
Plant Building	2,000,000	800,000	1,200,000	3,000,000	600,000	2,400,000

On bifurcation, the new tag comes into existence with the values apportioned. However the other parameters like in-service date, asset class, depreciation category, etc. remain the same. In future if the company decides to depreciate this tag on a different basis, then the new tag has to be mapped to a different depreciation rule. In case depreciation needs to be changed for the new tag with retrospective effect, then this can be done through the “Change Depreciation” activity.

5.1.2.8 Fixed Assets without Payables Management function integration

There could be a situation where the Fixed Asset system is installed on a stand-alone basis and has not been integrated with the Payables Management function. In such cases, the asset details can be manually entered into the system along with it’s the purchase information and can be authorized. Subsequently, the Fixed Assets system will pass accounting entries to the General Accounting function (owned by the organization), if the transaction date is later than the installation date of the Fixed Assets system. This process does not involve any reference documents from the Payables Management function.

5.1.3 Concepts

Capitalization is a process by which an asset comes into existence in the books of a company and is the first stage in the life cycle of the asset. Asset capitalization refers posting accounting entries to the financial books of the company. Apart from this, it also captures details pertaining to the asset that is being capitalized. In majority of the cases, asset capitalization is triggered by purchase of fixed asset. Assets that are under construction can also be maintained and accounted. On the date of completion, these WIP assets can be capitalized as fixed assets.

5.1.3.1 Key Data Elements in Asset Capitalization

Business Use %: Represents the percentage of the asset that gets utilized in the business. Normally an asset is owned entirely by the company and is fully put to use (100%). This facility has been provided for circumstances in

which the asset is put into use only partly and depreciation has to be charged in proportion to the percentage of deployment in business.

In-service Date: The date on which the asset is actually put to use in the business. Depreciation is calculated only from the in-service date. This date is also used for identifying the next inventory due date.

Salvage Value is the net amount that the organization expects to obtain for an asset at the end of its useful life after deducting the anticipated costs of disposal.

Residual Value is the % that the organization expects to keep for an asset for which value depreciation will not be processed.

Useful life in months is the value of useful life in months and available for the tags, based on depreciation category which is assigned to a rule having useful life.

Bar Code No refers to the bar code number allocated to the asset tag, which can be referred for physical verification purposes.

Capitalization No is the document by which the asset is capitalized and recorded in the books. The capitalization number can be either auto generated through the numbering Suite or manually entered.

Capitalization date is the date on which the asset is actually entered in the books. However for the purpose of depreciation the in-service date is considered. Capitalization date may be different from the in-service date since it is possible that the company may capitalize the assets later than the date on which they are actually put to use, due to reasons like confirmation from relevant departments or approvals etc.

5.1.4 Algorithm

5.1.4.1 Accounting for Capital Work In Progress (CWIP)

Every organization has two options for acquiring fixed asset:

Buy outright from the market

Construct internally

In some organization certain fixed asset are built in-house instead of outright purchase from external sources. This depends on the nature and the type of asset. For ex. Building construction. During construction, the expenses incurred towards raw material and labour are either booked towards WIP account or to the expenses account. As these expenses are not of revenue nature, it has to be accounted as WIP asset before the closure of the books. Only on completion of the construction and after the building is put to use, these WIP assets are converted to fixed assets so that the companies start accounting towards depreciation.

In case construction is opted, then all materials, labour and components are to be bought from the market. During the purchase, these are accounted either directly to the expenses or to a suspense account. In case the construction is not completed before the financial closure, then these expenses must be accounted to work-in-progress account instead of expenses account. This process is normally done before the closure of financial year. If the asset construction is completed before the closure of financial year then it can directly be capitalized to the asset. Upon completion of construction, these WIP assets will be converted to capital assets.

For ex. In case a company is into the construction of factory and if it is not completed before the financial closure then all the expenses incurred towards the construction, has to be accounted against WIP asset. All expenses incurred in connection with the construction needs to be accumulated in an account and later on the day when the asset is put to use, capitalization is done.

The following documents can be used to create Capital Work in Progress:

- A capital invoice authorized in the Payables Management function against a Purchase Order in Supplier Order Based Invoice
- A direct invoice raised in Payables Management function for a fixed assets

- A sundry payment voucher in Payables Management function
- Any invoice in which expenses were charged to profit and loss account that has to be capitalized

5.1.4.2 Asset Capitalization through Asset Proposals

The various steps involved in asset capitalization through asset proposals are:

Step 1: Asset proposal

Once the company has the necessary budget in place for the financial year, the asset acquisition proposal must be created specifying details of the asset to be purchased like: asset description, currency, estimated cost, asset class and the financial year of the asset proposal. Once the asset proposal is authorized, the financial sanction for the asset purchase is complete and the company can go ahead with the purchase order

Step 2: Purchase Order

A Capital Purchase Order can be created based on the asset proposal created. Prior to this the purchase request can be made specifying the asset proposal number, which will be referred when the purchase order is made with reference to a specific purchase request.

Typically, the user first raises a Capital Purchase Request followed by a Capital Purchase Order against an authorized proposal number (created in Fixed Assets earlier). Capital purchases may or may not have a Goods Receipt stage. When the purchase order is authorized the acquisition proposal gets updated with the amount of order as *Committed Amount* i.e. the purchase is committed to the supplier on certain terms and conditions.

Step 3: Goods Receipt Note

In such cases too, the value needs to be capitalized on an asset by a fixed assets user, who can also alternatively store this value in an intermediate (Capital WIP) account. Later, when it becomes clear which asset id is to be affected, the value can be transferred from the capital WIP to the concerned asset. At the goods acceptance stage, purchasing passes accounting entries debiting the *Capital Work In Progress Account*. This information is passed on to the Payables Management function.

Step 4: Invoice

When the invoice is received in the Payables Management function, two-way or four-way matching is done for asset items and the invoice is authorized. At this point, information regarding the capital purchase is brought into the Fixed Asset System. Here, depending on the nature of items contained in the invoice, either a single asset or multiple assets can be created.

Ramco ERP Suite Enterprise Edition provides a feature by which:

- Multiple purchase orders, goods acceptance and invoices are possible for the purchase of a single asset; and
- A single invoice can be used to capitalize different assets. In the event of an invoice made against an asset, the Fixed Assets user may capitalize these expenses on either the same asset or a different asset, depending on user preferences

Payables Management function can also raise direct invoices for the acquisition of fixed assets. Information comes into fixed assets system on authorization of the direct invoice. The direct invoice can also be used to create multiple assets.

Multiple invoices can be raised during the capital purchase cycle. Once details of these invoices have been passed to fixed assets, the user can create the assets, recognizing the value of the invoice as the acquisition cost of the asset or assets. Subsequent depreciation calculations will use these values as the initial basis. When the invoice is received and authorized by accounts payable, the entire information (about PO, GR and Invoice) is passed on to fixed assets. In the case of a user wanting to create multiple assets from the single invoice, details regarding the

invoice have to be retrieved during asset capitalization. The user can apportion the invoice amount over the multiple assets and also assign cost centers to them.

However, at any point in the life of the asset, further costs may be incurred on it using purchase orders, PO based invoices and direct invoices. These would add to the value of the asset, and will be deemed as capital expenditure. This can be done through the “Amend Assets” activity by which costs can be added to an existing asset tag or new tags can be added to an existing asset.

During asset capitalization the purchase details of the asset can be referred to. Details captured include GR number, GR date, invoice number, invoice date, account number, transaction amount, currency code, exchange rate, base currency amount, and supplier name and these documents are attached to the asset.

Step 5: Asset Capitalization

The asset capitalization activity is the last stage in the acquisition process whereby the assets are entered into the fixed asset system after being put to use for business purposes. Till the time the asset is actually put to use, even though the purchase was made and asset has entered into the premises, capitalization cannot be done.

In the capitalization activity, the relevant documents will be retrieved and listed. The user can select the documents applicable for a particular asset to be capitalized. The capitalization amount is derived based on the document selected. In case there are debit notes issued to the supplier, these must be deducted from the supplier payments and the asset capitalization will be net of the debit note amount. The assets are created in “Fresh” status during asset capitalization initially and once authorized the asset status changes to “Active” and will be updated in the books.

Convert Capital WIP to Fixed Assets

Once the asset construction is completed, the capital work in progress can be converted to fixed assets. The process of capitalization is the same and during asset capitalization, the capital work orders must be retrieved and the asset can be capitalized. The referral documents attached to the capital work orders will be applicable to the asset being capitalized.

Capitalization of Expenses charged to Profit and Loss Account

In some situations, a company could have charged off huge amount of repair expenses or service charges, which needs to be capitalized, as these expenses may be of enduring nature and might benefit the flow for more than a year. Initially the company could have charged it as expenditure during invoicing. However, during asset capitalization, such non-capital documents must be retrieved and capitalized. The financial posting will be credited to the respective account to which the postings were earlier made, in the document under reference.

Capitalization without Payable Management Integration

If Ramco ERP Suite Enterprise Edition - Fixed Assets System is not integrated with Payables Management function, then the process as specified will not be applicable and the details of the Supplier Invoice must be specified in a separate information page pertaining to the asset. After capitalization of the asset, the document details page needs to be updated. The data has to be manually specified like document type, document date, supplier name, document number, capitalization amount, proposal number, etc. The total amount of capitalization must be reconciled to the asset cost capitalized. However there will not be any other validation regarding the document properties.

The company could be maintaining document details in an external system and for traceability to the asset capitalized; these documents must be entered in the Ramco ERP Suite Enterprise Edition - Fixed Asset System. This has to be controlled by the user entering the details in the document page.

Capitalization of Assets through Capital Journal

Capital Journal is a feature provided to capitalize assets using an additional route, wherein the integration with Payables Management function is not available. The capital journal will post the additional cost to the asset directly without the invoice references. Normally this can be used for in-frequent usage like capitalization of currency revaluation of an asset purchased in foreign currency for which the liability is not yet settled. Another example is the capital issues from stock, which must be capitalized on to an asset.

The acquisition proposal number can be given for validating the asset cost with the acquisition proposal. The pre-requisite for capitalizing through capital journal is that an asset must exist in Active status and capital journal can only add cost to an existing asset. The asset cost will be debited to the account code applicable to the asset through the Account Rule Definition component. The user needs to specify the credit account, which can be an expense account or an asset account. Once the capital journal is authorized, the asset record will be updated with the details and the financial entries will be posted to the books.

Forming a Hierarchy of Assets for Analysis Purposes

Only a single level hierarchy is supported for assets i.e. the Asset No. is at the top level and the Tag No. is at the next level. However there can be multiple tags attached to an asset. Suppose, if a company wants to form a hierarchy of assets, it is suggested that this be achieved through an *Asset Group*. For example, if the company has multiple offset machines, which are individually identified and there are different types of offset machines, say, single color offset machine, 2 color machine, 4 color machine and 5 color machine. To form this hierarchy, the asset group can be formed as follows:

Offset Machines (Parent Asset Group)

- Single Color Offset machine (Child Asset Group)
- Double Color Offset Machine (Child Asset Group)
- 4 Color Offset Machine (Child Asset Group)
- 5 Color Offset Machine (Child Asset Group)

Machine1 (Single Color)

- Tag 1
- Tag 2

Machine 2 (Single Color)

Machine 3 (Single Color)

Machine 4 (Double Color Offset machine)

Machine 5(Four Color Offset machine)

- Tag 1
- Tag 2
- Tag 3

Machine 6 (Five Color Offset machine) and so on.

In the above example, the asset is now formed with multiple hierarchy levels and reporting and analysis can be done based on the hierarchy defined.

5.1.4.3 Modifying Asset Properties after Capitalization

Normally no details of the asset can be modified since it may affect the depreciation calculation or the financial postings already made for the assets capitalized. However some of the information can be modified which was either not entered earlier or wrong data entry has been made. The user must reverse the asset capitalization if any other property of the asset has to be changed and the asset has to be capitalized again.

The data or properties of the asset that can be modified are: Asset Group Code, Asset Description, Tag Description, Business Use %, residual value(%), useful life in months, Manufacturer, Barcode No., Serial No., Warranty No., Model, and Custodian. Only the properties of assets that are in Active status can be modified during capitalization.

Capitalization of Exchange Rate Variance

Organization that import fixed asset has to make the payment in the respective foreign currency. This is normally agreed between seller and the buyer during the placement of the purchase order. At the time of placing the purchase order, the committed value for the asset is calculated by converting the foreign currency into base currency, based on the prevailing exchange rate. Liability towards this asset is created on raising the purchase invoice, by considering the prevailing exchange rate. Only in this stage the accounting entries are generated in the financial books. Capitalization of the asset then takes place on invoice value (in base currency).

During payment, if there is any fluctuation in the exchange rate then the differential portion has to be accounted differently based on the prevailing accounting standards. As per Indian Accounting Standards, the exchange rate variance has to be capitalized whereas in the US GAAP it has to be charged to profit and loss account.

Example: A company places an order for purchase of Server from IBM – USA. While placing this order, the exchange rate against US $ was Rs. 40/-. Assuming the cost of server is $10000/-, the organization has committed to a purchase for Rs. 400000(40*10000). A month later the company received the server along with invoice for $10000/- as agreed. But while raising the purchase invoice, the exchange rate had gone up by Rs.2/- thereby the liability for purchase has increased to Rs. 420000.

On installation the asset was capitalized for Rs 420000/-.

During payment, the exchange rate against US $ was 45/- with an increase of Rs.3. This difference of 30000 (3 * $ 10000) can either be charged towards expenses or capitalized. This treatment is based on country specific accounting standards.

The differential exchange rate variance is accounted in Ramco ERP Suite Enterprise Edition in the transaction “Supplier Payment Voucher”. Capitalization can pick up the differential amount and this can be added to the asset cost during capitalization.

5.1.4.4 Reversal of Capitalization of Asset

Capitalization must be reversed sometimes at a later date, when the projected future benefit arising from the expenditure, which is recognized by capitalization, is debated and found unacceptable. The business function served by capitalization is strictly an accounting one, involving the accounting flexibility of adding expenses to asset value. Occasionally, auditors may object to capitalization of certain expenditures that they feel should be expensed off in the current financial period. Under such circumstances, these capitalization need to be reversed. However reversal of such transactions is possible only for that asset tag to which the capitalization entries were made.

Pre-requisites for reversal

- Reversal of asset is possible only during the year in which the asset tag was capitalized
- Prior to reversal of an asset, if any depreciation has been calculated for the asset tag, it is mandatory to reverse the depreciation first

The financial year in which the asset was acquired is in Open or Provisionally Closed status.

In Ramco ERP Suite Enterprise Edition, assets once capitalized can be reversed subject to certain conditions. In an integrated environment, asset capitalization is always triggered either by direct invoice or PO based Invoice. Once the asset is capitalized, the provision of reversing the invoice must be controlled. This discretion of invoice cancellation lies on the status of the asset i.e. before every reversal of invoice, assets that are mapped have to be reversed in the Asset Capitalization component.

Reversal of invoice happens on the following circumstances:

- Identification of data entry mistake of the asset capitalization after authorization, like wrong in-service date or location etc.
- Wrong accounting of the asset details by referring to wrong document reference.
- Wrong accounting of the original document itself like wrong invoice or debit note.

On reversal of the asset details the original capitalization entry gets reversed and the asset status changes from “Active” to “Reversed”. The asset will not be available for any further processing after the reversal.

In such a scenario it is also possible to add another tag to the existing asset. This can be done through the “Amend Asset” activity.

5.1.4.5 Transfer of Capital WIP Balances from one asset class to another Asset Class

Normally with respect to capital documents, the proposal number is referred in the document itself at the time of creation of documents. Then the same documents would be retrieved for capitalization and asset class for the Capitalization would be picked from the proposal no. In a scenario where Transfer of Capital work in progress balances to be transferred from one asset class to another asset class before capitalization, this activity would be used to transfer the balances lying in the capital work in progress of one asset class to another asset class. This can be done through Transfer Inter Asset Class Capital WIP activity.

5.1.5 Key Features

- Asset costs can be maintained at Tag Level
- Facilitates capitalization of exchange rate fluctuations
- Facilitates creation of Bulk assets & Tags
- Facilitates splitting of asset tags and automatic depreciation calculation up to the system date
- Enhancement of Asset value during the life of the asset
- Support for handling exceptional capitalization through Capital Journal Vouchers and automatic depreciation calculation upto the transaction date
- Support for editing asset properties including multiple assets
- Supports reversal of Asset Capitalization
- Supports transfer of CWIP balances from one asset class to another asset class
- Facilitates retrieval of documents based on Project Code
- Supports Multi level authorization of the Assets / Capital Journal
- Facility to create simple assets from Order based Invoice page

5.1.6 Predefined Values

S No	Entity	Predefined Values
1.	Document Type	• Direct Item Invoice • Direct Expense Invoice • PO Based Invoice • Delivery Charges Invoice • Credit Note

S No	Entity	Predefined Values
		• Sundry Payment • Supplier Payment • Capital Work Order • Inventory Issue • No Documents
2.	Depreciation Book	• CORP • TAX
3.	Voucher Type	• Normal • Reversal
4.	Dr/Cr	• Dr • Cr
5.	Inventory Cycle	• Half-Yearly • Monthly • Not required • Quarterly • Yearly

5.1.6.1 Transaction Types

The component will lead to the following transaction types.

S. No	Tran Type	Description
1.	ACAP	Capitalization Voucher
2.	RACAP	Reversal Capitalization
3.	ACAPJV	Capital Journal
4.	RACAPJV	Capital Journal - Reversal
5.	ACAPWIP	Capital WIP
6.	RCAPWIP	Capital WIP - Reversal
7.	ABITAG	Bifurcate Asset Tag

5.1.7 Functional Parameters

There are no functional parameters associated with asset capitalization.

5.1.8 Deployment

Asset Capitalization can be deployed either as centralized or decentralized component depending on the organizational requirements. Asset capitalization can be deployed as single or multiple instances for a company. In case of centralized capitalization say at corporate level, a single instance of capitalization needs to be deployed whereas the invoicing and other functions can be decentralized.

On the other hand, if a company wants to decentralize asset capitalization function, then this component can be deployed in multiple organizational units of the company. For example, if a company consists of multiple plants and each plant wants to capitalize assets independently, then asset capitalization can be deployed in as many organizational units as required.

Asset Capitalization can be centralized whereas invoicing and other components based on which the cost is ascertained, can be decentralized and vice-versa.

5.1.9 Component Interaction

Cardinality → Asset Capitalization: Other Components

Component Name	Cardinality
Organization Setup	1:M
Accounting Setup	1:M
Financial Calendar Closure	1:M
Numbering Class	N:1
Account Rule Definition	N:1
Asset Planning	1:M
Asset Type Definition	N:1
Asset Location	N:1
Asset Depreciation Setup	N:1
Supplier Order Based Invoice	N:M
Supplier Direct invoice	N:M
Supplier Debit Credit Note	N:M
Sundry Payment	N:M
Supplier Payment	N:M
Cost Setup	N:1
Installation Parameter Setup	N:1
Company Parameter Setup	N:1

Component Name	Cardinality
Exchange Rate	N:1
Asset Inquiry	N:1
Supplier Inquiry	N:1
Inventory Issue	1:1

5.1.10 Postings

5.1.10.1 Financial Postings

Transaction	Debit Account	Credit Account
Create Simple Asset / Create Complex Asset	Capitalization Asset Account	Capital Work in Progress Account (Capital document as Reference)
Create Simple Asset / Create Complex Asset	Capitalization Asset Account	Relevant Account of the Reference Document (if non capital document as reference)
Create Capital Journal	Capitalization Asset Account	Any Account (Expense or Asset Account)
Create Capital WIP	Capital Work In Progress Account	Fixed Asset Suspense Account (if no document is referred If Proposal is not referred)
Create Capital WIP	Capital Work In Progress Account	Capital Work In Progress Account (if proposal is referred)
Reverse Asset	Capital Work in Progress Account	Capitalization Asset Account
Reverse Capital WIP	Capital Work In Progress Account	Capital Work In Progress Account
Transfer Capital WIP	Capital work in progress (target asset Class) Account	Inter Asset Class Transfer account
Transfer Reversal CWIP	Inter Asset Class Transfer account	Capital work in progress (Source asset Class) Account

5.1.10.2 Inter-component Postings

Updation of Asset Proposal - The asset capitalization updates the proposal details in the Asset Planning component with details of proposal number used and the amount utilized against the proposal. On utilization of the full amount against the proposal, the status of the proposal number is updated as “Closed” automatically during asset capitalization.

Updation of Asset Inquiry Postings – On authorization of asset capitalization, the Asset Inquiry component is updated with the capitalization amount, in-service date and other details. The book value of the asset is updated and also the financial entries are posted to the books.

Updation of Documents used in Capitalization – The documents like invoices, debit / credit note, sundry payment voucher etc. gets updated with the capitalization amount as utilized. If specific line items are used for capitalizing an asset then the capitalization amount will be updated against the line item.

5.1.11 Process Configuration

Source Activity	Task	Next Activity	of Component
Create Simple Asset	Create	Authorize Asset	Asset Capitalization
Create Complex Asset	Create	Authorize Asset	Asset Capitalization
Edit Asset	Edit	Authorize Asset	Asset Capitalization
Amend Asset	Amend	Authorize Asset	Asset Capitalization
Create Capital Journal	Create	Authorize Capital Journal	Asset Capitalization
Edit Capital Journal	Edit	Authorize Capital Journal	Asset Capitalization
Create Capital WIP	Create	Authorize Capital WIP	Asset Capitalization
Edit Capital WIP	Edit	Authorize Capital WIP	Asset Capitalization

5.1.12 Reports (Online)

5.1.12.1 View Capital Journal

Refer the Report Book for Reports

5.1.12.2 Print Capital Work in Progress

Refer the Report Book for Reports

5.2 Asset Depreciation Processing

5.2.1 Purpose

Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, passage of time or obsolescence through technology and market changes. Depreciation is allocated in order to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset.

Depreciation calculation is a statutory requirement for a company and is the core functionality of Fixed Assets. Moreover, this is a vital activity without which the company cannot release its financial statements.

5.2.2 Overview

Depreciation has a significant effect in determining and presenting the financial position and results of operations of a company. Depreciation is charged in each accounting period with reference to the extent of the depreciable amount, irrespective of the increase in the market value of the assets.

Depreciation can be calculated distinctly, for all authorized assets. Depreciation calculation must be taken up as a mandatory process for all the assets, which have been defined as depreciable, in the concerned books before the closure of the financial period.

Depreciation Methods

Various companies adopt different methods for calculation of depreciation. The following are the three methods supported by the Ramco Enterprise Fixed Assets system:

Straight Line Method

Reducing Balance Method

Sum-of-the years Digit Method

There are several methods for distributing depreciation over the useful life of the assets. The methods most commonly employed in industrial and commercial enterprises are the straight-line method and the reducing balance method. The business management selects the most appropriate method(s) based on some important factors like the type of asset, the nature of the use of such asset and the circumstances prevailing in the business. Sometimes, a combination of more than one method is also used. In case of depreciable assets, which do not have any material value, depreciation is often fully allocated in the accounting period in which they were acquired.

5.2.2.1 Depreciation

Depreciation is calculated implicitly during retirements, Inter Finance Book transfers, Split Asset Tag, Creating Capital Journals, Revaluation, and Inter Cost Center Transfers. During retirement, the profit or loss on retirement is derived after computing implicit depreciation upto the date of retirement for both Corp as well as Tax Book. Similarly during Inter Finance Book transfers, the Source Finance Book will charge depreciation till one day prior to the date of transfer. From the Date of Transfer depreciation will be charged from the Destination Finance Book.

Assets that are in “Unprocessed” or “Partially Confirmed” status can be picked up for depreciation calculation. Assets once processed (full or partial) have to be confirmed. In case the processing results in an incorrect depreciation (due to wrong depreciation rule assigned etc), the process run can be deleted by which the status of the asset will revert to “Unprocessed”. The following table illustrates this (refer Table 1)

Asset Status	Transaction	Status
Unprocessed	Process	Processed Partially Processed
Processed Partially Processed	Confirm	Confirmed Partially Confirmed
Processed Partially Processed	Delete	Unprocessed
Confirmed Partially Confirmed	Reverse	Unprocessed

Table 1: Asset Status

Note: *Depreciation Asset Status is maintained for Depreciation Book / Period / Asset / Tag*

5.2.2.2 Financial Entries

Depreciation is charged as an expense in the Profit & Loss statement and the same amount is accumulated as a Liability in the Balance Sheet under the head - *Accumulated Depreciation* or *Depreciation Reserve*. At any given time, the difference between the Fixed Assets’ value and Accumulated Depreciation represents the current value or the book value of the Fixed Asset.

5.2.3 Concepts

Fixed Assets need to be depreciated as a measure of wear and tear over their useful life. Depreciation cost is one of the significant non-cash charges in the financial statement of any company. Depreciation calculation is a statutory requirement for a company and the core functionality of fixed assets. To this end, this is an important activity in the fixed asset function of a company.

One of the accounting standard requirements is that the companies need to disclose the following information in the financial statements along with the disclosure of other accounting policies:

Depreciation methods used;

- Depreciation rates or the useful lives of the assets, if they are different from the principal rates specified in the statute governing the Enterprise
- Ramco ERP Suite Enterprise Edition - Fixed Assets System supports the following processes concerned with depreciation:
- Depreciation calculation - Fixed assets depreciation processing calculates depreciation for a financial period and posts the relevant entries to the different depreciation books
- Depreciation simulation including projection for new assets - allows the user to project depreciation expense for future periods and simulate the effect of a change in depreciation parameter on some or all the assets. The system allows the user to project depreciation for assets that have not been entered into the system, based on depreciation parameters
- Depreciation change with retrospective effect – If, the user is allowed to change the depreciation parameter for some or all his assets retroactively across closed years, the adjustment entries are posted automatically
- Reverse depreciation – This is done in cases where the depreciation needs to be altered during the year or where there is any mistake in depreciation parameters considered for calculation. The reversal route can be adopted only during the financial year in which the depreciation was processed and the pre-requisite is that the year should be in “Open” status
- Depreciation adjustment – This step is carried out when the company needs to adopt a depreciation method other than the three standard methods for its depreciation books

5.2.3.1 Depreciation Processing

Depreciation can also be calculated explicitly as a process, for all authorized assets of a company and in a location. This would calculate depreciation for one or more financial periods at a time, whereas, in the case of implicit depreciation calculations at the time of other processes, the user has a choice of calculating depreciation. This is done based on the company policy. Depreciation needs to be calculated for all assets of the concerned books before the user can close the financial period for that depreciation book.

Prerequisites for the Process

- Depreciation can only be calculated for assets in “Active” status
- Depreciation can be processed on the historical cost of the assets and on the revalued portion of the asset cost
- Depreciation category must have been mapped for all assets during capitalization and depreciation rules must have been defined for the depreciation category
- Depreciation cannot be calculated on assets whose in-service date falls later than the date range for which depreciation is being calculated
- The asset must not have any processing on a date that falls later than the date range for which depreciation is being calculated

After depreciation calculation is completed, information regarding depreciation is passed on to the finance book and financial postings are made. The list of postings for depreciation is presented in the document under the heading “Financial Postings”. Depreciation for tax book will be calculated and posted to the tax book directly instead of the finance book.

After the depreciation processing is completed and confirmed, the system recalculates the Accumulated Depreciation Cost and the Net Book Value for each of the assets held in the company’s books. These values will be disclosed in the financial statements of the company.

Defining Suspension Depreciation

Plants get closed for annual overhaul or some plants get suspended for a certain period/days due to lock out or strike etc. In these cases there would be a need for assets not be depreciated during this period. This feature is introduced to support this.

Suspension period can be defined for a specific asset, range of assets, cost center, asset class, depreciation asset category or asset location etc. for a specific depreciation book or for all books. The start date and end date of suspension period is captured along with a description that would indicate the reason for the suspensions. Multiple suspension periods for the same assets/group of assets can be defined. Modification of suspension period will be supported if depreciation has not been processed for that asset.

On processing depreciation of an asset for which suspension periods have been defined, the depreciation amount for the suspension period will be reduced from the total depreciation amount. If the start date and end date of suspension period overlaps with the financial periods for which depreciation is processed, then amount reduced will be from suspension start date to the last date of the depreciation period or from the start date of depreciation period to the suspension period end date. The same rule will also apply if suspension periods are defined across years.

The system calculates the depreciation for each asset/tag and in service date as (the product of rate, period, cost and business use percentage) / 360 or 365 or 366. The system calculates the suspension depreciation if the suspension period has been set for an asset.

If the maximum and minimum depreciation has been defined in the rule, then the system calculates the maximum and minimum depreciation for the period. If the depreciation processed is greater than the maximum depreciation for period, the assets are depreciated till the maximum value. If the processed depreciation is lesser than the minimum depreciation for period, then minimum depreciation is charged for the asset.

Impact of Depreciation Processing

Depreciation processing can be done for a single or multiple financial periods at a time or for the entire financial year. Processing can also be performed for a specific date range within a period. The status of depreciation changes to “Processed” for the asset tag on confirmation of depreciation. The status is updated for the dates for which processing is completed. When the depreciation is taken up next time, the system ensures that depreciation is not calculated again for the earlier period or date range.

If the “Allows Depreciation Below Book Value” parameter is set to “Yes”, then the cumulative depreciation must not exceed the asset tag cost.

Depreciation will be calculated at tag level in all cases. In case there is only one tag for the asset, asset value depreciation would be equal to tag level depreciation. In-service date for each of the tags would be maintained. In case asset tags have not been assigned a depreciation asset category, assignment can be done in the “Assign Asset” page.

Posting to Cost Center – The asset depreciation amount will be posted to the cost center to which the asset is mapped, if explicitly specified. However an option has also been provided, by which the company can specify the cost center to which the depreciation charge can be posted (immaterial of whether the mapping between the asset and the cost center exists). Later this can be allocated to other cost centers as decided by the company.

Updating Remaining Useful Life of the Asset

When the statute changes or when requirement arise to revise the useful life of the asset when the asset is in use, Remaining useful life of the asset can be updated in Assign asset page using the option “Update Remaining Useful Life”.

Updating Residual Value %

When the statute changes or when requirement arise to update residual value or modify the residual value when the asset is in use, the same can be updated in Assign asset page using the option “Update Residual Value %”.

5.2.3.2 Simulation of Depreciation

Simulating depreciation is primarily done to analyze the impact of depreciation on new assets or for validating regular depreciations before confirmation. During simulation of depreciation no financial postings would be made to the finance book. However, the processing logic will be the same as applicable for normal depreciation processing. All the pre-requisites applicable for depreciation processing are also applicable for the simulation. Simulation feature is available for the following asset categories:

- **Existing assets**: Either a single asset or range of assets or all assets can be selected for simulation.
- **New asset**: The asset details like cost, salvage value and in-service date can be provided to simulate the depreciation impact on a new asset.
- **Asset Proposal**: An existing asset proposal can be selected and the depreciation can be simulated for the asset based on the proposal.

Simulation of depreciation can be done for any of the depreciation books and it can be done based on three depreciation rules at a time. The impact of all the three methods can be viewed and the feasible rule can then be applied for actual processing. The effect of simulated depreciation can be seen in the *Depreciation Simulation Report*.

5.2.3.3 Reverse Depreciation

Depreciation processed can be reversed subject to the condition that the financial year is in Open status. However it is not necessary that the financial period in which the depreciation was processed must be in the Open status.

Reversal can be done for the finance book for which the processing run has already been confirmed and entries have been posted to it. The entries passed on the calculation of depreciation will be exactly reversed during the reversal transaction. The provision to reverse depreciation on a single asset or a group of assets together in a period is also available. Once the depreciation processing is reversed, the assets depreciation status changes to “Unprocessed” and hence these assets must be necessarily depreciated again.

5.2.3.4 Change Depreciation

The value of depreciation expenses for a company is a large figure in the Profit and Loss Statement. Any change affecting this figure is extremely significant from the business point of view.

The user may decide to change the depreciation parameters to which the assets are mapped based on his/her judgment of future benefits that may accrue from the use of the asset, or for fulfilling statutory requirements. In such cases the depreciation parameter can be changed retroactively. The start date for this retroactive change can fall in a “Closed” financial year or period also. This implies that an adjustment entry has to be passed in the current open financial period/year to correct the discrepancy caused by depreciation entries already passed in closed years.

However, if the start date of retroactive change in depreciation falls within an Open year, the system automatically reverses the entry passed earlier and substitutes it with the corrected entry. If the start date falls within a closed year, the system captures the difference, which gets displayed in the Balance Sheet as an extra-

ordinary item. This process might be triggered due to a major corporate policy decision. Hence, it is advisable to put through this operation subsequent to an authorized and approved proposal.

Pre-requisites for Depreciation Change

- Authorized assets with depreciation category mapped.
- The new rule must have been mapped to the depreciation category in the Asset Depreciation Setup component
- The period in which the depreciation change has to be done must be in “Open” status

5.2.3.5 Revaluation Depreciation

The life of an asset is estimated to be for a certain number of years, based on which depreciation can be calculated. When assets are re-valued, there would be a business need to depreciate revaluation cost based on a different rate or method, to ensure that the useful life of asset is balanced.

Depreciation processing when run for an asset would process for revaluation cost also. Even if the depreciation extends beyond the useful life of the asset, the same depreciation rules defined earlier will continue to apply. On the other hand, if the depreciation has to be charged off within the useful life of asset, then the new depreciation rules can be picked up for the processing.

5.2.3.6 Depreciation Adjustment

This feature has been provided to handle some exceptional situations that arise when an asset is depreciated. For example if an asset has to be written down for its full value despite of the fact that it has not been retired from the books, then a depreciation adjustment can be done. This process is normally used for accounting one-time charges.

Additionally this feature can also be used when the company wants to charge depreciation by a new method that has not been provided as part of the Fixed Assets System. In such cases, the depreciation can be calculated in an external system and later can be added through the adjustment activity. Such adjustments created can also be reversed if required.

The status of the asset tag changes to “Processed”, once the depreciation adjustment entry is posted to the finance books.

Reversal of Depreciation Adjustment

The depreciation adjustment can be reversed any time before the year-end. A reversal may be necessitated by an error made in the depreciation adjustment entry or if a change in the depreciation adjustment calculation has to be enforced. In such circumstances, the depreciation adjustment can be reversed and a new depreciation adjustment entry can be generated.

The financial entry would be just the reversal of the entry posted during the depreciation adjustment. The user can give the reversal date and on reversal the status of the voucher gets updated to “Reversed”. The end result of depreciation reversal is that the depreciation calculated on the asset is reversed and the asset becomes eligible for other processes like capitalization, revaluation etc. at an earlier date. After reversal the asset status for depreciation changes to “Unprocessed”.

5.2.4 Algorithm

5.2.4.1 Depreciation Rates Calculation for Different Date Ranges during a Year

Some companies will have extensive usage of machinery during a particular season in a year and normal usage in rest of the year (example - Sugar processing based on sugarcane harvest season; Garment industry during festival season etc.). The company may like to depreciate the machinery with higher depreciation during the season and with lower rates off-season.

Depreciation gets processed for each of the assets based on the depreciation asset category assigned to the asset. The depreciation asset category has a deprecation rule assigned to it for each of the depreciation book and in turn depreciation rate identifier can be assigned to a depreciation rule. So when depreciation is processed, the rates for the date range defined for the rate identifier would be taken. In the above example, for the crushing machine, depreciation for *Period 1* - July to 30 Sep, will be at the following rates (between 1 July to 31 Aug at 10% and between 1 Sep to 30 Sep at 15%).

5.2.4.2 Calculation of Depreciation using Straight Line Method

This is a simple method of depreciation wherein the asset cost minus salvage value is divided by the number of years' of useful life to derive the depreciation amount and is charged to depreciation equally every year.

example is shown in the figure below:

Straight Line Method

Asset Class	Heavy Machinery		
Asset No.	HM1	Description	Generator
Original Cost	100000	In Service Date	01-Jan-00
Useful Life	5 years	Currency	USD
Depreciation	20%		

Year	Original Cost	Depreciation Rate	SLM Depr	Accumulated Depreciation	Asset Book Value
1	100000	20%	20000	20000	80000
2	100000	20%	20000	40000	60000
3	100000	20%	20000	60000	40000
4	100000	20%	20000	80000	20000
5	100000	20%	20000	100000	0

Figure 7: SLM

5.2.4.3 Calculation of Depreciation using Reducing Balance Method

This method calculates the provision for depreciation annually on the balance of the asset from the previous year. It is normal for the percentage to be used in the notes at the end of the Trail Balance. This method is particularly useful for assets where the repair and maintenance costs increase, as the asset gets older. By reducing the provision for depreciation as the repair and maintenance cost rise, the total usage costs each year are kept fairly constant.

An example of this method is depicted in the figure shown below:

<Company Name> **Report ID: CSOL-FA-018-01**

Depreciation Simulation Report for the Year ----

Simulation Run No *<Run No>*

Depreciation Category	Asset Description	Year	Asset Value	Salvage Value	Existing Depreciation	Suspension Depreciation	Depreciation Charge Rule No 1	Depreciation Charge Rule No 2	Depreciation Charge Rule No 3
<Category>	<Desc>	<Yr>	<Value>	<Value>	<Ex Dep>	<Sus Dep>	Dep charge	Dep charge	Dep charge
<Category>	<Desc>	<Yr>	<Value>	<Value>	<Ex Dep>	<Sus Dep>	Dep charge	Dep charge	Dep charge
<Category>	<Desc>	<Yr>	<Value>	<Value>	<Ex Dep>	<Sus Dep>	Dep charge	Dep charge	Dep charge

Existing Depreciation Total <Depreciation Rule 1 Total>
Suspension Total <Depreciation Rule 2 Total>
<Depreciation Rule 3 Total>

<<<End of Report>>>

Figure 8: Reducing Balance Method

5.2.4.4 Calculation of Depreciation using Sum-of-the-Years Digit Method

Sum of the Years Digit Method

Asset Class Heavy Machinery

Asset No. HM1 Description Generator

Asset Cost 100000 Currency USD

Estimated Useful life 5 years

Sum of years' digits depreciation = Asset cost less salvage value x Applicable fraction

Where Applicable fraction = Number of years of estimated life remaining as of the beginning of the year
---
Sum of Years digits

Sum of Years' digits = (n*(n+1))/2 where n = Estimated useful life

Year	Original Cost	No. of years life remaining	SYD	Applicable fraction	WDV Depreciation	Accumulated Depreciation	Asset Book Value
1	100000	5	15	0.333	33333	33333	66667
2	100000	4	15	0.267	26667	60000	40000
3	100000	3	15	0.200	20000	80000	20000
4	100000	2	15	0.133	13333	93333	6667
5	100000	1	15	0.067	6667	100000	0

Figure 9: SYD Method

5.2.4.5 Change of Depreciation Method with Retrospective Impact

In this example, the company has changed its depreciation method from Straight Line to Sum-of-the-years digit method and the impact of this change is shown in the figure below:

Change Depreciation Impact - Example

Asset Class	Heavy Machinery		
Asset No.	HM1	Description	Generator
Asset Cost	100000	Currency	USD
Original Method	Straight Line	New Method	Sum of the Years Digit
Estimated Life (Years)	5	Year of Change	Year 5
Straight Line Rate	20%		

Yr.	SLM Depreciation Original	Years	SYD	Factor	SYD Depr Revised	To SYD Difference Charged / (reversed)	SYD Bal depreciation
			Total Years formula				
1	20000	5.00	15.00	0.33333	33,333.33	13,333.33	
2	20000	4.00	15.00	0.26667	26,666.67	6,666.67	
3	20000	3.00	15.00	0.20000	20,000.00	-	
4	20000	2.00	15.00	0.13333	13,333.33	(6,666.67)	
5	20000	1.00	15.00	0.06667	6,666.67		6,666.67
	80000				93,333.33	13,333.33	6,666.67
	100000				100,000	93,333.33	100,000.00

Figure 10: Change Depreciation Method

5.2.5 Key Features

- Support for Depreciation at tag level
- Facility for Implicit Depreciation Processing on retirement and transfers (across finance books)
- Support to set Suspension period in case of shut down, etc. so that depreciation need not be charged
- Support for Depreciation change with retrospective effect for any change in method or rate of depreciation previously charged
- Facility to calculate Depreciation for multiple periods at the same time
- Simulation of depreciation for analysis purposes - for both existing as well as new Assets
- Posting entries to specific Cost Center other than Asset Cost center
- Processing depreciation for assets whose in-service date falls in a closed period
- Support to Reverse Depreciation entries
- Provision to specify dimension details during process depreciation / depreciation adjustment

5.2.6 Predefined Values

S No	Entity	Predefined Values
1.	Basis	Asset Class Asset No Balance of Assets Cost Center Depreciation Category
2.	Sort By	Financial Period Cost Center Depreciation Charge
3.	Dr/Cr	Dr Cr

5.2.6.1 Transaction Types

The component will lead to the following transaction types:

S No	Tran Type	Description
1.	ADPR	Depreciation Process
2.	ADRPR	Reversal Depreciation Process
3.	ADS	Simulate Depreciation
4.	ADCH	Change Depreciation
5.	ADADJ	Depreciation Adjustment
6.	ARDADJ	Reverse Depreciation Adjustment

5.2.7 Functional Parameters

There are no functional parameters associated with asset capitalization.

5.2.8 Deployment

Asset Depreciation processing component can be deployed at an organizational unit level. Depreciation processing can be deployed at multiple organizational units of a company.

Depreciation Processing can be centralized or decentralized depending on the company's requirements. For example, the depreciation setup can be done in a centralized manner whereas depreciation processing can be decentralized. This is normally done when the master setup is placed in a central location, say Corporate Office, with the processing done at the operating units.

5.2.9 Component Interaction

Cardinality → Asset Depreciation Processing: Other Components

Component Name	Cardinality
Organization Setup	N:1
Accounting Setup	N:1
Finance Book Processing	N:N
Financial Calendar Closure	N:N
Asset Depreciation Setup	N:1
Account Rule Definition	N:1
Asset Capitalization	1:1
Asset Disposal	1:1
Asset Type Definition	N:1
Asset Inquiry	N:1
Asset Migration	1:1
Numbering Class	N:1
Cost Center	N:1
Asset Revaluation	1:1
Asset Location	N:N
Exchange Rate	N:1
Company Parameter Setup	N:1
Notes	N:N

5.2.10 Status

S No	Entity	Status From	Status To	Task Performed
1.	Depreciation Run No.	-NA-	Processed	Process Depreciation
		Fresh	Confirmed	Confirm Process
		Processed	Deleted	Delete Process Run No.
		Processing	Aborted	Abort Depreciation Process
		Aborted	Processing	Resume Depreciation Processing
		Processed	Deleted	Undo Depreciation Processing

S No	Entity	Status From	Status To	Task Performed
2.	Simulation Run No.	-NA-	Processed	Simulate Depreciation
3.	Depreciation Adjustment	-NA-	Active	Create Depreciation Adjustment
		Active	Reversed	Reverse Depreciation Adjustment

5.2.11 Postings

5.2.11.1 Financial Postings

Transaction	Debit Account Code	Credit Account Code
Process Depreciation	Depreciation Expense Account	Accumulated Depreciation Account
Process Depreciation (for revalued assets)	Revaluation Depreciation Account	Accumulated Revalued Depreciation Account
Reverse Depreciation	Accumulated Depreciation Account	Depreciation Expense Account
Reverse Depreciation (for revalued assets)	Accumulated Revalued Depreciation Account	Revaluation Depreciation Account
Change Depreciation (if results in higher depreciation)	Depreciation Expense Account	Accumulated Depreciation Account
Change Depreciation (if results in higher depreciation on revalued depreciation)	Revaluation Depreciation Account	Accumulated Revalued Depreciation Account
Change Depreciation (if results in lower depreciation)	Accumulated Depreciation Account	Depreciation Expense Account
Change Depreciation (if results in higher depreciation on revalued depreciation)	Accumulated Revalued Depreciation Account	Revaluation Depreciation Account
Depreciation Adjustment (for additional depreciation)	Depreciation Expense Account	Accumulated Depreciation Account
Depreciation Adjustment (for reducing depreciation)	Accumulated Depreciation Account	Depreciation Expense Account

5.2.12 Reports (Online)

5.2.12.1 View Depreciation Adjustment

Report ID: CSOL-FA-0

Depreciation Adjustment Report

Document No	*<Document no>*	**Transaction Date**	*<dd/mm/yyyy>*
Depreciation Book Code	*<Dep Book Code>*	**Finance Book**	*<FB>*
Posting Cost Center	*<CC>*		

Asset No	Tag No	Dr/Cr	Depreciation Charge	Remarks
<Assetno>	<Tagno>	<Dr/Cr>	<Dep charge>	<Remarks>
	<Tagno>	<Dr/Cr>	<Dep charge>	<Remarks>
	<Tagno>	<Dr/Cr>	<Dep charge>	<Remarks>

Deprecaition Total	<Total>

<<<End of Report>>

5.2.12.2 View Simulated Depreciation

<Company Name> **Report ID: CSOL-FA-018-01**

Depreciation Simulation Report for the Year ----

Simulation Run No *<Run No>*

Depreciation Category	Asset Description	Year	Asset Value	Salvage Value	Existing Depreciation	Suspension Depreciation	Depreciation Charge Rule No 1	Depreciation Charge Rule No 2	Depreciation Charge Rule No 3
<Category>	<Desc>	<Yr>	<Value>	<Value>	<Ex Dep>	<Sus Dep>	ep charge	ep charge	ep charge
<Category>	<Desc>	<Yr>	<Value>	<Value>	<Ex Dep>	<Sus Dep>	ep charge	ep charge	ep charge
<Category>	<Desc>	<Yr>	<Value>	<Value>	<Ex Dep>	<Sus Dep>	ep charge	ep charge	ep charge

Existing Depreciation Total	<Depreciation Rule 1 Total>
Suspension Total	<Depreciation Rule 2 Total>
	<Depreciation Rule 3 Total>

<<<End of Report>>>

5.3 Asset Disposal

5.3.1 Purpose

Disposal of assets that are not in use is a common business practice. Organizations frequently review the value of the Fixed Assets in use, and take decisions whether to retain the assets or dispose them off. Disposing assets can be due to wear and tear of the asset or based on technological reasons. Example: the existing technology of an organization has become outdated and a different technology has to be replaced. Such events will call for the disposal of assets. There can also be situations where the cost of carrying a non-performing existing asset may be high and the organization can use the funds for better alternatives.

5.3.2 Overview

In Ramco ERP Suite Enterprise Edition – Fixed Assets System, Asset Disposal is handled in two ways:

- Asset Retirement
- Asset Transfer

5.3.2.1 Asset Retirement

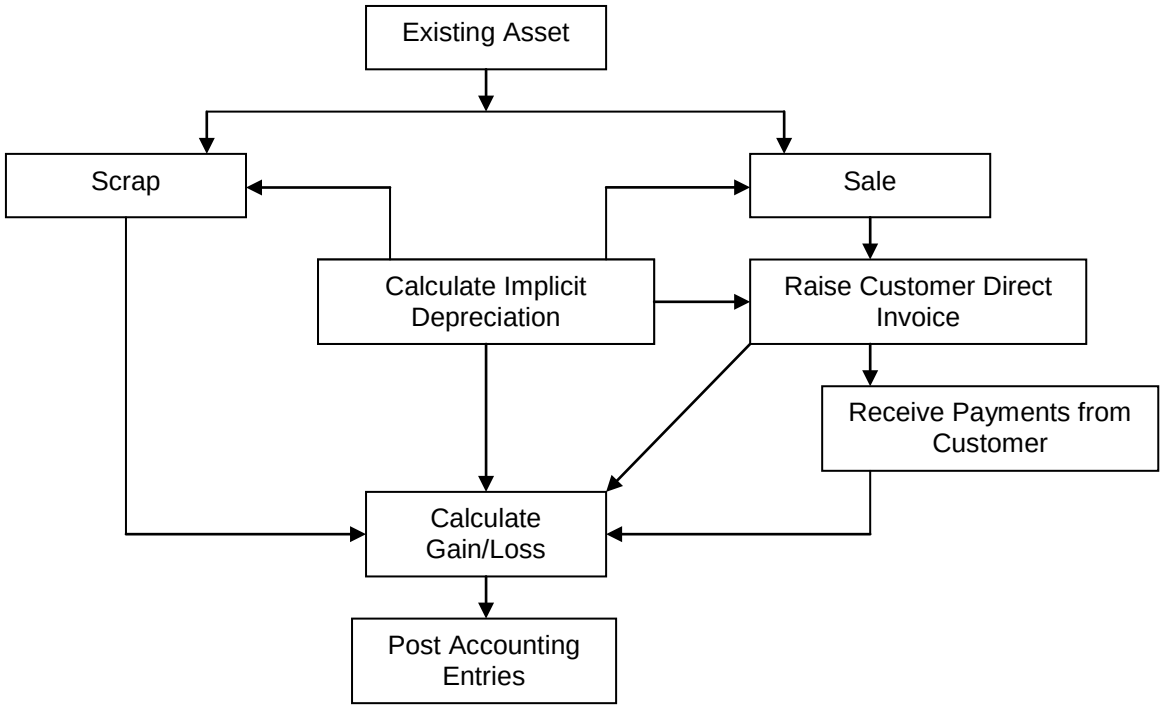


Figure 11: Asset Retirement

Asset Retirement happens to assets that are not in use. This includes the assets that have outlived their life as well as assets in good condition. Asset retirement may result in profit or loss on the transaction, which have to be properly accounted in the finance books.

Asset Retirement is a process in which the assets are removed from the books of the company. An asset can be retired in two ways.

- Sale
- Write Off

5.3.2.1.1 Sale of Assets

Fixed Assets are sold to customers at their realizable market price and the difference between the Asset Book Value and the Proceeds on Sale will result in profit or loss.

An asset that is not usable or saleable becomes a scrap. Sometimes the assets that are scrapped can also be sold in a “Scrap Sale”.

During the asset retirement process if the assets retirement type has been specified as “Sale”, then these assets will be marked for sale i.e., the asset status will be updated as “Marked for Sale”. Invoices for the sale of such assets will be generated in the “Customer Direct Invoice” component of the Receivables Management function.

Subsequently, the asset status is changed from “Active” to “Retired”. Assets can also be retired at the Tag level. However the retired assets history would be available for viewing its details.

5.3.2.1.2 Write Off

Assets can also be written off. This will happen when an asset is lost in transit or damaged. If the assets are to be written off from the books of the company then the assets must be marked with the retirement type “Write Off”. There will be no realizable value from the written off assets and the entire Asset Book Value will be accounted as Loss.

5.3.2.1.3 Reverse Retirement

In case of any errors that occurred during the asset retirement process, the Reverse Retirement process is executed. However, the retirement must have been done in the same financial year in which the retirement reversal is being carried out. Also, atleast one of the financial periods of the financial year must be in Open status for reversing the retirement. On reversal the asset status will revert to “Active” and all the entries pertaining to the asset retirement would be nullified. The Asset cost, the Accumulated Depreciation, Revaluation Cost and the Revalued Depreciation will be restored to their original values.

5.3.2.2 Asset Transfer

Asset transfer refers to a process of transferring an asset from place to another. For example, unused assets like machinery; computers etc, present in a department of a company can be transferred to another department of request. Figure 12 depicts an Asset Transfer process.

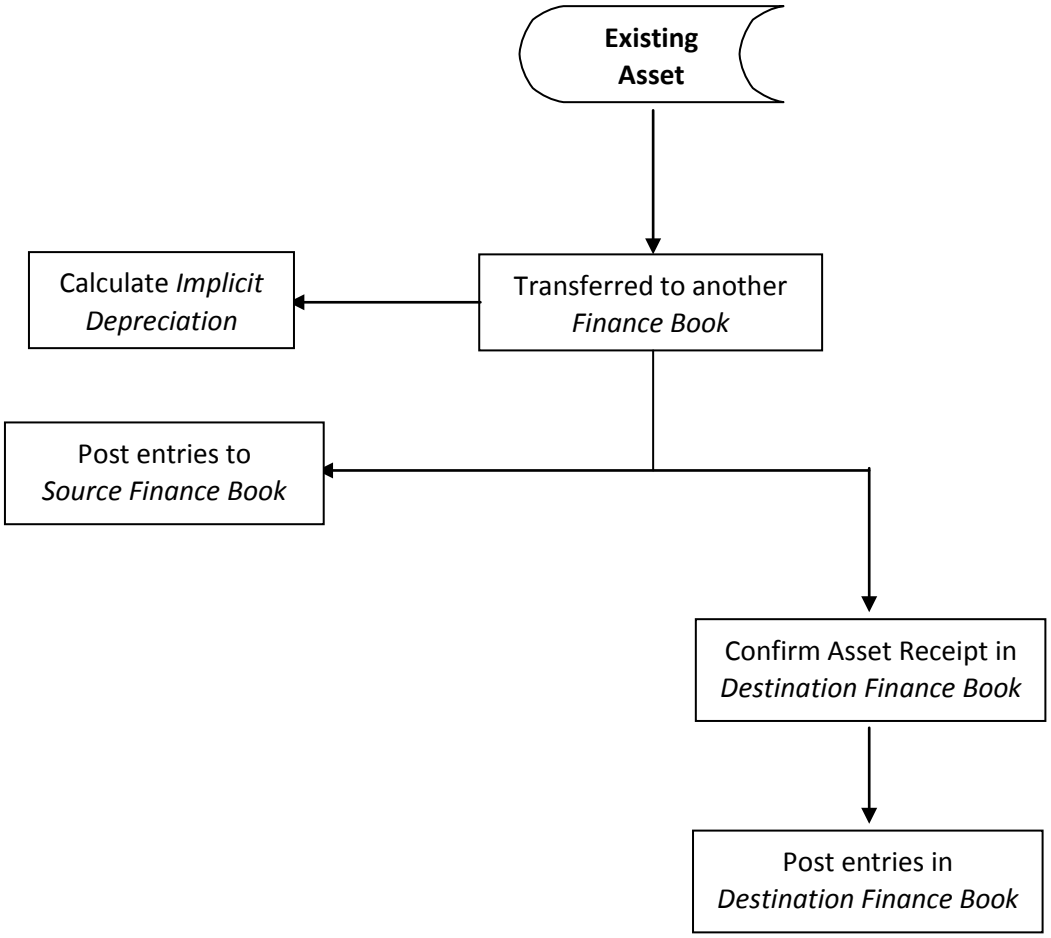


Figure 12: Asset Transfer Process

Based on the financial postings as a result of an asset transfer, the process can be classified in to two categories, namely Location / Cost Center Transfer and Inter Finance Book Transfer.

In an Inter Finance Book Transfer, assets are transferred from one Finance Book to another. For example, a computer capitalized in one business unit may be transferred to another unit (having a different Finance Book). On transfer the asset cost is reduced from the Source Finance Book and will be added to the Destination Finance Book. Also, the entire Asset history is transferred from the Source Finance Book to the destination finance book. Inter FB transfer can also result in change of locations or cost center of an asset (in the new Finance Book). In case of an inter FB Transfer the destination location or cost center can be specified only on confirmation of asset receipt in the destination finance book. Note that, Assets in Active status can only be transferred from one Finance Book to another.

5.3.3 Concepts

Disposal of assets that are not in use is a common business practice. Retirement or disposal implies removal of the asset from the books of the company and booking loss or gain on the disposal. Companies retire assets after a careful assessment of the utilization of the asset and quality of the product or service being provided by the asset or age of the asset in use. Example of a situation that calls for retirement of an asset could be that the existing technology of an organization has become outdated and a different technology has to be replaced. Such events will call for the disposal of assets. There can also be situations where the cost of carrying a non-performing existing asset may be high and the organization can use the funds for better alternatives.

However retiring assets results in a profit or loss needs careful evaluation. To retire assets of very high cost or value, the decision is usually taken by the board of the company.

5.3.3.1 Retiring Assets

An asset may be retired either because it is sold off or it has outlived its utility and is being scrapped or has been damaged or lost. Assets that are not required in the business are retired from the books. Ramco ERP Suite Enterprise Edition provides a feature for selecting one or multiple assets for retirement in a single document. Assets in Active status alone can be retired.

Retirement can be of two types: Sale or Scrap. When the retirement type is “Sale”, the details of sale value, customer to whom it has been sold etc. have to be specified. The system automatically generates a *Customer Invoice* for the assets sold. In case of “Scrap” retirement there is no net realizable value and the entire book value of the asset is considered as a loss. However the gain or loss on retirement of asset is subject to insurance claims, whose details can also be specified.

Steps involved in retiring assets

- A single asset or multiple assets can be selected for retirement and the gain or loss calculation for each of the asset tags is done by the system
- Retirements could result in cash or credit sales
- Assets can be retired at the tag level also. Either the full asset or a part of the asset represented by the tag can be disposed off
- The system calculates the book value of the asset, finds out the total value of the retirement, compares this with the proceeds and subsequently calculates profit or loss
- In the case of sale, the sale value and the customer details must be specified
- The invoice is generated on the date of retirement and implicit depreciation up to the date of transfer is computed by the system and the corresponding depreciation entries are posted subsequently
- For asset value exceeding the limit specified in the Company Parameter Setup component, proposal number must be specified

- The invoice to be generated must be either in “Authorized” or “Fresh” status depending on the company’s policy. The accounting entries for the invoice hence generated will be posted in the Customer Direct Invoice component
- On retirement, the status of the asset changes to “Retired” and it will not be available for any further processing. The book value of the asset is reduced to zero

Retirement of assets subject to proposals

When an asset has been retired, it is mandatory to have reference to an “Asset Retirement” type *Proposal*. When an asset is retired, validation has to be made to check whether the asset has referred to a proposal number. After the retirement, information must be sent to the Proposal Maintenance function and against every proposal that has been referred to, the respective amounts are recorded as *Amounts Utilized*.

However, proposal numbers reference is mandatory only when the value of the asset that is being retired, is more than the minimum value specified in the Company Parameter Setup component. The sale value specified in the proposal number will be defaulted during asset retirement, which can be increased but cannot be reduced.

Information from Asset Inventory component

During physical inventory of assets, the person carrying out the activity may record the asset as “Damaged” or “Not working” based on the findings. During reconciliation these assets may be either recorded as “Okay” (if repaired later) or the company can decide to retire the asset. These assets must be recorded as “Marked for Retirement” in the Asset Inventory Sheet during reconciliation. Such assets can be selected and retired in the asset disposal process.

Implicit depreciation on retirement of assets

Depreciation on assets is calculated up to the date of retirement in the finance books to which the asset is mapped. As per the Accounting Standards the asset needs to be depreciated till the date of retirement and the book value should be the value applicable on the date of retirement.

During an asset transfer or retirement, the system checks whether the asset has been depreciated till the date of transfer or retirement. If not depreciated, then the depreciation processing for the asset till the date of transaction is automatically generated. The financial entries for depreciation will be posted to the corp. and tax books in the Asset Depreciation Processing component.

5.3.3.2 Reversing Retirement

Assets retired earlier can be reversed as an exceptional transaction if there has been any mistake while recording the retirement details earlier or due to any unforeseen business circumstances. However such reversals are subject to the following pre-requisites:

- At least one financial period in the year in which the asset was retired should be in “Open” status. However the reversal date cannot be earlier than the retirement date
- In the case of sale of assets, if the customer invoice has been authorized then the invoice needs to be reversed or if it is in “Fresh” status, then it has to be to be deleted

On reversal the asset status will revert to “Active” and all the entries pertaining to the asset retirement will be nullified. But the Depreciation Charges posted till the date of retirement will not get reversed. To change the asset cost, accumulated depreciation, revaluation cost and revalued depreciation, the user has to manually reverse the depreciation entries posted. The asset retirement proposal will be restored to “Active” status once reversed and the same asset can be picked up for retirement again later.

5.3.3.3 Transfer of Asset

Ramco ERP Suite Enterprise Edition – Fixed Assets System supports three types of asset transfers in an organization:

- Inter Location Asset Transfer
- Inter Cost Center Asset Transfer
- Inter Finance Book Asset Transfer

Transfer of assets to another Company has to be done through sale of assets. The details of Inter Location Transfer and Inter Cost Center Transfer have been covered under the Asset Inventory component.

Transfer of assets between two business units of a company is also supported in the Asset Disposal component. Transfer of assets between one finance book and another occurs in two stages:

The first stage is **Transfer** from one Finance Book (called Source Finance Book)

The second is **Confirmation** of the asset receipt in the destination Finance Book and the recognition of loss in transit, if any.

If there is any loss in transit then the receiver should reject the transfer, which will be forwarded back to the sender. Now the source finance book has to absorb the loss in transit. However if the destination finance book accepts the asset receipt and subsequently finds the loss or damage, then this has to be accounted in the destination finance book only. Since the book entries between one finance book and another is within a company, no profit or loss arises on transfer of assets.

Confirmation of asset receipt in the destination finance book is mandatory and the financial period of both the source finance book and the destination finance book cannot be closed unless the confirmation is done.

Depreciation up to one day prior to the date of transfer will be charged to the source finance book and from the date of transfer depreciation will be charged to the destination finance book.

Implicit depreciation will be charged in the books of source finance book during the transaction and the revised asset book value will be calculated, which will then be transferred to the destination finance book. The revalued asset cost and the revaluation reserve will also be transferred to the destination finance book during transfer of assets.

The Assets must be in “Active” status to enable transfer. Transfer of assets can also be done at tag level and the company can transfer all or any of the tags of an asset. Once the transfer is completed, the status of the asset changes from “Active” to “Transferred” and will not be available for depreciation or any further process in the source finance book. All subsequent process must be performed in the destination finance book only. However the asset history will be maintained in the system for tracking purposes.

Bulk transfer of assets is also supported wherein the company can select one or multiple number of assets for transfer in a single transfer document.

5.3.3.4 Reversal of Asset Transfer

If the receiving finance book does, not accept the transfer of an asset, then the transfer can be reversed. In addition to this, if mistakes have been committed during entry of details in a transfer document, then in such cases also, the asset transfer can be reversed.

The pre-requisites for reversal of transfer is as follows:

- At least one financial period in the year in which the asset was retired should be in “Open” status. However the reversal date cannot be earlier than the retirement date
- The destination finance book must not have confirmed the transfer in their books. If confirmed the asset can be restored to the source finance book only through another transfer transaction

On reversal of transfer document, the financial postings made by the referral document will be automatically reversed and the asset will be restored to “Active” status in the source finance book. However the Depreciation charges posted on transfer will not get reversed. The user has to manually reverse the depreciation entries.

5.3.4 Key Features

- Provision to retire a single asset, an asset tag, range of assets and an asset class
- Support for computing implicit depreciation on retirement or transfer to arrive at the Asset Book Value as on date
- Support for reversal of Transfers and Retirements
- Provision to generate Customer Direct Invoice for Sale type asset retirements
- Provision to retire assets with or without retirement proposals
- Provision to automatically reconcile the Inter finance book transactions during the Inter Finance Book transfer based on the CPS Parameter "Automatically reconcile inter fb fixed asset transfers"

5.3.5 Predefined Values

S No	Entity	Predefined Values
1.	Payment Category	Cash Credit
2.	Generate Authorized Invoice	Yes No
3.	Marked for Retirement	Yes No
4.	Retirement Type	Sale Scrap
5.	Claim Insurance	Yes No

5.3.5.1 Transaction Types

The component will lead to the following transaction types:

S. No	Tran Type	Description
1.	ARET	Asset Retirement
2.	AIFBTR	Asset Inter Finance Book Transfer
3.	RAR	Reverse Asset Retirement

5.3.6 Functional Parameters

There are no functional parameters associated with Asset Transfers.

5.3.7 Deployment

Asset Disposal component is supported at either centralized or decentralized level in an organization.

Asset Disposal component can be deployed at the Organizational Unit level in a Company. If the company has many organizational units and needs decentralized administration of asset disposal, then multiple deployments

are required. If the company needs centralized deployment of asset disposal with capitalization decentralized, then such a model is also supported.

Typically in a company, certain decisions regarding asset disposal are taken at a higher level and this will need a centralized deployment, say at the corporate office level. On the other hand there could be a situation where in the retirement proposal is only centralized whereas the actual execution of the retirement is done at the organizational unit level. Ramco ERP Suite Enterprise Edition supports both these models of deployment in the disposal of the fixed assets.

5.3.8 Component Interaction

Cardinality → Asset Disposal: Other Components

Component Name	Cardinality	Remarks
Asset Inquiry	N:1	Multiple Asset Disposal components will interact with single Asset Inquiry component because the Asset Inquiry component is deployed at the company level
Asset Capitalization	1:N	An Asset Disposal component can communicate with multiple Asset Acquisition components, because disposal can be centralized or decentralized.
Asset Type Definition	N:1	
Asset Planning	N:1	
Asset Depreciation	N:1	
Asset Disposal	N:N	For Asset Receipt confirmation disposal.
Finance Book Processing	N:N	
Accounting Setup	N:1	Chart of Accounts does the validation of Asset Account, Inter Finance Book Account with respect to the currency and selected finance book.
Account Rule Definition	N:1	
Financial Calendar Closure	N:1	
Cost Setup	N:1	
Customer Direct Invoice	1:1	
Customer	N:1	
Organization Setup	N:1	
Asset Inventory	1:N	
Asset Insurance	N:1	
Asset Revaluation	1:1	

Component Name	Cardinality	Remarks
Company Parameter Setup	N:1	
Numbering Class	N:1	
Asset Location	N:N	
Exchange Rate	N:1	
Notes	N:N	

5.3.9 Status

5.3.9.1 Document Status

S No	Document	Status From	Status To	Task Performed	Remarks
1	Retirement No. (for Asset retirement)	-NA-	Retired	Retire Assets	
		Retired	Reversed	Reverse Retirement	
2.	Customer Direct Invoice	-NA-	Authorized	Retire Asset	If the "Generate Authorized Invoice" option has been set to "Yes" during retirement.
		-NA-	Fresh	Retire Asset	If the "Generate Authorized Invoice" option has been set to "No" during retirement.
3.	Transfer No. (for Asset Transferred to another Finance Book)	-NA-	Transferred	Create Group	
		Transferred	Reversed	Inactivate Group	On inactivation of asset group code, the status is updated to "Inactive"
		Transferred	Received	Confirm Receipt	
		Transferred	Rejected	Reject Receipt	

5.3.9.2 Entity Status

S. No	Entity	Status From	Status To	Task Performed	Remarks
1	Asset Tag No. (on retirement)	Active	Retired	Retire Assets	
		Retired	Active	Reverse Retirement	
2	Asset Tag No. (for Asset	Active	Transferred Out	Transfer Assets	

S. No	Entity	Status From	Status To	Task Performed	Remarks
	Transferred to another Finance Book)	- NA -	Active	Confirm Receipt	In the receiving finance books.

5.3.10 Postings

5.3.10.1 Financial Postings

Transaction	Debit Account Code	Credit Account Code
Inter Finance Book Transfer	Inter FB (Capital) Account	
	Accumulated Depreciation Account	Asset Account
	Revaluation Reserve	Revaluation Asset Account
	Revalued Cumulative Depreciation Account	
Inter Finance Book Receipt	Asset Account	Inter FB (Capital) Account
	Revaluation Asset Account	Accumulated Depreciation Account
		Revaluation Reserve
		Revalued Cumulative Depreciation Account
Reverse Transfer	Asset Account	Inter FB (Capital) Account
	Revaluation Asset Account	Accumulated Depreciation Account
		Revaluation Reserve
		Revalued Cumulative Depreciation Account
Asset Retirement (Sale)	Fixed Asset Suspense account (for the Realization Value)	Asset Account
	Depreciation Account(for current depreciation)	Cum Depreciation account (for current depreciation)
	Revaluation Reserve (If the asset has been revalued then to reverse the revaluation amount)	Asset Revaluation Account (if the asset has been revalued)
	Accumulated Depreciation Account	
	Loss/Gain Account (in case of Loss)	Loss/Gain Account (in case of Gain)
	Accumulated Impairment Loss(if balance available)	

Transaction	Debit Account Code	Credit Account Code
Reverse Retirement (Sale)	Asset Account	Fixed Asset Suspense account (for the Realization Value)
	Asset Revaluation Account (If the asset has been revalued)	Revaluation Reserve (if the asset has been revalued then to reverse the revaluation amount)
	Cum Depreciation account(current depreciation	Depreciation Account (current depreciation)
		Accumulated Depreciation Account(for already posted depreciation charges)
	Loss/Gain Account (in case of Gain)	Loss/Gain Account (in case of Loss)
		Accumulated Impairment Loss
Asset Retirement (Scrap)	Loss/Gain Account (in case of Loss)	Asset Account
	Depreciation Account(current depreciation)	Cumulative Depreciation Account (current depreciation)
	Revaluation Reserve (if the asset has been revalued then to reverse the revaluation amount)	Asset Revaluation Account (if the asset has been revalued)
	Cumulative Depreciation Account (for already posted depreciation)	
	Accumulated Impairment Loss	
Reverse Retirement (Scrap)	Asset Account	Loss/Gain Account (in case of Loss)
	Cumulative Depreciation Account (for current depreciation)	Depreciation Account(for current depreciation)
	Asset Revaluation Account (if the asset has been revalued)	Revaluation Reserve (if the asset has been revalued then to reverse the revaluation amount)
		Cumulative Depreciation Account (for already posted depreciation)
		Accumulated Impairment Loss
Asset Retirement (Sale) – (if claim required is set to “Yes”)	Fixed Asset Suspense account (for the Realization Value)	Asset Account
	Depreciation Account (for current depreciation)	Cumulative Depreciation (for current depreciation)
	Revaluation Reserve (if the asset has been revalued then to reverse the	Asset Revaluation Account (if the asset has been revalued)

Transaction	Debit Account Code	Credit Account Code
	revaluation amount)	
	Cumulative Depreciation Account (for already posted depreciation)	
	Accumulated Impairment Loss	
	Insurance Claim Suspense Account	
Asset Retirement (Scrap) – (if claim required is set to "Yes")	Insurance Claim Suspense Account	Asset Account
	Depreciation Account	Cumulative Depreciation account (for current depreciation)
	Revaluation Reserve (if the asset has been revalued then to reverse the revaluation amount)	Asset Revaluation Account (if the asset has been revalued)
	Cumulative Depreciation Account (for already posted depreciation)	
	Accumulated Impairment Loss	

5.3.10.2 Inter-Component Postings

When a Customer Direct Invoice is generated for the sale of assets, the components posts the details of Customer Code, Transaction Date, Sales Value, Asset No., Tag No., Proposal No. and the applicability of Authorized status to the invoice. With these information provided, the component "Customer Direct Invoice" will generate a document automatically.

Updation of proposal details – The proposal number referred in the retirement document gets updated as closed on completion of retirement of all the assets specified in the proposal.

Updation of depreciation details and financial postings – The implicit depreciation charged during retirement or transfer gets updated in the asset depreciation component and the status of the asset changes to "Processed" for the period up to which depreciation was charged. The Asset Depreciation component makes financial postings.

Change of asset status in asset capitalization – On retirement the asset status changes from "Active" to "Retired" and on transfer the asset status changes from "Active" to "Transferred" in the source finance book and the asset gets added to the destination finance book in "Active" status on confirmation of transfer.

For retirement / transfer the financial postings are made to the finance books through the Asset Inquiry component. Also the asset book value gets recomputed on retirement / transfer and this is updated to the Asset Inquiry component.

5.4 Asset Insurance

5.4.1 Purpose

Fixed assets of a company are insured because they are prone to risks caused by natural calamities, accidents and other unforeseen events. Since monetary risks involved are very high, there is regular tracking of the insurance policies taken up on assets, renewal of policies, claims to be made and claims settled. Hence, in Ramco ERP Suite Enterprise Edition – Fixed Assets system, provisions for tracking Asset Insurance right from insuring an asset till claims are supported. Note that, any asset that is capitalized can be insured.

Insurance

Assets are covered by Insurance policies to mitigate the risks associated like fire, natural calamities etc. Distinct or consolidated insurance policies can be taken against a group of assets to cover different risks. Once an asset is insured (for an amount fixed according to the agreement between the asset owner and the insurance company), periodic premiums have to be paid to the insurance company (amount which is usually proportional to the insured amount).

In the event of damage to an asset due to any of the events covered by the insurance policy, the company makes an insurance claim and may receive compensation from the Insurance Company, depending on their assessment of the extent and causes of the damage.

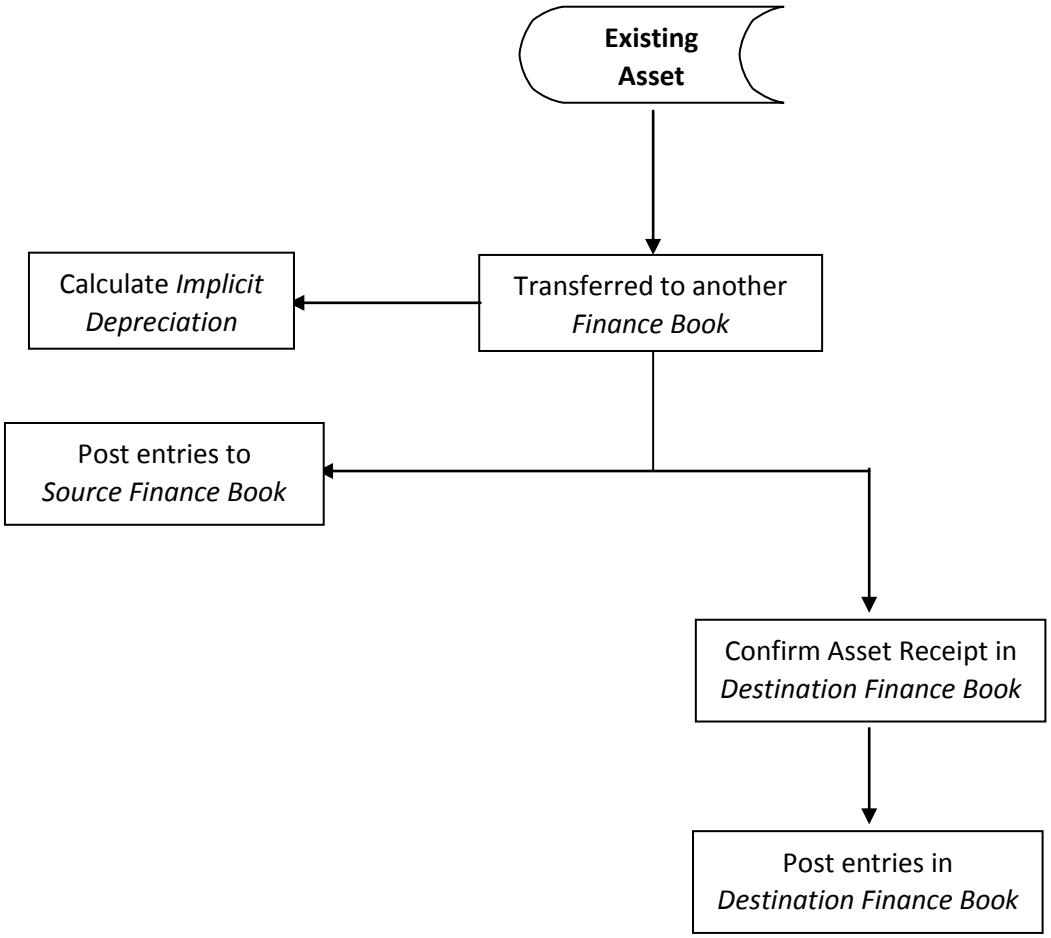
5.4.2 Overview

The process of insurance is as follows:

- Identifying the insurable value of the assets
- Determining the insurance policies that would be applicable for the assets
- Insurance premium payments against the policies
- In case of any damage or loss of assets, raising claims against the respective policy
- Recording the settlement details on reimbursement of the claims

5.4.3 Steps involved in Asset Insurance

The Asset Insurance process is depicted as shown in Figure 13.



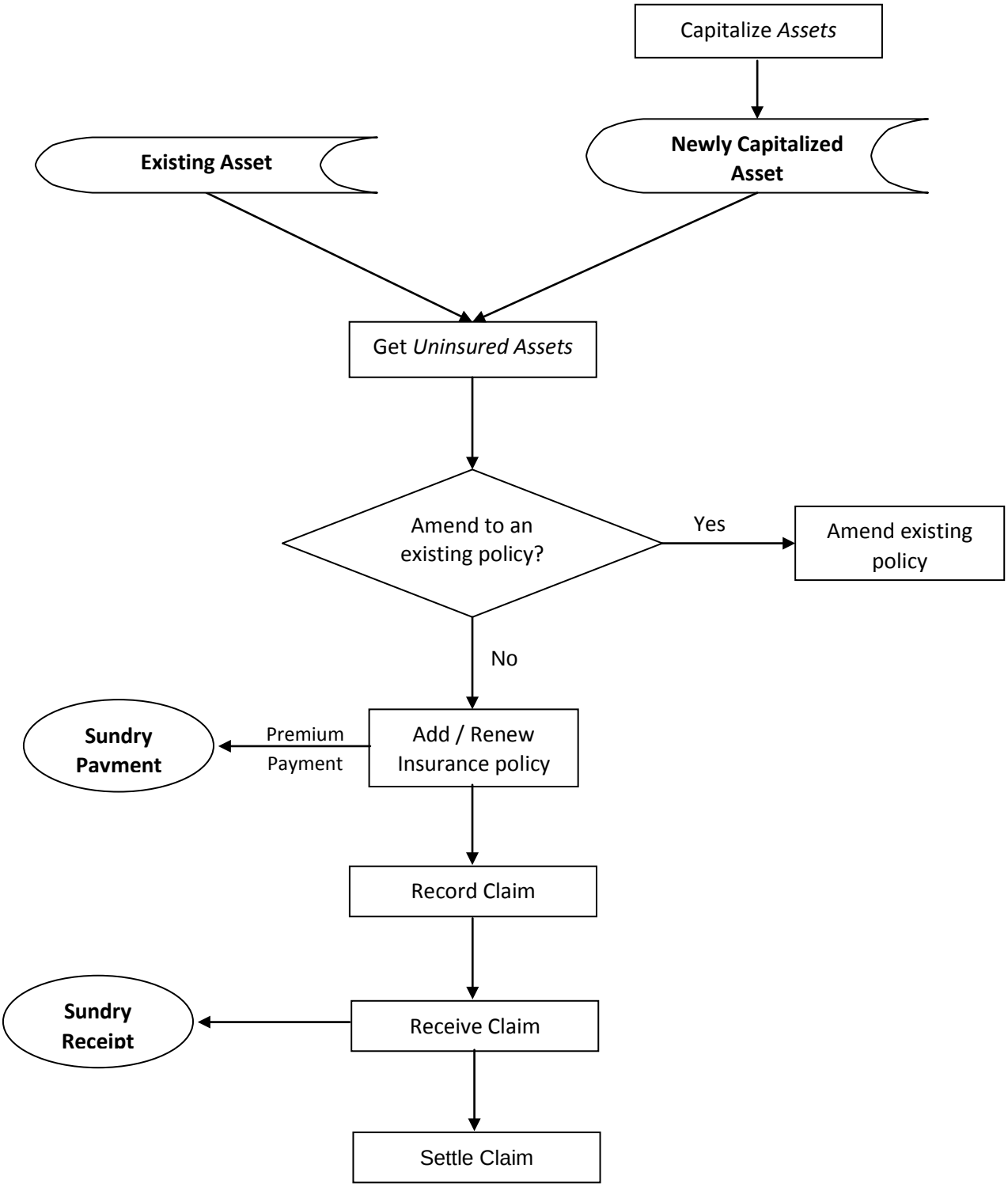


Figure 13: Asset Insurance Process

5.4.3.1 Covering assets for insurance

It is of interest to the management to ensure that all the important assets are insured sufficiently so that the company is equipped to meet any unexpected damage. The Company has to ensure that assets are neither under-insured (that is in case of any damage, claims will be settled at a lesser rate) nor over insured (will result in additional premiums).

Leased assets can also be run for soft revaluation to update the insurable value of the assets.

The insurance policy subscribed mainly depends on the value of the asset and the kind of risk it is exposed to. The estimation of risk involved is subjected to the management decision. However, obtaining the insurable value of the assets is a major exercise in the organizations. This value can be

- The net book value of the assets
- Asset value based on the index series (at times specified by the insurer)
- Current market value of the asset obtained by suitable revaluation. (By percentage or by amount or to amount)
- Asset's original cost

5.4.3.1.1 Calculating asset insurable value through soft revaluation

Step 1: Set insurance valuation rule

This is the procedure for arriving at the value of assets for the purpose of insurance. The type of policy (can be user-defined), the index option, the valuation basis, etc. are given for arriving at the insurance valuation rule. The index percentage can be specified for the total number of years.

Step 2: Running soft revaluation

In the "Asset Revaluation" business component, soft revaluation can be processed for the assets with reference to the insurance valuation rule specified in **Step 1**. The values derived by this soft revaluation will be retrieved in the insurance policy if a reference is made to the Soft Revaluation Run number

The assets are then insured under suitable policies and the policy details are captured, which would specify the policy duration, the policy amount, the premium amounts, type of risk covered and the frequency of renewals. Subsequently, the company pays the premiums on the appropriate due dates.

The insurance policy hence created will be in "Active" status once it is authorized and premiums can be paid against it.

Integration with Payables Management

Fixed Asset system is integrated with the Ramco ERP Suite Enterprise Edition - Payables Management function, by which Insurance Premiums can be remitted pertaining to the policies through Sundry payment vouchers. Auto generation of payment vouchers has also been provided. This will enable regular payment of premiums on the respective due dates. The payment process is supported both ways i.e. first the premium may be paid and the policy details can be specified later or alternatively, the policy details are entered first and the premiums can be paid in installments. The system will pick up the vouchers on the respective dates and release payments to the insurance company.

Renewal of Insurance Policy

Renewal of insurance policies needs to be done on or before the due dates. Alternatively the Company can also insure the assets with a different Insurance Company. The policies that are due for renewal can be selected, and based on the revised policy amount or premiums payable, the renewal can be done.

Insuring a new capitalized asset

Whenever a new asset is capitalized, it will be in the "Uninsured" status and can be included in either an existing policy or as part of a new policy. In case of including the new asset in an existing insurance policy, the policy has to be suitably amended. As a result, the Company will have to pay the extra premium as required by the insurance company. Similarly assets can also be excluded from a Policy if required. For example a retired asset can be excluded from the Policy, as it need not be insured any longer.

5.4.3.2 Asset Insurance Claim Process

Insurance claims can be made against existing policies held by the company, in case of damage or loss of assets insured by the policy. In such cases, the user lodges the claim for the value of the loss, subject to the limit of the insured amount. The insurance company, after careful consideration of the cause and extent of the loss and the provisions in the insurance contract, will then decide to reimburse either the part or whole of the claim.

Integration with Receivables Management

When the claim is raised a liability is booked against the insurance company and on settlement of the claim (could be partial or full) the received amount is recognized as income and the liability entries are reversed.

Asset insurance claim process is integrated with the Ramco ERP Suite Enterprise Edition - Receivables Management function by which any claim made can be received through Sundry Receipt and can be adjusted against the asset insurance policy.

5.4.4 Concepts

Ramco ERP Suite Enterprise Edition - Fixed Assets System supports an integrated *Asset Insurance* function covering the following areas:

- Calculating the insurable value of assets through soft revaluation
- Recording the insurance policy details for the fixed assets
- Automatic triggering of insurance premium payment vouchers on due dates
- Adjusting payment vouchers against prepaid insurance
- Renewal of insurance policy on due dates
- Recording insurance claims
- Settling asset insurance claims

5.4.4.1 Setting the Insurance Valuation Rules

Before the insurance policy is created for the Fixed Assets, it is necessary to set the insurance valuation rule. The insurance valuation rule specifies the basis on which the assets need to be valued specifically for insurance purposes. Most of the companies insure their fixed assets at replacement values. Identifying the replacement value is the primary objective of setting the insurance valuation rules.

The insurance valuation rule that has been set can be used during defining the insurance policy. Ramco ERP Suite Enterprise Edition provides the following wide range of options to create the insurance valuation rules:

The revaluation basis can be set as either *Upward* or *Downward* revaluation.

Revaluation can be made applicable for a specific Depreciation Book Code.

Revaluation option is applicable when the company needs to revalue its assets in the books. The revaluation rule can be set in this component. Once revaluation option is selected and the depreciation rule is defined, this rule can be taken up by the Asset Revaluation component for soft or hard revaluation.

5.4.4.2 Modifying the Insurance Valuation Rule

The options once set in the insurance valuation rule can be modified later as required. The revised options would be applicable for the insurance policies defined after modification of the valuation rule.

5.4.4.3 Defining Asset Insurance Policy Details

Insurance policies are usually taken against a group of assets to cover different risks. Different policies can be taken for an asset to cover different risks.

Once an asset is insured (for an amount fixed according to the agreement between the asset owner and the insurance company), the insurance company has to be paid periodic premiums (the amount of which is usually proportional to the insured amount).

In the event of a calamity covered by the insurance policy, the company usually makes an insurance claim and may receive compensation from the insurance company, depending on their assessment of the extent and causes of the damage.

Once the insurance valuation rules are defined, the asset insurance policy can be defined. The defined policy can be for a single asset or a range of assets or all the assets of an asset class.

The policy amount and the premium applicable can be specified against each policy. The total premium amount of all the assets of a policy will be equal to the premium amount specified in the policy. An insurance policy can be of several types, which can be specified during the definition of the policy. The insurance policy on definition takes up “Draft” status.

Assets can be insured on the basis of:

- Insurable value – which will be derived from the Soft Revaluation Run processed in the Asset Revaluation component
- Asset cost or book value – which will be available in the system at the time of generating the insurance policy

The insurance policy details can either be manually entered or uploaded from an external file (like an Excel spreadsheet) into the system. This facility has been provided in some cases where the insurance company provides the details of assets covered and the premium applicable against each asset.

The insurable value of the asset is maintained for a combination of asset no., tag no., run date, policy type and revaluation run no. During policy creation the insurable value as per the latest valuation run no and the policy type will be retrieved. This valuation run no is stored along with the policy for audit trail.

Asset insurance policy can be created only for assets that are in “Active” status. Retired assets will not be considered for insurance. However, zero value assets can be considered for insurance. But the only pre-requisite is that the insurable amount must be greater than zero.

Blanket Payment

Ramco ERP Suite Enterprise Edition supports integration with Payables Management function for tracking premium payments made against the policies. Payment vouchers will be automatically generated if the premiums are paid after the insurance policy is generated.

If Blanket Payment option has been set to “Yes”, it means that the premium amount has already been remitted against the policy and this can be adjusted against the policy that is being defined. Hence there is no need to specify the payment details. If this option has been set to “No”, it means that the premium amount has not been remitted and the details of payment to be made can be specified in the “Payment Information” page.

The asset insurance policy effective dates can be specified against each policy and the company can enter the applicable dates. Assets can be insured against different policies for the same period. For example, a company may insure the asset against Fire Policy as well as Public Liability Insurance.

Insurance Company Information

While defining an insurance policy, the insurance company information must also be specified along. The premium amount will be periodically paid to the company specified here. The details of the insurance company once entered can be reused while creating any other policy also.

Payment Information

After the insurance policy details are defined, with the blanket payment option set to “No”, the payment information can be specified. The company can remit the insurance premium either as one lump sum payment or

on a periodic basis. Ramco ERP Suite Enterprise Edition - Fixed Assets System provides a feature by which future dated payment vouchers can be created along with the policy details. This auto generation of payment vouchers helps in releasing payment to the insurance company as per schedule so that the risk of non-insurance is avoided.

Once the policy details are specified and the premium amount is arrived at, the payment amount, due date and the payment date (payment information) can be specified. The system auto generates the sundry payment vouchers based on the different dates on which the payments are falling due. By specifying the Pay Date the company can ensure that premium payment vouchers are generated early enough to remit to the insurance company.

Sundry payment voucher will generate the financial postings and the list of vouchers generated can be viewed against the insurance policy in the “View Insurance Policy” activity.

5.4.4.4 Modifying Insurance Policy

Insurance policy details can be modified before the authorization of the policy. This feature has been provided to ensure that new assets can be added to a policy or an existing asset can be removed if not required for coverage under the policy.

5.4.4.5 Authorizing Insurance Policy

The insurance policy status changes to “Active” on authorization of the policy and if blanket payment option has been set to “No”, then the premium payment voucher gets generated. Once the policy is authorized, existing asset details cannot be modified.

5.4.4.6 Renewal of Insurance Policy

Insurance policies can be renewed whenever policies at the verge of expiration. By renewing the policies before the effective date, the risk cover can be extended by the company. On renewal the company has to remit the premiums due for the renewal.

During renewal any asset can be added to the existing policy or removed if not required. The premiums will be calculated again for payment. Also the insurable value of the assets can be increased or decreased for deriving the renewal premium.

The other steps in renewal of an insurance policy are the same as that of the policy creation process. During renewal also, the user can specify whether blanket payment can be made for the policy. On submission of the appropriate details, the policy is renewed with the status as “Draft”. This policy has to be once again authorized like a new policy.

Before renewal, any claims due or premium due on the earlier policy must be necessarily settled.

5.4.4.7 Amending Insurance Policy

Amending an insurance policy is very frequently required to include a new asset to the policy. The feature of amendment takes care of the additional premium that has to be paid.

When a company purchases new fixed assets during the current financial year, from the time of acquisition, the asset needs to be insured for risk cover. Any insurance policy already defined will include only the existing assets. In order to cover the new assets also, the “Amend Insurance Policy” activity can be used.

5.4.4.8 Adjust Payment Voucher

Ramco ERP Suite Enterprise Edition facilitates remitting insurance premium initially and attach the payment to the insurance policy later. When the insurance company releases the policy with asset details covered, then the Company can create the insurance policy. This is typically used when the blanket payment has been set to “Yes” and premium is already remitted.

5.4.4.9 Regenerate Payment Voucher

If a sundry payment voucher that has been created for insurance premium payment, is deleted or reversed in the Sundry Payment component due to reasons like wrong data or change in the premium dates etc, then the payment vouchers must be regenerated for remitting the insurance premium. This regeneration feature can be used to replace the deleted or reversed vouchers. New voucher numbers will be generated in the Sundry Payment component and on authorizing these vouchers, premium can be remitted.

5.4.4.10 Raising Insurance Claims

Whenever an insured asset is damaged, the company may prefer a claim from the insurance company. In Ramco ERP Suite Enterprise Edition - Fixed Assets System, claims and settlement details are recorded for accounting and tracking purposes.

However, claims can be raised under only one policy at a time. i.e., an asset cannot be claimed unless the earlier claims made for the same asset is settled. Integration with Asset Retirement and Asset Inventory components is mandatory in order to raise claims when an asset is written off (retirement) or found damaged (inventory). When a claim is raised, the company has to enter the asset against which the claim is being made and the claim amount. Also at the end of the year the company can track the claims that are pending and suitably disclose them in the Financial Statements as *Claims Pending*.

During physical inventory, if any of the assets is found damaged there is a provision to mark the asset for insurance. Such assets can be picked up during the claims process for further action. The financial entries will be posted to the finance book to which the asset number has been mapped.

Insurance claims can be made against existing policies held by the company, wherein, the user can lodge the claim for the value of the loss, subject to the limit of the insured amount. The insurance company, after careful consideration of the cause and extent of the loss and the provisions in the insurance contract, will decide to reimburse either the whole of the claim or a part thereof.

Pre-requisites for recording Insurance Claims

- Setting up insurance premium payments
- Making atleast one premium payment
- Existence of an insurance policy in “Active” status and the asset covered in the policy

Steps involved in insurance claims

The flow of information in this process is procedural and is not triggered by any other process. The sequence of operations is:

- A claim is lodged for an amount against a pay reference id (which could be the insurance policy number) and a unique claim number is generated
- The user can enter the amount received and the date of receipt
- Receipts are recorded in Sundry Receipts component and the receipt voucher can be referred during settlement of the claim
- Accounting entries are generated during the claim process i.e. both during raising the claim as well as during settlement of the claim

5.4.4.11 Settling Insurance Claims

Once the insurance company makes the payment towards claim made, it is recorded in the Sundry Receipts component. Partial settlement of claims is also possible. The claim receipts recorded in Sundry Receipts can be adjusted against the claim recorded earlier in the Asset Insurance component. The status of the claim changes to

"Settled" when the full amount due on the claim is recorded and adjusted against the claim. Accounting entries are generated during settlement of the insurance claims.

5.4.4.12 Reversing Insurance Claims

The insurance claim can be reversed whenever the claim details are wrongly entered or the company wants to make any changes in the claim recorded earlier. On reversal of the claim, the status of the Claim No. changes to "Reversed" and the accounting entries are also reversed. However the reversal of the claim is subject to the condition that the insurance claim should be in "Active" or "In Progress" status before reversal.

New claim can be recorded again for the same set of assets after the reversal is made and the entire claim process must be repeated.

5.4.5 Key Features

- Facility to derive the Insurable value of assets through multiple methods of revaluation
- Support for insuring assets under different policies
- Tracking claims raised and the corresponding settlements
- Integration with Receivables Management function for claim settlement purposes
- Integration with Payables Management function for premium payments
- Support for automatic generation of sundry payment voucher for insurance premium payments
- Provision to track premium amounts paid against a policy (Recurring and non recurring)
- Support for blanket premium payments and apportioning the same as and when policy details become available
- Facilitates Insurance Process for leased assets as well

5.4.6 Predefined Values

S No	Entity	Predefined Values
1.	Blanket Payment	• Yes • No
2.	Option	• Specified Search • Upload
3.	Value Type	• Insurable Value • Net Book Value • Asset Cost
4.	Revaluation Type	• Upward • Downward
5.	Revaluation Option	• Indexes, • By Amount • To Amount • Percentage

S No	Entity	Predefined Values
6.	Index Option	• Financial Year • Age • Date Range • Calendar Year
7.	Revaluation Basis	• Asset Cost, • Revaluation Cost

5.4.6.1 Transaction Types

The component will lead to the following transaction types.

S No	Tran Type	Description
1.	AICL	Insurance Claim Voucher
2.	AIRCL	Reversal Insurance Claim Voucher
3.	AISCL	Insurance Claim Settlement Voucher
4.	AIPA	Insurance Policy Adjustment

5.4.7 Functional Parameters

There are no functional parameters associated with the Asset Insurance process.

5.4.8 Deployment

Asset Insurance component deployment can be centralized or decentralized depending on the business requirements of the company. For example, in a company the Corporate Insurance department may handle insurance centrally. This scenario calls for centralized deployment. However if the company has decentralized method of operations and each division or plant handles its own insurance requirement, then this component can be deployed in as many organizational units as required.

5.4.9 Component Interaction

Cardinality → Asset Insurance: Other Components

Component Name	Cardinality	Remarks
Asset Inquiry	N:1	Asset Cost, Book Value
Asset Capitalization	1:1	Asset No, Tag No.
Asset Revaluation	1:1	Asset Insurance component specifies the insurance valuation rules that will be used for re-valuing the assets.
Sundry Payments	1:1	
Sundry Receipts	1:1	For insurance claims

Component Name	Cardinality	Remarks
Organization Setup	N:1	
Asset Depreciation	1:1	
Asset Type Definition	N:1	
Asset Location	N:N	
Cost Setup	N:1	
Numbering Class	N:1	
Account Rule Definition	N:1	
Financial Calendar Closure	N:N	
Quick Codes	N:1	
Exchange Rate	N:1	
Notes	N:N	

5.4.10 Status

S No	Entity	Status From	Status To	Task Performed	Remarks
1	Insurance Policy No.	-NA-	Fresh	Create Insurance Policy	
		Fresh	Active	Authorize Insurance Policy	
		Fresh	Inactive	Delete Insurance Policy	
		Fresh	Fresh	Edit Insurance Policy	No change in status. Policy remains in “Fresh” status.
2	Claim No.	-NA-	Active	Raise Insurance Claim	
		Active	In Progress	Settle Insurance Claim	On partial receipt of insurance claim amount and adjustment against the claim.
		Active	Settled	Settle Insurance Claim	On full adjustment of the insurance claim amount.
		Active	Reversed	Reverse Insurance Claim	

5.4.11 Postings

5.4.11.1 Financial Postings

Transaction	Debit Account	Credit Account
Create Insurance Policy (auto generation of Sundry Payment Voucher)	Insurance Premium (Expense) Account	Bank / Cash Account
	Inter FB Account (for premium paid on behalf of other FBs)	
Reverse Insurance Policy (reversal of Sundry Payment Voucher)	Bank / Cash Account	Insurance Premium (Expense) Account
		Inter FB Account (for premium paid on behalf of other FBs)
Raise Insurance Claim	Claims Receivable Account	Insurance Suspense Account
	Loss on Sale of Assets	
Reverse Insurance Claim	Insurance Suspense Account	Claims Receivable Account
		Gain / Loss Account
Settle Insurance Claim	Insurance Suspense Account	Claims Receivable
	Loss on Asset	Insurance Claim Settled
Adjust Payment Voucher	Insurance Premium (Expense) Account	Insurance Prepaid Account

5.4.11.2 Inter-component Postings

Sundry Payment Voucher – On generation of the insurance policy, the sundry payment voucher is generated on the due dates specified in the policy. The sundry payment voucher can be picked up for payment of premium. This voucher is then adjusted for the premium amount applicable to any policy and the balance amount will be the “unadjusted” amount. This can be picked up for further adjustment against other policies.

Sundry Receipts Voucher – After recording the sundry receipt voucher, the insurance claim can be settled. The settlement can be either full or partial. As and when the settlement is made, the amount is adjusted against the voucher and the balance amount will remain as unadjusted.

Financial postings are made for the insurance policy as detailed in the postings information. This is done in the Finance Book Processing component to update the ledger.

5.4.12 Process Configuration

Source Activity	Task	Next Activity	of Component
Create Insurance Policy	Create and Authorize	Authorize Voucher (if Blanket Payment = NO)	Sundry Payment
Edit Insurance Policy	Edit and Authorize	Authorize Voucher (if Blanket Payment = NO)	Sundry Payment
Authorize Insurance Policy	Authorize	Authorize Voucher (if Blanket Payment = NO)	Sundry Payment
Renew Insurance Policy	Renew and Authorize	Authorize Voucher (if Blanket Payment = NO)	Sundry Payment

5.4.13 Reports (Online)

5.4.13.1 View Insurance Policy

<Company Name> **Report ID:CSOL-FA-022-01**

Asset Insurance Policy Details

Policy Number *<Pol no>* **Policy Description** *<Desc>* **Insurance Company** *<Comp Name>*

Policy Amount *<Amt>* **Premium Amount** *<Amt>* **Policy Type** *<Type>*

Risk Coverage % *<%>* **Payment Frequency** *<Freq.* **Policy Status** *<Status>*

Effective From Date *<dd/mm/yyyy>* **To** *<dd/mm/yyyy>*

Renewal No *<Ren no>* **Blanket Payment** *<Amt>* **Premium Paid** *<Amt>*

Asset No	Asset Description	Tag No	Tag Description	Insurable Value	Premium Payment	Finance Book	Asset Location	Asset Class	Asset Group
<Assetno>	<Desc>	<Tagno>	<Desc>	<Value>	<Amount>	<FB>	<Location>	<Class>	<Group>
		<Tagno>	<Desc>	<Value>	<Amount>	<FB>	<Location>	<Class>	<Group>
		<Tagno>	<Desc>	<Value>	<Amount>	<FB>	<Location>	<Class>	<Group>

Total Premium Amount <Total>

<<<End of Report>>>

5.4.13.2 View Insurance Claim

< Org. Unit > **Report ID:** **CSOL-FA-023-02**

Insurance Claim Details

Claim No. *< Asset Class Code>* **Claim Date** **Insurance Company** *< Asset Class Code>*
Policy No. *< Asset No. >* **Renewal No.** **Policy Type** *< Asset No. >*
Claim Amount *< Date >* **Unsettled Amount** **Finance Book**
Status

Asset No.	Description	Tag No.	Description	Tag Status	Insurable Value	Loss Incurred	Claim Amount	Reason

Total

<<<End of Report>>>

Run Date **Run Time:**

5.4.13.3 View Insurance Claim Settlement Details

< Org. Unit >					Report ID:	CSOL-FA-023-02
Insurance Claim Settlement Details						
Settlement No:	< Asset Class Code>	Status		Insurance Company	< Asset Class Code>	
Claim No.	< Asset No. >	Claim Date		Total Claim Amount	< Asset No. >	
Policy No.	< Date >	Renewal No.		Finance Book		
Unsettled Amount						

Receipt No.	Receipt Date	Receipt Amount	Amount Considered	Receipt Type	Bank / Cash Code	Receipt Mode

Total Receipt Amount
Total Amount Considered

<<<End of Report>>>

Run Date Run Time:

5.5 Asset Inventory

5.5.1 Purpose

It is a common practice to inspect fixed assets of an organization in regular intervals. This is because fixed assets are very high in value and forms a major part of the company financial strength. Also there are number of legal and tax implications on fixed assets like depreciation etc. Especially during financial audits, an elaborate fixed asset inventory has to be carried out.

The following are the stages in asset inventory:

- Inventory verification – Record Inventory results
- Inventory reconciliation

The Asset Inventory process is pictorially represented as shown in Figure 14.

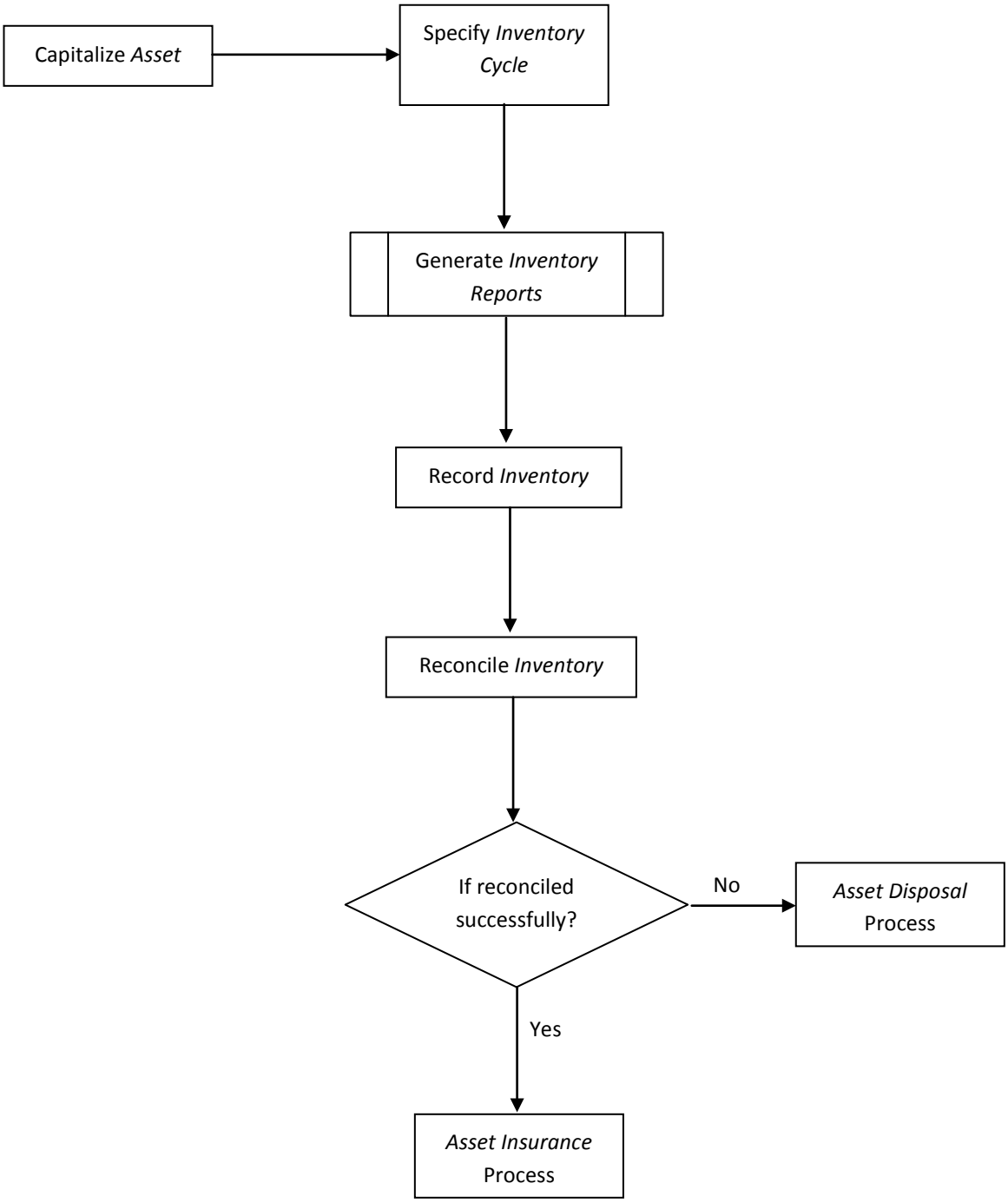


Figure 14: Asset Inventory Process

5.5.2 Overview

5.5.2.1 Asset Inventory Process

Fixed asset inventory is normally carried out as explained below. During acquisition or later, the inventory intervals for the assets are specified. A default Inventory cycle is set for every asset class during capitalization, failing which the default inventory cycle is taken.

Inventory sheet is created with asset tags for the given criteria. Once the verification starts, the location that has to be inventoried is selected, followed by the assets that have to be inventoried in that location. Alternatively, all the assets in that location can be included and the inventory list is prepared.

Then the assets in the selected locations are verified against the list in hand and the Inventory results are recorded. Assets that are in the list but not found in the location are considered to be 'Missing' and those that are found in the location but not in the list are considered to be 'Extra'. However assets that are consistent in both the system and verified actual are recorded as 'OK'. Also, if the assets are found but are damaged or not in working condition then they are recorded in the respective statuses 'Damaged' or 'Not working'. Inventory results recorded can be changed till they are confirmed.

After the inventory list has been prepared, if assets are transferred from one location to another or retired, then the inventory results will not be accurate. For this reason, the assets under verification are frozen from asset transactions like transfer and retirement.

Once inventory verification is completed / confirmed, the discrepant assets must be reconciled with the system, i.e. an action has to be assigned to reconcile discrepant asset tags. This process is the "Reconciliation Status". In cases where assets are found to be 'Extra', there could be a possibility that a transfer-in has not been recorded in the system. So the respective entries have to be made. Similarly when an asset is 'Missing' there could be a possibility that it is lying in some other location, retired or lost i.e. a transfer out or retirement has not been recorded in the system. Hence respective adjustment entries have to be passed. In case an asset is 'Damaged', corresponding insurance claims may be made and assets in 'Not Working' condition may be selected to be retired or the asset in-charge may opt to ignore these statuses and record them as 'OK', as they are anyway available in the location.

5.5.2.2 Asset Transfer

Asset transfer is a common business practice where an asset is moved from one location to another. This triggers transfer of assets. Asset transfer can happen in two different ways, one of which is the Location / Cost Center Transfer process.

5.5.2.3 Location / Cost Center Transfer Process

The transfer of assets within a finance book is termed as Location \ Cost Center transfer. This can be of two types: transfer of assets between two locations or transfer of assets between two cost centers. Location \ Cost Center Transfer does not trigger any financial entries. It is just a change of location or cost center. Single or range of assets or asset tags can be transferred between locations and cost centers. Similarly leased assets can also be fetched for location transfer (Refer Figure 15).

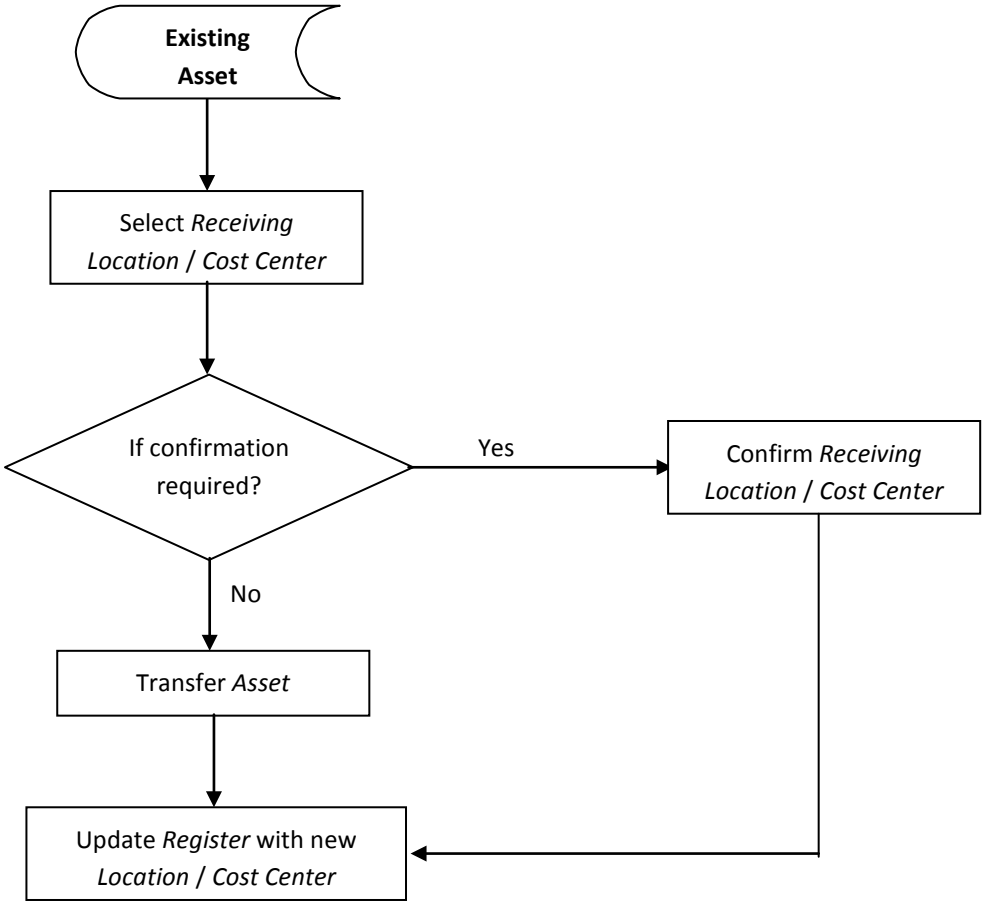


Figure 15: Location / Cost Center Transfer

5.5.3 Concepts

The number of fixed assets in a company is normally large and exists in various locations. Hence keeping track of all these asset tags to see if they are in place and in good working order is necessary.

Asset inventory is the process used to ensure that assets of a company that are listed in the *Fixed Asset Register* are physically available and is in good condition. The process of physical inventory is normally done by physically checking the assets to ensure that they are reconciled as per books and the locations are correctly recorded. Also companies have assets like chairs, tables, and office automation equipment, which require a reconfirmation of whether they are in good working condition. If not, then this could trigger Asset Acquisition requirements.

Ramco ERP Suite Enterprise Edition - Fixed Assets System provides a facility by which an inventory sheet can be created whenever assets are to be physically verified. Using this inventory sheet, the results of physical inventory can be recorded and reconciled. Alternatively, the physical inventory results can also be recorded using a bar code scanner, which can be later uploaded into the system for reconciliation.

5.5.3.1 Defining Asset Inventory Sheet

Asset Inventory Sheet is a plan of physical inventorying to be executed as per schedule decided by the company. The inventory sheet consists of a list of assets to be physically inventoried. The inventory sheet gives the details of information about fixed assets that may be useful during physical inventory like Asset No., Description, Tag No., Tag Description, Location, Inventory Cycle, Last Inventoried Date. The inventory sheet can be given to the person who will undertake the physical inventory, which can be used as a guide with the details provided.

The inventory cycle for an asset can be defined with the frequency as: Monthly, Quarterly, Half yearly, Yearly and Not Required. If a cycle is defined for an asset then physical inventory becomes due for the asset as calculated based on the cycle specified. If an asset is capitalized on 1st April 2003 and the inventory cycle is defined as half

yearly, then the next inventory becomes due on 1st October 2003. A default Inventory cycle is set for every asset class. During capitalization if the user sets the inventory cycle then it will be used. Otherwise, the default inventory cycle is taken. Inventory sheet is created, with asset tags selected on a specific criterion.

After the inventory list is prepared, if assets are transferred from one location to another or retired, then the inventory results will not be accurate. For this reason, the assets included in the inventory verification sheet are changed to "Frozen" status and hence will not be available for asset transactions like transfer and retirement when the inventory list is prepared.

A facility has been provided by which the assets overdue for inventory based on the inventory cycle can be picked up for inclusion in the inventory sheet. This will ensure that assets are inventoried on schedule. If the cycle is any of the first four options Monthly, Quarterly, Half yearly, Yearly, the user has to fill up the last inventory date, and the system calculates the next date. In case the option chosen is "Not Required", the user has to key in the date of the next inventorying, as it means that inventorying is done in a random manner.

Prerequisites for Asset Inventory

- Assets will be physically verified at the asset tag level
- Assets that are yet to be capitalized will not be inventoried
- Inventory will be done for assets that are in 'Active' status only, i.e. assets that are already transferred or retired from the books or assets for which transfer, retirement, inventory is in progress will not be included for inventory
- Selection of assets for inventory can be based on: asset class, asset cost, finance book asset no. & description tag no. & description cost center asset group asset location or inventory due date
- Locations that are already defined and assets must have been placed in them

5.5.3.2 Modifying Inventory Sheets

Inventory sheets can be modified before the recording of inventory and when the physical verification is completed. During modification new assets can be added to the inventory sheets for the purpose of physical verification. Also, the existing assets can be removed from the inventory sheet and thereby excluded them from physical verification, if required. On removal of the asset from the inventory sheet, the status of the asset changes from "Frozen" to "Ok" and the asset is now open for performing any other transaction like transfer, retirement etc.

5.5.3.3 Recording Asset Inventory

The process of inventorying involves recording the status of each asset tag as 'Ok', 'Extra' or 'Damaged' Or 'Missing' Or ' Not Working'. Tags marked as 'Extra' Or 'Damaged' Or 'Not Working' can later be used for processing (like transfers and retirements) and its status can later be reverted to 'Ok'. But those marked as 'Damaged' go out of the system and will no longer available for processing or inventorying. Since value is not stored at tag level, such markings do not diminish the asset value automatically. The assets in the selected locations are verified against the list in hand. Subsequently, inventory results are recorded. Assets that are in the list but not found in the location are considered to be 'Missing' and those that are found in the location but not in the list are considered to be 'Extra'. However assets that are consistent in both the system and actual are considered to be 'Ok'. Also, if the assets are found but are damaged or not in working condition, then they are recorded in the statuses namely 'Damaged' or 'Not Working'. The inventory results hence recorded can be changed as long as it is not confirmed.

Recording Inventory through Bar Code Scanning

Fixed asset inventory verification can be carried out using bar code scanning because of easy, fast and accurate data collection. Also if inventory is carried out through bar code, the laborious process of entering the details into the application can be eliminated.

5.5.3.4 Reconciling Inventory

Once inventory verification is completed / confirmed, the discrepant assets must be reconciled with the system, i.e. an action has to be assigned to reconcile discrepant asset tags. In cases where assets are found to be 'Extra', there could be a possibility that a transfer-in has not been recorded in the system. So the respective entries have to be made. Similarly when an asset is 'Missing' there could be a possibility that it is lying in some other location, retired or lost i.e. a transfer out or retirement has not been recorded in the system. Hence respective adjustment entries have to be passed. In case an asset is 'Damaged', corresponding insurance claims can be made and assets in 'Not Working' condition can be retired or the asset in-charge may opt to ignore these statuses and record them as 'Ok'.

With respect to the unreconciled assets, the following actions can be taken to complete the objective of physical inventorying:

- Mark the assets for Insurance – Assets that have been damaged can be marked for insurance claims. Information is provided to the Asset Insurance component to pick up the assets hence marked and a claim can be recorded with the insurance company
- Mark the assets for Transfer – Assets that have been Extra, damaged, Not Working can be marked for transfer. Information is provided to the Asset Disposal Component to pick up the assets hence marked for transfer
- Mark the assets for Retirement – Assets that have been damaged can be marked for disposal also. The information is provided to Asset Disposal component to pick up the assets hence marked for retirement

Information on inventory status is passed on to Financial Calendar Closure component so that the Financial Year / Financial Period cannot be closed without completing the inventory verification. This process is based on value set for the process parameter "Allow FB Closure before inventory completion" in the Company Process Parameter component.

5.5.3.5 Editing Inventory Cycle for an Asset

The inventory cycle for an asset is set during asset capitalization. Thereafter the next inventory due dates will fall due as calculated from the in-service date given. For example, if an asset is capitalized on 15th June 2003 and the inventory cycle is set as "quarterly", then the next inventory due date will be 15th September 2003. The company performs inventory verification on 7th September 2003 and records the inventory findings.

After this, if the company changes the inventory cycle to Half yearly, then the system recalculates the next inventory due date. Based on the revised cycle, the next inventory due date will be changed to 7th March 2004 i.e. calculating from the last inventoried date.

5.5.3.6 Print Bar Code

Batch data collection is the process in which similar transactions are grouped over time and processed off-line. The transactions must be independent of each other and there must also be a time lag between the event and processing. Here data is collected from a remote location through a portable terminal and then uploaded into the host computer (off-line).

Steps involved in asset inventorying through bar codes:

Step1: The format and fields that are needed for tracking assets must be decided and based on this the bar code label must be designed. For asset inventory, the fields that need to be captured are the asset and the tag numbers.

Step2: Print such labels and paste it on the assets for tracking.

Step3: Select the locations and assets that have to be verified and create an inventory sheet (listing the tags that are to be verified).

Step4: While verifying the assets through bar code scanner the following information has to be collected:

- Sheet number
- Inventory date
- Asset number
- Tag number
- Status - (OK, Damaged, Non-working)
- Inventory complete – (If inventory is complete for this sheet. Values: 'Yes' or 'No'.)

This information will be stored in the terminal memory itself.

Step5: This data is then downloaded to a client machine in the form of a text file.

Step6: If the application server is local, then the daemon service (Windows NT Scheduler) will pick up this file directly and execute the transactions.

If the application server is remote then using a tool, similar to *Ramco Integration Manager*, this file is uploaded to the application server.

Step7: The daemon service in the application server will validate the scanned information and update the tag status as below:

- Compare the Asset Tag no. (obtained through bar code terminal) with the assets that were included for inventory (as specified in the corresponding inventory sheet).
- Then update the inventory status to 'OK', 'Missing' or 'Extra' as per the following criteria:
  - For the assets that are found both in the inventory sheet and the bar code data:

    If the status recorded in the bar code terminal is 'OK' update the inventory status as 'OK'.

    If the status recorded in the bar code terminal is 'Damaged' update the inventory status as 'Damaged'.

    If the status recorded in the bar code terminal is 'Not working' update the inventory status as 'Not working'.
  - For the assets that are not found in the inventory sheet but found in the bar code data, the tag number should be added to the inventory sheet and then the inventory status should be updated to 'Extra' (immaterial of the status recorded in the bar code terminal).
  - If the inventory for the sheet is specified as complete in the bar code scan data, then for the assets that are found in the inventory sheet but not in the bar code data, inventory status should be updated to 'Missing'.

For all tags listed in the sheet that was taken for inventory the inventory due date has to be updated as:

"Inventory Date (from bar code scan data) + Inventory cycle (database)"

> ***Note 1****: Apart from these validations specified above, all validations that are applicable for recording inventory will be carried out before the transaction passes through.*

During manual inventory there are 2 steps of recording inventory

- Verification
- Confirmation

On verification the tag status changes from 'Frozen' to 'Verified' and on confirmation the tag status changes from 'Verified' to 'Confirmed'. This is to allow corrections to the inventory status. After the tag status changes to 'Confirmed' the inventory status cannot be changed.

So based on the user requirement, the tag status can be updated to 'Verified' or 'Confirmed', while updating the inventory status during verification.

5.5.3.7 Location / Cost Center Transfer of Assets

The types of transfers supported by Ramco Fixed Assets are:

- Inter Cost Center Transfer
- Inter Location Transfer (physical asset locations)
- Inter Finance Book transfer

The scope of Asset Inventory will cover the Location / Cost Center transfer of fixed assets. The transfer of assets within a finance book is termed as Location \ Cost Center transfer. This can be of two types: transfer of assets between two locations or transfer of assets between two cost centers. It is just a change of location or cost center. Single or a range of assets or asset tags can be transferred between locations and cost centers.

Inter Cost Center Asset Transfers are within the same fixed assets location. The system calculates and posts depreciation until the date of transfer to the existing cost center, and all subsequent depreciation will be posted to the new cost center.

Location Transfer

The business function performed by the location / cost center transfer is just for MIS purposes and the physical asset location transfers does not have any accounting implications. Due to administrative reasons the location of an asset could be changed from time to time. Also, in the case of assets like computers, it depends on the user for whom it is allocated. If the user of the machine has been moved to a different location, then the computer used by him also moves into the new location. In another example, if a company shifts to new premises, then the locations need to be changed accordingly. Such shifting requires location transfer of assets.

After location transfer is completed, the asset will be placed in the new location and any subsequent physical verification can be done only in the new location.

Cost Center Transfer

Assets can be transferred from one cost center to another, which typically happens when there is a change in the responsibility of the persons or department using the asset. If the cost associated with the asset currently is required to be shifted to another responsibility center, normally assets are moved to the new cost center.

Cost center transfer has significance in Management Accounting to the extent that the depreciation overheads of the concerned assets will henceforth be passed on to the receiving cost center from the date of transfer.

Pre-requisite for Location / Cost Center Transfer

- Only asset tags in 'Active' status and with inventory status as 'Ok' or ' Marked for Transfer' can be transferred from one location / cost center to another through location / cost center transfer
- The destination location or cost center should exist in "Active" status
- The financial period should be in Open or Provisionally Closed status

Receipt of Asset at Location / Cost Center

If the option selected is set to "Yes" then the transfer will not be complete till the asset receipt is confirmed at the receiving location \ cost center. When parameter is set to 'No", then no further action is required and the transfer is complete.

If the selection of confirmation required is set to "Yes", then the asset transfer changes to a status called "In Transit" and after confirmation, the status changes to "Active".

5.5.4 Key Features

- Provision to prepare physical inventory over-due list for assets not inventoried on due dates.
- Support to change inventory cycle of an asset at any point
- Support to track 'Extra' assets lying in a location
- Support for Automatic Depreciation Calculation in Cost Center Transfers
- Support for inventory verification by bar coding
- Facility to generate inventory sheets for easy verification since inventory entries can be recorded in these sheets
- Support for inventory reconciliation between locations
- Provision to record inventory results and reconcile them with fixed asset register
- Provision to transfer leased assets from one location to another
- Supports for Inventory process for leased assets as well

5.5.5 Predefined Values

S No	Entity	Predefined Values
1.	Inventory cycle	Monthly Quarterly Half-yearly Yearly Cycle not required
2.	Tag status	Fresh Verified Confirmed Reconciled Completed
3.	Inventory results	OK Missing Damaged Not Working Extra
4.	Reconciliation Status	OK Marked for Transfer Marked for Retirement Marked for Insurance
5.	Inventory sheet status	Fresh

		Verified Confirmed Reconciled Closed

5.5.5.1 Transaction Types

The component will lead to the following transaction types.

S. No	Tran Type	Description
1.	AINVS	Inventory Sheet

5.5.6 Functional Parameters

There are functional parameters associated with the Asset Insurance process.

5.5.7 Deployment

Asset Inventory component can be deployed as centralized or decentralized depending on the business needs of the company. A company can have centralized capitalization but since the asset inventory or location / cost center transfer could be handled by administration department it may be required to decentralize this component. Normally the asset inventory is carried out at the respective locations like plants or offices and hence this component is deployed at multiple organizational units.

5.5.8 Component Interaction

Cardinality → Asset Inventory: Other Components

Component Name	Cardinality
Asset Capitalization	N:1
Asset Location	N:1
Asset Type Definition	N:1
Asset Inventory	1:N
Cost Setup	N:1
Numbering Class	N:1
Organization Setup	N:1
Financial Calendar Closure	N:N

5.5.9 Status

5.5.9.1 Document Status

S. No	Document	Status From	Status To	Task Performed	Remarks

1.	Inventory Sheet	-NA-	Fresh	Create Inventory Sheet	
		Draft	Verified	Record Inventory Sheet	On inactivation of location code, status is updated to ”Inactive”.
		Verified	Confirmed	Confirm	
		Verified	Reconciled	Reconcile Inventory Sheet	When all the assets included in the inventory sheet is reconciled.

5.5.9.2 Entity Status

S. No	Entity	Status From	Status To	Task Performed	Remarks
1.	Asset Tag	Ok	Frozen	Create Inventory Sheet	
		Frozen	Verified	Record Inventory	
		Verified	Ok	Reconcile Inventory	
		Frozen	Ok	Delete Inventory Sheet	
2.	Asset Tag	Active	In-Transit	Location / Cost Center Transfer	When the receipt confirmation required is set to “Yes”.
		In-Transit	Active	Confirm Asset Receipt	

5.5.10 Postings

5.5.10.1 Inter-component Postings

When an asset is added to the inventory sheet, the status of the asset changes to “Frozen” in the Asset Capitalization component.

On reconciling the asset that has been inventoried and marked as “Confirmed”, then the status of the asset changes back to “Ok” in the Asset Capitalization component and will be available for any other processing relating to the asset.

5.5.11 Process Configuration

Source Activity	Task	Next Activity	of Component
Location Cost Transfe	Transfe	Location Cost Center	Asset Inventory
Location Cost Receip	Rejec	Location Cost Center	Asset Inventory

5.5.12 Reports (Online)

5.5.12.1 View Asset Transfer Gate Pass

Report ID:CSOL-FA-021-01

Asset Transfer Gate Pass

Transfer Date *<Tr date>*

Asset No	Tag No	Receiving Location Code	Receiving Cost Center	Remarks	Asset Location Code	Cost Center	Asset Class Code	Asset Group Code	Asset Description
<Assetno>	<Tagno>	<Location>	<CC>	<Remarks>	<Location>	<CC>	<Class>	<Group>	<Desc>
	<Tagno>	<Location>	<CC>	<Remarks>	<Location>	<CC>	<Class>	<Group>	<Desc>
	<Tagno>	<Location>	<CC>	<Remarks>	<Location>	<CC>	<Class>	<Group>	<Desc>

<<<End of Report>>>

5.5.12.2 View Inventory Sheet

Report ID:CSOL-FA-020-01

Print Inventory Sheet

Inventory Sheet *<Sheetno>* **Description** *<Description>*

Status *<Status>* **Sheet Date** *<dd/mm/yyyy>*

Asset No	Asset Description	Tag No	Tag Description	Asset Location Code	Inventory Cycle	Inventory Due Date	Asset Class	Asset Cost	Finance Book
<Assetno>	<Desc>	<Tagno>	<Desc>	<Location>	<Inv cycle>	<dd/mm/yy	<Class>	<Cost>	<FB>
		<Tagno>	<Desc>	<Location>	<Inv cycle>	<dd/mm/yy	<Class>	<Cost>	<FB>
		<Tagno>	<Desc>	<Location>	<Inv cycle>	<dd/mm/yy	<Class>	<Cost>	<FB>

<<<End of Report>>>

5.6 Asset Revaluation

5.6.1 Purpose

Fixed Assets that are otherwise represented in financial statements on a historical cost basis may sometimes be represented at a valuation in substitution for historical costs. This is required to adjust the cost of assets due to inflation or deflation. The Asset Revaluation component helps in revaluing the book value of fixed assets that have appreciated or depreciated extraordinarily in the course of their life in the organization. As a result, the value of the assets as reported in books after revaluation and would reflect the true and fair picture of its value at any point of time.

For example, if a Company has capitalized Land and Buildings in its books, the value of this land and building would have appreciated substantially over a period of time. If the value is reflected as historical cost, then the shareholders or other stakeholders will not be able to analyze the real net worth of the company. Thus, there will be a need for upward revaluation in such scenarios. Revaluation will also help in getting better rates if the company has to borrow funds in the market due to better financial position, as reflected by the revalued assets.

5.6.2 Overview

Revaluation is a process by which asset values can be changed, in order to comprehensively reflect the effects of changing prices or its real worth. A commonly accepted and preferred method of restating fixed assets is by appraisal, undertaken by the competent valuers. Other methods sometimes used are indexation and reference to current prices, which are applied periodically by appraisal method.

An increase in net book value arising on upward revaluation of fixed assets is normally credited directly to shareholder's net worth under the heading of revaluation reserves and is regarded as not available for distribution.

Decrease in net book value arising on revaluation of fixed assets is charged to profit and loss account. Exception to this rule is, if such a decrease is in relation to a previous increase on revaluation that is included in revaluation reserve, then it is charged against that earlier increase. In situations when an increase in asset value due to reversal of an asset value decrease, is to be recorded, then the increase can be credited to the profit and loss statement so that it offsets the previously recorded decrease.

Different bases of valuation are sometimes used within the same financial statements to determine the book value of the separate items within each or different of the categories of fixed assets. In such cases, it is necessary to disclose the gross book value included on each basis. Ramco ERP Suite Enterprise Edition - Fixed Assets system provides the users with multiple revaluation options to cater to this need. Asset values can also be appropriately restated in the Financial Statements. Refer Figure 16 for a diagrammatic representation of Asset Revaluation process.

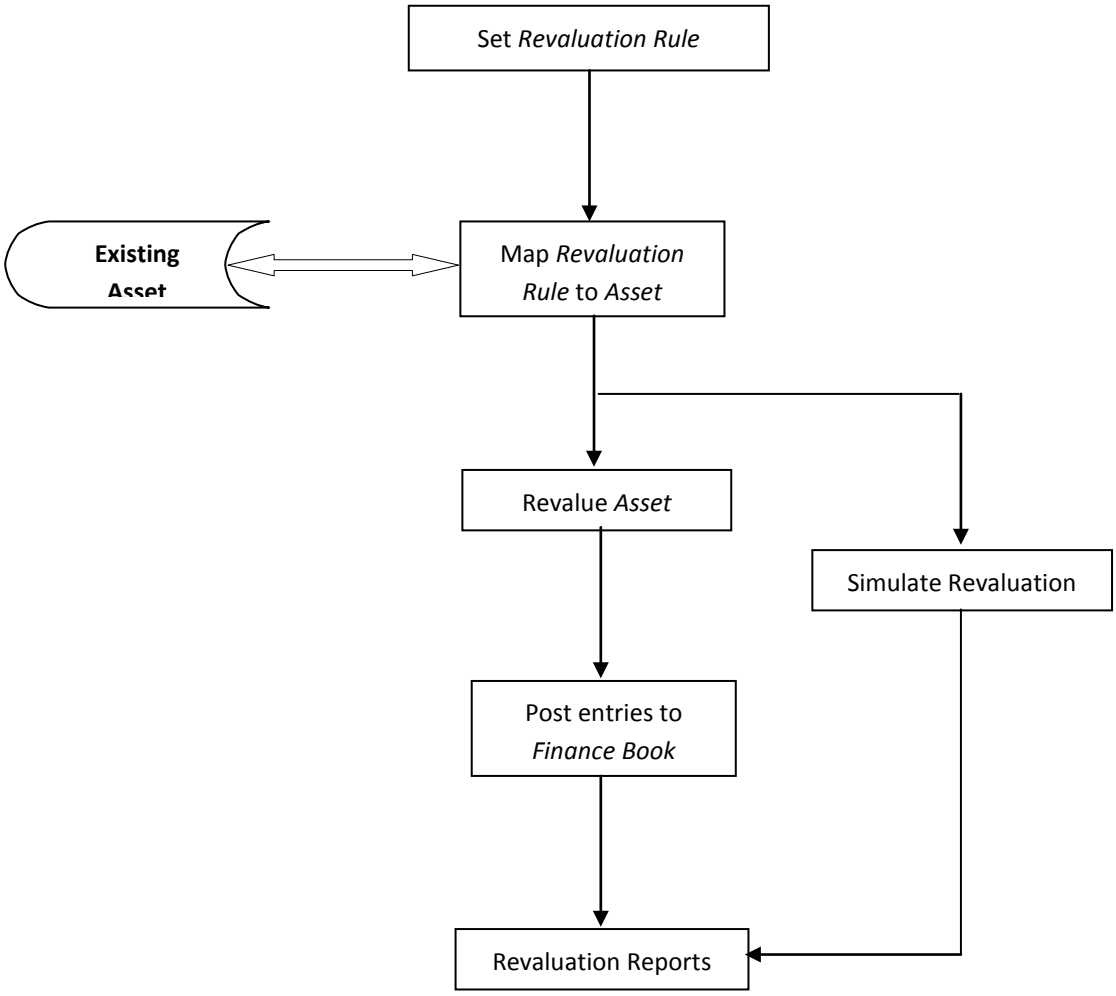


Figure 16: Asset Revaluation Process

5.6.3 Concepts

Revaluation is a process by which Asset Values can be changed on a basis intended to reflect comprehensively the effects of changing prices or its real worth. A commonly accepted and preferred method of restating fixed assets is by appraisal, normally undertaken by competent valuers. Other methods sometimes used are indexation and reference to current prices which when applied is crosschecked periodically by appraisal method.

5.6.3.1 Upward Revaluation

Upward revaluation results in enhancing the value of the asset from the current book value. For example, a piece of land acquired by a company might have appreciated in value over a period of time. In order to reflect the value of the asset at current market prices, the company can undertake revaluation of assets. Since the value of land has appreciated, the asset has to be revalued upwards. Another example is the possibility of asset value going up due to steep inflation and as a result the current market value of the asset has gone up significantly. Under these circumstances the company cannot disclose the fixed assets as historical cost, as it will not give a fair view of the financial position.

Selective revaluation of assets can lead to unrepresentative amounts being reported in financial statements. Accordingly, when revaluation do not cover all the assets of a given class, it is appropriate that the selection of assets to be revalued be made on a systematic basis. For example, an Enterprise may revalue a whole class of assets within a unit, say Land.

Accounting of upward revaluation

An increase in net book value arising on revaluation of fixed assets is normally credited directly to owner's interests under the heading of Revaluation Reserves and is usually not available for distribution.

The revalued amount will be debited to the revalued asset account and credited to the revaluation reserve account only and the company cannot credit the revalued amount to the profit and loss statement for the year since the amount is not realized. This has been the recommended practice by the accounting standards. The revalued amounts of fixed assets are presented in financial statements by restating the gross book value and accumulated depreciation in order to give a net book value equal to the net revalued amount.

Depreciation of Revalued assets

After revaluation, fixed assets can be depreciated based on certain parameters as recommended by the appraisers. Normally the revalued portion is depreciated over a period of time with a method that will match with the useful life of the asset.

The details of depreciation of revalued portion of assets are dealt with in the component "Asset Depreciation Setup" and "Asset Depreciation Processing". The revalued portion may be either depreciated in the same rule as applicable to the original cost or with a different depreciation category called as "Revalued Depreciation Category" to which the asset can be mapped.

5.6.3.2 Downward Revaluation

Downward revaluation results in reducing the asset value from the current book value and this results in a loss. For example, a machine or a building acquired by a company might have depreciated in value due to various factors or time. In order to reflect the value of the asset at current market prices, the company can undertake revaluation of assets.

Accounting of downward revaluation

Decrease in the net book value arising on revaluation of fixed assets is charged to profit and loss statement. Exception to the rule is if such a decrease is in relation to a previous increase on revaluation that is included in revaluation reserve, then it is sometimes charged against that earlier increase.

5.6.3.3 Assumptions in Asset Revaluation

Revaluation cannot be performed on retired assets. Only assets in Active status can be revalued.

Revaluation on transferred or in-transit assets is not possible.

Revaluation on WIP assets is not possible.

Downward revaluation cannot result in (asset value - salvage value - accumulated depreciation) becoming negative.

For example:

Asset original cost	*1000*
Salvage value	*50*
Accumulated depreciation	*300*
Written down value	*650*
Revaluation downward	*1500*
Net Value	*-850*

- Different bases of valuation are sometimes used in the same financial statements to determine the book value of the separate items within each of the categories of fixed assets or for the different categories of

fixed assets. Different bases of revaluation can be applied to each of the asset class, asset and asset tag combination

- On asset retirement the revalued cost and accumulated depreciation against the asset will get reversed and the net amount will be set off against the revaluation reserve or any other account defined in Account Rule Definition component
- On asset transfer from one finance book to another, the revaluation history also gets transferred to the receiving FB and the corresponding entries would be posted the books
- Revaluation would be reflected only in the base currency of the company since the asset register itself is maintained in base currency. Thus, if an asset has been purchased in a foreign currency, then the revaluation will not restate the asset value in that currency

5.6.3.4 Defining Revaluation Rules

Revaluation rules must be set before processing the revaluation. Revaluation rules are a set of parameters that determine the manner in which the revaluation of assets must be done.

Before the insurance policy is created for the fixed assets, it is necessary to set the insurance valuation rule. The insurance valuation rule specifies the basis on which the assets need to be valued for insurance purposes. Most of the companies insure their fixed assets at replacement values. Identifying the replacement value is the primary objective of setting the insurance valuation rules.

Step 1: Select the revaluation type as *Upward* or *Downward*.

Once the insurance valuation rule is set, then the rule can be used during defining the insurance policy.

Step 2: Select the revaluation basis - Revaluation basis can be either *Asset Cost* or *Revaluation Cost*.

Step 3: Specify whether to revalue Cumulative Depreciation or not. If checked then the system will revalue both the Gross Asset Cost as well as Accumulated Depreciation.

Step 4: Select the Depreciation Book Code

Revaluation can be made applicable for a specific depreciation book code. If the company wants to simulate revaluation for one or all depreciation books, then the book code can be selected accordingly. If “All” is selected, then the revaluation will be done across all depreciation books but with the same parameters as set in the rule.

Step 5: Select the Revaluation Option

Revaluation option is applicable when the company needs to revalue its assets in the books. The revaluation rule can be set in the Asset Insurance component. Once revaluation option is selected and the depreciation rule is defined, this rule can be taken up by Asset Revaluation component for soft or hard revaluation.

Revaluation option can be selected as one of the following values:

Indexes

Insurance valuation rule can be specified by assigning index values. Indexes can also be specified in Asset Insurance component. Revaluation can pick up the insurance valuation rule and run soft revaluation, which will later be defaulted in the insurance policy if required.

The Index option is used when the company requires valuation of assets for insurance purposes based on certain pre-defined indexes applicable over a specific period. For example, the indexation percentage can be specified by a professional based on several parameters. Alternatively, based on the company’s experience, a nominal index can also be used to value the assets to arrive at the replacement value of the asset.

For selecting the indexes, the following options are available:

Date Range

In the Date Range option, the index can be specified for a set of date ranges and the index will be applied based on the acquisition date of the asset. The base index will be applied based on the date range in which the acquisition date falls.

Calendar Year

In this option the indexes are defined with respect to a real world calendar year. Examples are listed below:

Year		Index
2000	-	100
2001	-	105
2002	-	110
2003	-	120

Index is applied based on the calendar year (January to December) in which the asset is capitalized.

Age Option

In this option the indexes are defined with respect to age of the asset. Examples are listed below:

Year	Index
1	100
2	105
3	110
4	120

Index is applied based on the In Service date in which the asset is capitalized.

Financial Year

Financial Year Option – Based on the financial year defined by the company.

Year		Index
2000-01	-	100
2001-02	-	105
2002-03	-	110
2003-04	-	120

Once the index option is selected, the number of index years and the index factor must be entered.

Index is applied based on the Financial Year (April to March)_in, which the asset is capitalized.

By Amount

This option is used when the company wants to increase the insurance valuation by a specified amount against each asset tag. When this option is defined for the insurance valuation rule, then the information has to be manually entered by the user for every asset. This is specified in the Asset Revaluation component. The revalued amount will be derived as **"Asset Cost (Original Cost or Net Book Value) + (Revaluation By Amount)**".

The revaluation by amount will be added to the asset cost in the case of upward revaluation and deducted from the asset cost during downward revaluation.

The soft revaluation performed for insurance valuation purposes is used during the insurance policy additions wherein the revised values for the asset will be defaulted.

To Amount

This option is used when the company wants to increase the revaluation to a specified amount against each asset tag. When this option is defined for the insurance valuation rule, then the information has to be manually entered by the user for every asset during asset revaluation. The revalued amount will be the amount specified as “To Amount” against each tag. The revaluation amount will be derived as “Revalued To Amount – Asset Cost”.

Percentage

The percentage option is used when the revaluation of assets is done on a percentage specified in the insurance valuation rule. The applicable percentage will be made on either the asset cost or the revaluation cost of the asset. When the percentage option is selected, the applicable percentage must be specified against the insurance valuation rule.

Step 6: Select whether this revaluation rule is to be done linked to previous revaluation or not. If linked to previous revaluation, the accounting implications would differ from the earlier ones. Once the revaluation rule is set, the revaluation can be processed either as soft revaluation or hard revaluation. Provision to run automatic revaluation immediately on setting the revaluation rules is also available.

5.6.3.5 Modifying Revaluation Rule

The options once set in the revaluation rule can be modified later as required. The revised options would be applicable for the insurance policies defined after modification of the valuation rule.

Soft revaluation for insurance and reporting purposes

There could be various occasions when a company will have to analyze the revaluation of assets even though the actual accounting for the revaluation in books has not been done. The revaluation may be done either for insurance purpose or for reporting to management. Also before the actual revaluation is done the impact of revaluation needs to be studied. In order to cater to these needs, Ramco ERP Suite Enterprise Edition supports the soft revaluation feature.

Updation of insurance policies

Using the insurance valuation rule, soft revaluation can be done for fixed assets. The soft revaluation will update the insurance valuation of the respective assets in the Asset Insurance component. When the insurance policy is updated and the option “Soft Revaluation Run” is selected, the soft revaluation value is updated to the asset insurance policy.

5.6.3.6 Authorizing Revaluation

On authorization the revaluation entries are posted to the respective finance books. The status of the revaluation run number changes to “Authorized” from “Fresh” status. Once authorized, the financial postings would be made to the books.

5.6.3.7 Reversing Revaluation

The revaluation process can be reversed before the end of the financial year in which the revaluation was done, provided at least one financial period is in “Open” status. On reversal the financial entries generated during the revaluation process is reversed and the status of the revaluation run is changed to “Reversed”.

5.6.3.8 Asset Impairment

The requirements of IND AS 36: Impairment of Assets & IAS 36: Impairment of Assets has been handled in the product in asset revaluation.

While creating revaluation rule, on selecting the Revaluation type as Downward, Impairment check box would be visible and the same can be selected to mark the rule for impairment. When revaluation is run for the assets, with downward revaluation – impairment check box checked, impairment loss postings would happen on the following lines.

- The Impairment loss is recognized immediately in Statement of Profit and Loss Account, unless the asset is carried at a revalued amount.
- Any impairment loss of a revalued asset shall be treated as revaluation decrease and adjusted with revaluation reserve first.
- Impairment Loss shall be calculated as the difference of Carrying amount and Recoverable Amount

5.6.4 Key Features

- Support for both upward and downward revaluation of asset
- Support for Asset revaluation at tag level
- Support for soft revaluation (insurance and reporting purposes)
- Facility to run revaluation based on depreciation books
- Support for revaluation increase/decrease by percentage
- Support for revaluation of asset both by an amount or to an amount
- Support for revaluation based on indexes
- Support for linked upward and downward revaluation
- Support for Automatic Depreciation Calculation on Run date
- Facilitates soft revaluation of leased assets to update the insurable value of such assets

5.6.5 Predefined Values

S No	Entity	Predefined Values
1.	Run Basis	• Soft Revaluation Run • Revaluation Rule
2.	Revaluation Option	• Indexes • By Amount • By Percentage • To Amount
3.	Reversal Option	• By Asset • By Revaluation Run

5.6.5.1 Tran Types

The component will lead to the following transaction types:

S No	Tran Type	Description
1.	ASRR	Asset Soft Revaluation Run

S No	Tran Type	Description
2.	ARR	Asset Revaluation Run
3.	RARR	Asset Revaluation Reversal Voucher

5.6.6 Functional Parameters

There are no functional parameters associated with the Asset Revaluation process.

5.6.7 Deployment

Asset Revaluation component can be deployed in multiple organizational units of a company and can be either centralized or decentralized depending on the business requirements. If revaluation is centralized at Corporate Office then single instance of the component can be deployed. However in some companies the policy on revaluation like index percentage or value will be decided by corporate whereas the actual revaluation will be done at the decentralized level. In such cases the component can be deployed at various organization units of the company.

5.6.8 Status

S No	Entity	Status From	Status To	Task Performed	Remarks
1	Soft Revaluation Run No.	-NA-	Processed	Run Revaluation	
2	Revaluation Run No.	-NA-	Processed	Run Revaluation	
		-NA-	Processed	Run Revaluation	
		Fresh	Authorized	Authorize Revaluation	On authorization of revaluation run.
		Fresh	Inactive	Delete Revaluation	On inactivation of Revaluation Run.
		Active	Reversed	Reverse Revaluation	No change in status. Location remains as “Active”.

5.6.9 Component Interaction

Cardinality → Asset Revaluation: Other Components

Component Name	Cardinality	Remarks
Organization Setup	N:1	
Accounting Setup	N:1	
Finance Book Processing	N:N	Multiple Asset Revaluation components can post transactions to one FB component or multiple FB components.

Component Name	Cardinality	Remarks
Financial Calendar Closure	N:N	
Asset Depreciation Setup	N:1	
Account Rule Definition	N:1	
Asset Capitalization	1:1	
Asset Disposal	1:1	
Asset Type Definition	N:1	Asset Class definitions can be centralized and revaluation can be at multiple locations.
Asset Inquiry	N:1	
Asset Migration	1:1	
Asset Depreciation Processing	N:1	
Asset Insurance	1:1	
Numbering Class	N:1	
Cost Setup	N:1	
Exchange Rate	N:1	
Company Parameter Setup	N:1	
Notes	N:N	

5.6.10 Postings

5.6.10.1 Financial Postings

Transaction	Debit Account	Credit Account	Remarks
Revalue Assets (Upward Revaluation)	Revaluation Asset Account	Revaluation Reserve Account	Defaulted from Asset Account Definition in Account Rule Definition component
Revalue Assets (Downward Revaluation)	Loss on Asset Revaluation Account	Capitalization Asset Account	
Revalue Assets (Downward Revaluation related to a previous increase on revaluation that is included in revaluation reserve)	Revaluation Reserve Account (to the extend already revalued upward)	Revaluation Asset Account (to the extend already revalued upward)	
	Loss on Asset Revaluation Account	Capitalization Asset Account	

Transaction	Debit Account	Credit Account	Remarks
Reverse Revaluation (Upward Revaluation related to a previous increase decrease on revaluation that has reduced the asset cost included in revaluation reserve)	Revaluation Asset Account	Revaluation Reserve Account	
	Capitalization Asset Account	Loss on Asset Revaluation Account	
Reverse Revaluation (Upward Revaluation)	Revaluation Reserve Account	Revaluation Asset Account	
Reverse Revaluation (Downward Revaluation)	Capitalization Asset Account	Loss on Asset Revaluation Account	
Upward Revaluation (if related to earlier downward revaluation)	Revaluation Asset Account	Revaluation Reserve Account	
	Capitalization Asset Account (to the extent of previous downward revaluation)	Loss on Asset Revaluation Account (to the extent of previous downward revaluation)	
Reverse Revaluation (reversal of Upward revaluation if related to earlier downward revaluation)	Revaluation Reserve Account	Revaluation Asset Account	
	Loss on Asset Revaluation Account (to the extent of previous downward revaluation)	Capitalization Asset Account (to the extent of previous downward revaluation)	
Impairment of assets (downward revaluation rule with impairment check box checked)	Impairment Loss A/c	Accumulated Impairment Loss A/c	First time impairment
Impairment of assets which is revaluated upward previously	Revaluation Reserve A/c	Revaluation Asset A/c	To the extent of balance reserve available
	Impairment Loss A/c	Accumulated Impairment Loss A/c	For the value of impairment over and above the reserve balance

Transaction	Debit Account	Credit Account	Remarks
Upward revaluation after impairment of assets	Accumulated Impairment Loss A/c	Impairment Loss A/c	To the extent of balance in accumulated impairment loss for that asset
	Revaluation Asset A/c	Revaluation Reserve A/c	For the value of revaluation over and above the accumulated impairment balance

5.6.10.2 Inter-component Postings

The soft revaluation for insurance purposes will update the insurable value of assets in the Asset Insurance component. On authorization, the revaluation posts entries to appropriate finance books and also updates the Asset Inquiry component with the revalued amount for the asset tag.

5.7 Asset Migration

5.7.1 Purpose

Asset migration is the initial entry of the entire asset history from the legacy system or manual records to the new system (Fixed Assets system). The data pertaining to a specified period prior to the Fixed Assets installation date is migrated from the legacy system to the new application.

Asset migration can capture the closing balances alone or the entire transaction details depending upon the user's requirement. In the case of migration both the master data (like asset description, asset tags, asset location etc.,) and the transaction data (like depreciation charge, asset cost, revaluation cost) pertaining to the fixed assets are transferred from the legacy system.

5.7.2 Overview

Whenever an organization migrates from a legacy system to Ramco ERP Suite Enterprise Edition, it is important to also transfer the asset related data.

Asset migration can be classified under three different areas.

5.7.2.1 Migration Data

Migration data can be classified in to two types:

- Master Data
- Transaction Data.

Master data is a static data transferred from the legacy system. For example data like Asset No., Tag No., Asset Description, Tag Description, In service Date, etc. are considered to be the master data. Transactions like Retirement, Transfer, Depreciation etc., can be executed using these master data only.

Transaction data includes transactions processed for the asset, which will result in movement of the asset book value. Example of transaction data includes depreciation date, charge, retirement date, inventory date etc. Transaction data are important in the case of assets, which are Active.

5.7.2.2 Migration Methods

Migration of assets can happen in two different methods.

- Initial Asset Entry through Asset Migration
- Initial Upload through Microsoft Excel

5.7.2.2.1 Initial Asset Entry through Asset Migration

In this method the entire data can be entered into the system based on the finance book. After entering the asset details and the completion of initial balance entry, the data will be migrated into the new system, after which no further initial entry is not possible. This method can be preferably used in case of organizations that have smaller number of assets. In this case the balance entered will make postings only to the Fixed Assets system and not to the General Accounting function. However for the completion of initial balance entry the sum of the balances for each account should be equal to that of the balance entered in the General Accounting business function.

5.7.2.2.2 Migration through Microsoft Excel

Medium and large size companies will use this method where the numbers of assets are relatively high. Such installations can use uploading of asset data through Microsoft Excel. In this process the data is first downloaded in to a Microsoft Excel file. Then this file has to be modified to the format required by the Asset Migration component and then uploaded in to the system.

5.7.2.3 Migration Process

The data can be migrated during the financial year or at the end of it. If it is during the financial year then the entire transaction details needs to be transferred to the new system to complete the statutory processes like depreciation, revaluation etc., The asset migration date should be the first day of the Open period of that financial year. All those assets that exist at the time of fixed assets installation will have an in-service date earlier than the fixed assets installation date. In such cases, the data is just stored in the system as information and no accounting entries are passed.

Asset history can also be defined in the system for a user-defined period prior to the Fixed Assets installation date. For this purpose the prior financial periods must be defined in the financial calendar of the Accounting Setup component (in the General Accounting function). However the asset information for the specified period will be defined for the assets that are in “Active” or “Retired” status at the time of asset migration.

5.7.3 Concepts

Whenever an organization changes from manual system or a legacy system to a new application the company has to transfer certain specific data from the legacy system to the new application. In case of fixed assets the entire asset history is required, in order to keep track of the asset value, depreciation charges and other key asset parameters. Since these data will be used in the new application for processing, the data should be comprehensive. Asset migration involves the transfer of the entire asset history from the legacy or manual system to the new application.

5.7.4 Algorithm

The details of existing assets as per the *Fixed Assets Register* in the legacy system can be entered in the Asset Migration component. Once the asset details are entered and the initial balance entry is completed, those assets entered in “Active” status will be considered for further processing like depreciation, revaluation, location or cost center or inter FB transfer or asset inventorying.

5.7.4.1 Prerequisites for Asset Migration Entries

- Asset Class and Asset Group details must have been defined in the Asset Type Definition component and Asset Location master must have been defined in the Asset Location component

- Asset Class must have been mapped to an Account Code in the Account Rule Definition component under “Asset Account Definition” activity for the specific Finance Book
- The financial years and financial periods for which asset data needs to be entered must have been defined in Accounting Setup component
- Depreciation Category, if any, must have been added in the Asset Depreciation Setup component under fixed assets. This is required only when additional segregation of fixed assets based on depreciation rates within an asset class
- The account balances for fixed asset related accounts must have already been entered either through the Initial Balance Entry or Journal Voucher
- Cost Centers must have been defined in the Cost Setup component for mapping the assets
- Steps involved in Asset Migration process

Step 1: In the Create Initial Asset entry activity, all the asset details must have been entered or uploaded through an Excel file. The asset details to be entered include asset no., description, tag no., description, in-service date, tag cost, asset class, asset location etc.

Step 2: The asset details can be entered either for the Active or Retired assets (retired as on Fixed Asset Installation Date). The in-service date for the assets should fall before the fixed asset installation date as defined in the Company Parameter Setup component. Any capitalization after the fixed asset installation date must be done only through “Asset Capitalization” component.

Step 3: Once the asset details are entered, the acquisition information pertaining to the assets can be entered or uploaded from the legacy system. The acquisition information basically pertains to the document details through which the asset was purchased and capitalized which are entered in the system for tracking and analysis purposes. Data like supplier name, document number, GR date, document amount (this could be either in base currency or transaction currency of purchase), exchange rate and capitalization amount.

Step 4: The next step is the entry of initial asset balances in the books. The initial asset entry considers only the entry of asset tag cost. However, the initial asset balance consists of other balances like depreciation, revaluation amount and revaluation type. On entry of these details the system computes the accumulated depreciation and revaluation reserve amount and subsequently arrives at the asset book value. The objective of defining the initial balance separately is to ensure that depreciation details are entered year-wise so that in future any change in depreciation done with retrospective effect arrives at the desired impact every year. Also the book value of the asset at the year-end is also calculated and maintained in the Asset Inquiry component for reference purposes.

Step 5: Once all the asset information details and the balance details are entered, these balances can be compared against the asset account balance already entered in the finance book. When the balances as per asset migration data and the balances as per the finance book data matches, the initial asset balance entry process can be completed. If the balances do not tie up, then all the pertaining details must be rechecked again for mismatch or errors and corrected.

Once the first financial year or period is closed, further initial asset entries cannot be made.

5.7.4.2 Migration Time

The data from a legacy system can be migrated during the middle or at the end of a financial year. If it is during the financial year then the entire transaction details needs to be transferred to the new system to complete the statutory processes like depreciation, revaluation etc., The asset migration date should be the first date of the first Open financial period or year. All those assets that exist at the time of fixed assets installation will have an in-service date earlier than the fixed assets installation date. When an in-service date is less than the fixed assets installation date given, the data is just stored in to the system and no accounting entries are passed. The data is stored only as information.

Asset history can be defined in the system for a user-defined period prior to the fixed assets installation date. For this purpose the prior financial periods need not be defined in the financial calendar definition. However the asset information for the specified period will be defined only for the assets that are in Active status at the time of asset migration.

5.7.5 Key Features

- Support for verification of Initial Asset entry
- Provision to migrate the history of assets from the legacy system by uploading the data with the help of utilities like Microsoft Excel

5.7.6 Predefined Values

S No	Entity	Pre-Defined Values
1.	Status	Active Retired Fresh
2.	Inventory Cycle	Yearly Half-Yearly Quarterly Monthly Not required
3.	Retirement Type	Sale Write Off
4.	Revaluation Type	Upward Downward
5.	Document Type	Direct Invoice Order Based Invoice Others

5.7.6.1 Transaction Types

The component will lead to the following transaction types.

S. No	Tran Type	Description
1.	IAE	Initial Asset Entry
2.	IABE	Initial Asset Balances Entry

5.7.7 Functional Parameters

There are no functional parameters associated with the Asset Migration process.

5.7.8 Deployment

Asset Migration can be deployed along with Asset Capitalization either as a centralized or as a decentralized component. Since the initial asset balance to be created has to update the asset details in the Asset Capitalization component, it is necessary to deploy the Asset Migration component wherever asset capitalization is deployed. If a company wants to decentralize asset capitalization function, then this component can be deployed in multiple organizational units of the company.

5.7.9 Component Interaction

Cardinality → Asset Migration: Other Components

Component Name	Cardinality	Remarks
Asset Capitalization	1:1	
Asset Location	1:N	
Asset Type Definition	N:1	
Asset Depreciation Setup	N:1	
Asset Revaluation	1:1	
Asset Disposal	1:1	
Accounting Setup	N:1	Validation of asset account when posting to bookkeeping.
Account Rule Definition	N:1	
Cost Setup	N:1	
Organization Setup	N:1	
Company Parameter Setup	N:1	
Finance Book Processing	N:N	
Asset Inquiry	N:1	
Financial Calendar Closure	N:N	
Numbering Class	N:1	
Exchange Rate	N:1	

5.7.10 Postings

5.7.10.1 Financial Postings

Asset Migration does not post any entry into the finance books. Instead only the balances for Fixed Asset related accounts are compared. This is usually done after the completion of the initial asset balances and if they reconcile, then the initial balance entry can be completed.

5.7.10.2 Inter-component Posting

Posting of asset details – On completion of the asset initial balance entry, all the assets are updated in the Asset Capitalization component with the details like in-service date, asset class, depreciation category, etc. This will

enable the assets to be taken up for further processing like depreciation, transfer and revaluation and will be considered like any other asset in the system. Only the assets in Active status will be considered for further processing.

Posting of balance details into inquiry – On completion of initial balance entry, the Asset Inquiry component is updated with the asset original cost, accumulated depreciation, revaluation cost, revaluation reserve and the asset book value at tag level as on the date of asset migration. The balances will be reconciled with the fixed asset account balances as per the finance book.

5.8 Asset Leasing

5.8.1 Purpose

Leasing has emerged as an important source of long-term financing of corporate enterprises during the recent few decades. Leasing is an arrangement under which a company acquires the right to make use of the asset without holding title to it. A lease, thus, is the written agreement allowing the economic use of the assets for a stated period of time.

The lease agreement is signed by both owner of the assets, called the lessor and the user, called the lessee. The lessor permits the lessee the use of the asset for a specified payment but retains title to the property.

The lease agreement sets forth the period covered by the lessee, provisions for payment of taxes, insurances, maintenance expenses and the like, provisions for renewal of the lease or purchase of the asset at expiration and the timing and amounts of periodic rental payments during the lease period.

5.8.2 Overview

Asset Leasing covers the only the assets taken on lease. Lessee's perspective of handling asset leasing, payment of lease rentals, taking insurance for the leased assets,

While defining asset class, the same can be marked as Leased Assets. The asset Numbers for the leased assets can be created manually or it can be automated based on parameter settings.

Assets taken on lease can be recorded in Maintain assets taken on lease page. Lease parties can be either a supplier defined in the supplier masters or it can be a Miscellaneous Party. Based on the party type, for the lease rentals, either Expense Invoice (if lessor is configured as supplier) or Sundry payment voucher (if lessor is a miscellaneous Party) is getting auto-generated. Lease rental payments can be made either based on Lease No. or Lease Agreement No. or based on each Asset No.

5.8.3 Concepts

Asset Leasing is a process by which the assets taken on lease come into existence in the books of a company. Apart from this, it also captures details pertaining to the leased asset such as custodian, Model, Bar Code No., warranty, Insurance details, manufacturer, location and asset group.

For the lease, Lease No., Lease agreement No., project details are being recorded.

Assets can be recorded for the lease No. and the lease can be renewed on extension or terminated if the same is discontinued.

5.8.4 Key Features

- Leased Asset can be maintained at Tag Level
- Facilitates creation of Multiple assets & Tags under the lease
- Support for Termination of lease
- Support for Extension of lease (by renewal)

- Supports Payment of lease rentals to approved suppliers / and to miscellaneous parties
- Facilitates auto-generation of payment voucher / expense invoice for the lease rental payments.
- Facilitates recording of lease against a Project Code

5.8.5 Predefined Values

S No	Entity	Predefined Values
1.	Party Type	• Supplier • Other Parties - Lease
2.	Frequency	• Daily • Weekly • Fortnightly • Four weekly • Monthly • Quarterly • Half Yearly • Yearly
3.	Insurance	• Yes • No
4.	Reference document type	• Purchase Order
5.	Group By (for voucher /invoice generation)	• Lease Agreement No. • Lease No. • Asset No.

5.8.5.1 Transaction Types

The component will lead to the following transaction types.

S. No	Tran Type	Description
1.	FA_ALE	Asset Leasing

5.8.6 Functional Parameters

Parameter Description	Parameter value	Level	Remarks
Generate Asset No.	Automatic / Manual	OU Level	Specifies whether lease asset no. would be generated automatic or will be entered by the user.
Auto-generation of Expense Invoice	In Fresh Status / In Authorized Status	OU Level	Specify whether the expense invoice would be generated in fresh status or in authorized status for the lease rental payments to the suppliers.

Parameter Description	Parameter value	Level	Remarks
Generation of Payment Voucher during Termination	Single / Multiple	OU Level	Specify whether the payment voucher for the termination charges would be generated as a single voucher for the lease no. or for multiple vouchers for each asset under the lease.
Default Frequency for Lease Payments	Daily / Weekly / Fortnightly / Four weekly / monthly / quarterly / half yearly / yearly	OU Level	Indicates the default frequency for the payment voucher / expense invoice generation.
Default Posting Date Option	0 – 31	OU Level	Indicates the posting date option When the frequency is monthly, the date on which the payment voucher / Expense invoice would be generated.
Transfer of leased assets	Yes / No	OU Level	Indicates whether the leased assets can be transferred across location.

5.8.7 Deployment

Asset Leasing can be deployed at an organization unit level.

5.8.8 Component Interaction

Cardinality → Asset Leasing: Other Components

Component Name	Cardinality
Account Based Budget	N:1
Asset Type Definition	N:1
Asset Location	N:1
Account Rule Definition	N:1
Cost Setup	N:M
Exchange Rate	1:1
Financial Services Setup	N:1
Notes	1:1
Project Definition	1:1

Component Name	Cardinality
Supplier	1:1

5.8.9 Postings

5.8.9.1 Financial Postings

Transaction	Debit Account	Credit Account
Maintain Asset Lease (if other parties) - Postings for auto-generated Payment voucher	Lease Rental	Bank A/c
Maintain Asset Lease (if Supplier)- Postings for auto-generated expense invoice	Lease Rental	Supplier Control A/c
Terminate Lease (for payment voucher generated for termination charges)	Account code mapped for the usageid provided in the ML	Bank A/c

5.8.9.2 Inter-component Postings

Updation of Asset Inquiry Postings – On authorization of Lease, the Asset Inquiry component is updated with the Asset details.

5.9 Financial Postings

5.9.1 Purpose

The accounting entries generated by Fixed Asset transactions are posted into the Finance books. Postings into different books are as follows:

General Ledger i.e. the Posting Finance Book,

Management Accounting Book for depreciation charged to the Cost Center,

Tax Book if the Company has defined a Tax Book.

5.9.2 Overview

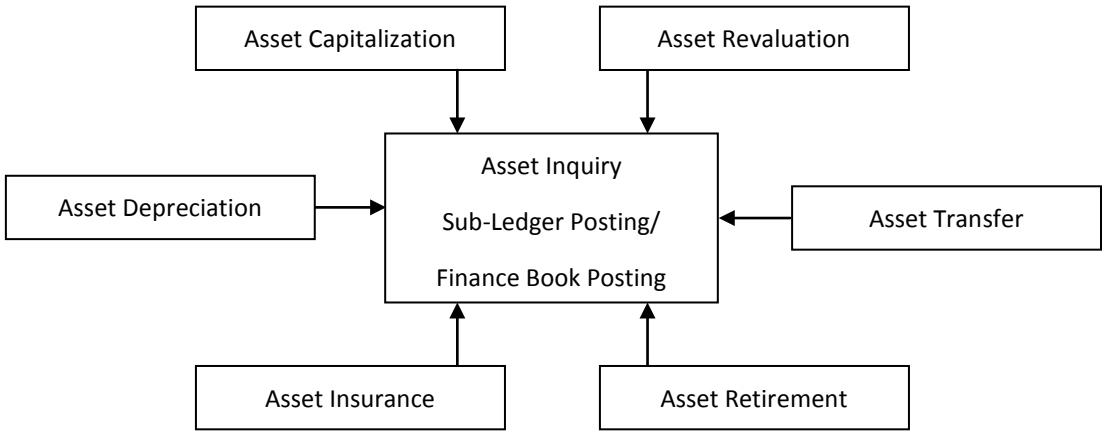


Figure 17: Financial Postings

Financial Postings are made from the Fixed Asset sub-ledger into the posting Finance Book for every transaction recorded in the Fixed Asset system. A voucher refers the accounting entries with a unique combination of transaction number, transaction date and transaction organization unit.

The Fixed Asset sub-ledger must reconcile with the account balance as per the Finance Book at the end of every Financial Period or at any point of time. The Financial posting function ensures that the Finance Book is updated at the end of every transaction so that these books are reconciled.

5.10 Document Number Generation

5.10.1 Purpose

Automatic generation of Document Numbers have been provided to ensure that transactions of the same transaction/sub transaction-type have similar system generated transaction numbers (that is, same prefix and suffix combination), or alternatively, all transactions passed by a particular user must have the same prefix-suffix combination.

All the fixed asset transactions generate documents and hence will be identified by a unique document number.

5.10.2 Overview

It is critical for MIS purposes, that all transactions passed in the module be tracked either to the user who passed it (for accountability) or to the transaction-type, sub-transaction-type combination (for ease of classification and traceability). The Document Number Generation process serves this need.

The user can define different prefix-suffix combinations for different non-overlapping time-periods while defining the numbering Suite for the fixed asset transactions. It therefore follows, that the user needs to define these details immediately after installation, in order to carry out transactions and processing.

During transactions, the user can select a particular numbering series that can be applied to that transaction. Based on the numbering series selected, the transaction will be given a unique document number by incrementing the previous number by 1.

The following transaction components in the Fixed Asset system generate documents with unique document numbers based on numbering patterns:

- Asset Capitalization
- Asset Depreciation
- Asset Retirement
- Asset Transfer
- Asset Insurance Claim
- Asset Inventory Sheet
- Asset Revaluation
- Asset Proposal

Refer the Basic Reference Manual – Inventory Management System for more details on numbering series.

5.11 Fixed Asset Book Closure

It is a common practice to close the books and sub-ledgers at the end of a Financial Period and Financial Year. Fixed Assets being one of the sub-ledgers, must necessarily be closed before the Finance Book is closed. On closure of the fixed asset book, no further postings can be made to it for the Financial Period. The closure of the Fixed Asset Book can be done in Financial Calendar Closure component.

Book closure is of two types, namely,

Provisional Closure

Final Closure

Fixed Asset book can also be closed either provisionally or finally. The main advantage of provisional closure is that transactions can still be posted to the book whereas in the case of final closure no further transactions are allowed.

5.11.1 Pre-requisites for closure of Fixed Asset book closure

- The Company has to ensure that there are no unauthorized transactions while closing the book.
- Depreciation calculation must be completed for all the assets acquired before the period end date.
- Physical inventory for Assets in "Frozen" status should have been completed and recorded in Asset Inventory (depending on the parameters set in Inventory Management Function).

Refer the Application Reference Manual on General Accounting for more details on Financial Calendar Closure.

6 Common Parameters

Parameter Description	Parameter value	Level	Remarks
Allow FB Closure before inventory completion	Yes/No	Company	Specifies whether inventory verification must have been completed before Finance Book closure.
Allow Downward Revaluation	Yes/No	Company	Specifies whether Downward Revaluation is applicable in the Fixed Assets system. The primary objective of setting this parameter is to allow or disallow Downward Revaluation of Fixed Assets for certain companies. For Example: In some of the countries, downward revaluation of Fixed Assets is not permitted. However upward revaluation may be done in such Companies.
Automatic Creation of Asset ID (Part A)	Yes/No	Company	Specifies whether an Asset ID can be automatically generated. A capitalized asset can be identified by the unique Asset Number, which can be entered manually or automatically generated by the system. The system generates the number with the prefix of the Asset Class to which the asset belongs and incrementing it by 1.
Currency validation required for asset budget	Yes/No	Company	Specifies whether the currency must be validated before budget creation. If Budgets are created in currencies other than the base currency of the company, then the transactions will validate against the budget amount in the budget currency, if it has been set to "Yes". If set to "No", then the

			transactions will validate against the base currency only.
Retirement Proposal not required for Amounts below	Specify Amount in base currency	Company	Specifies the minimum amount above which retirement proposals for assets can be created. Asset retirements are allowed with respect to the proposals. However the company can decide up to what amount (of the Asset Cost), the retirement proposals are required. If the asset cost is below this value, then retirement proposals are not mandatory.
Exchange Rate Type for Asset Management	Exchange Rate Type defined in Exchange rate master	Company	Specifies the Exchange Rate Type for asset management. The company can set the default exchange rate type applicable to Fixed Assets. Based on the parameter, the exchange rates will be returned for the exchange rate type selected.
Allow Zero Value Assets for EAM Documents	Yes/No	Company	Specifies whether assets, which have zero values, can be capitalized. Asset value cannot be zero in normal circumstances. However this option has been provided, wherein the Maintenance work orders (EAM- Enterprise Asset Management) can be capitalized at zero value. If set to “Yes”, then assets can be capitalized for zero value and later, asset cost can be added through Capital Journal Voucher.
Fixed Assets Installation Date (Installation Parameter Setup)	Date	Company (installation time)	Indicates the date on which the Fixed Asset system is installed. During installation, the date from which the Fixed Assets system is installed need to be specified. Once this date is set, the existing assets from the legacy system can be migrated into this system. The new assets acquired after the Fixed Assets installation date can be capitalized in the Ramco ERP Suite Enterprise Edition - Fixed Assets system.

7 Reports

Sl. No.	Report Component Activity	Purpose	Business Functionality
1	Asset Inventory Report	Trace and verify fixed assets	Inventory Sheet Report providing details of Assets included for physical inventory in an inventory sheet. Inventory Schedule Report provides details of last inventory

Sl. No.	Report Component Activity	Purpose	Business Functionality
			date, next inventory due date with inventory cycle for a range of assets and asset tags selected. Click here for more details on the report.
2	Asset Depreciation Report	Statutory and analysis of depreciation	Report provides Details of depreciation (opening accumulated, current and closing accumulated) based on Asset Class for a financial period or a year. Details of depreciation including revalued depreciation. Click here for more details on the report.
3	Asset Insurance Information	To get insurance details of an asset or range of assets and to list out assets not insured.	Report provides Details of the Insurance Policy Asset-wise insurance report List of Assets not insured Click here for more details on the report
4	Asset Revaluation Report	For analyzing revaluation details of assets	Report provides Details on revaluation of assets Details showing the effect of revaluation on an asset through simulation Click here for more details on the report
5	Asset Schedule Information	For statutory and analysis of asset balances.	Report provides Details of original acquisition cost, cumulative depreciation, net book value, grouped based on asset class and asset group. Details of opening balance, additions through acquisition or transfer, deletion through disposal or transfer and closing balance based on asset class. Schedule details at Asset Tag level Details of opening balance, closing balance, additions/deletions for the period of the asset costs, depreciation, net book value and WIP based on asset class. Click here for more details on the report
6	Depreciation Simulation Report	To analyze the impact of depreciation charge before processing	Report provides details of simulated depreciation values at summary level and at asset tag level. Click here for more details on the report
7	Asset Listing	For analysis	Report provides list of assets based on asset location and

Sl. No.	Report Component Activity	Purpose	Business Functionality
	Report		Cost Center. Click here for more details on the report
8	Asset Acquisition Report	To get details of asset acquisition	Report provides Details of the assets acquired along with asset properties. Details of documents attached to the asset like invoice, debit note, etc. Click here for more details on the report
9	Asset Register	Statutory & analysis	Report provides details of transactions pertaining to an asset tag for a period. Click here for more details on the report
10	Asset Retirement Report	Statutory & analysis	Report provides list of assets retired along with the retirement details such as retirement values, depreciation value, revaluation cost, gain or loss due to sale /scrap. Click here for more details on the report
11	Asset Transfer Report	Tracking & analysis	Report provides List of assets transferred from one finance book to another along with the transfer details. List of assets transferred from one location / Cost center to another Click here for more details on the report
12	Asset Proposal Report	Tracking and analysis	Report provides List of acquisition proposals List of Retirement proposals Click here for more details on the report

8 Asset Inquiry & Reports

8.1 Functionality

Asset Inquiry component is the centralized storage of all information pertaining to Fixed Assets and thus enables report generation and MIS information. Ramco ERP Suite Enterprise Edition - Fixed Asset System provides both offline reports as well as online reports. Online reports are provided as tasks in the respective Component – Activities itself and offline reports are provided under the “Reports – Fixed Assets” component. The list of offline reports provided in Fixed Assets System is as follows:

- Asset Register
- Asset Schedule Information
- Asset Acquisition Report

- Asset Listing Report
- Asset Inventory Report
- Asset Depreciation Report
- Asset Transfer Report
- Asset Proposal Report
- Asset Insurance Information
- Asset Retirement Report
- Asset Revaluation Report
- Depreciation Simulation Report

8.2 Deployment

Fixed Assets Reports component can be deployed in multiple organizational units of a company. Since asset reports have to be taken in all the units where the fixed asset related functions are performed there is a need to deploy the component in all those units. For example, a company may deploy Asset Capitalization component in a central place and decentralize the Asset Inventory component. However, the fixed asset reports must be taken in all the organizational units, which calls for a decentralized deployment of this component.

8.3 Component Interaction

Cardinality → Reports: Other Components

Component Name	Cardinality
Asset Planning	N:1
Asset Capitalization	1:N
Asset Inventory	1:N
Asset Insurance	1:N
Asset Depreciation Processing	1:N
Asset Disposal	1:N
Asset Revaluation	1:N
Asset Inquiry	1:N
Asset Location	1:N
Asset Type Definition	1:1
Asset Depreciation Setup	1:N

Component Name	Cardinality
Financial Calendar Closure	1:N
Organization Setup	N:1
Cost Setup	1:N

8.4 Reports (Offline)

8.4.1 Asset Register

Business Functionality

Asset register is required for tracking all the details of an asset like the asset number, tag details, date on which the asset is put to use (in-service date), the percentage of use of the asset (business use %), asset location, tag cost etc. The asset register would be used both for statutory and analysis purposes of the company. The details of each of the asset no are segregated into four reports.

8.4.1.1 Asset Details Report

Asset details report provides the following details:

- Asset number, tag number and the description pertaining to the asset and tag
- In-service date of the asset
- The cost associated to each asset tag
- The frequency in which the asset is to be inventoried (Inventory Cycle)
- Depreciation category under which the asset falls
- Business use percentage
- Asset location
- Salvage value

Report Layout

Refer the Report Book for the Report Layout.

8.4.1.2 Additional Asset Details Report

The asset additional details report provides tag-wise breakup of the asset numbers and the following details associated to each tag group.

- Tag number and description
- Manufacturer
- Barcode number
- Serial No.
- Warranty No.
- Model
- Custodian

Report Layout

Refer the Report Book for the Report Layout.

8.4.1.3 Asset Register-Summary Report

The asset register summary report gives a summary of all the transactions for the asset number / tag number with the following details:

- Asset number, tag number and the description
- Opening balance of the assets (Debit and Credit)
- Transaction Total (Debit and Credit)
- Closing Balance (Debit and Credit)

Report Layout

Refer the Report Book for the Report Layout.

8.4.1.4 Asset Register-Transaction Details

In the asset register – transaction details report, for each of the asset / tag combination the transactions are listed for a combination of year, period or the date range with the following details:

- Transaction number
- Transaction type
- Transaction date
- Transaction amount

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Company Code	Yes	Represents the company for which the report is being generated.
2.	Business Unit	Yes	Represents the business unit for which the report is being generated. Defaulted with the business unit mapped to the login organization unit. However, this value can be changed.
3.	Asset Class Code From / To	No	Represents the asset class based on which the report is generated.
4.	Asset Group Code From / To	No	Range of asset groups whose asset details can be viewed.
5.	Depreciation Book Code	Yes	Represents the depreciation book code whose asset details are to be viewed. Defaulted with Corporate Book. However, this value can be changed.
6.	Finance Book	Yes	Represents the finance book for which the report is being generated.

S No	Input Parameter	Mandatory	Usage
7.	Cost Center From / To	No	Range of cost centers whose assets details can be viewed.
8.	Asset Number From / To	No	Range of asset numbers whose details can be viewed.
9.	Tag Number From / To	No	Range of tag numbers whose asset details can be viewed.
10.	Location From / To	No	Range of Asset Locations for which asset details can be viewed
11.	Financial Year From / To	Yes	Reporting for a specific financial year. This can be any year in Open or Closed status.
12.	Financial Period From / To	No	Reporting for a specific financial period. This can be any period within the financial year selected and can be either in Open or Closed status.
13.	Date Range	No	The date range for which the report is to be generated. Reporting for a specific financial period.
14	Exclude Retired Assets	Check Box	Check box to exclude / include the retired assets in the report.

8.4.2 Asset Schedule Information Report

Business Functionality

Asset schedule information is required for internal analysis and statutory purposes. This report provides information on the cost, depreciation and net book value of assets as on a particular date for a company / BU / segment. Ramco ERP Suite Enterprise Edition provides a facility to view the schedule information report in the following formats.

8.4.2.1 Asset Class-wise Summary Report

This report focuses on providing information about the original cost, cumulative depreciation and the net book value for each asset class as on a particular date for a combination of finance book depreciation book. The capital WIP for each asset class can also be viewed in this report.

Report Layout

Refer the Report Book for the Report Layout.

8.4.2.2 Asset-wise Schedule Details

This report gives the individual asset-tag wise details for a company / BU / segment in a particular period / year. It is displayed in the following manner:

- Original cost of the asset
- Cumulative depreciation of the asset
- Net book value of the asset

The above entities are displayed with further details like: opening balance of each asset, additions / deductions for the period and closing balance for the assets.

Report Layout

Refer the Report Book for the Report Layout.

8.4.2.3 Asset Class-wise Detailed Report

This report facilitates the user to view the cost, cumulative depreciation and the net book value of each asset class with the breakup of opening balance as on a date, additions/deletions for the period and closing balance as on a particular date. Further details like capitalization revaluation and the transfer details of each entity is also given as part of the asset.

The cost, cumulative depreciation and the closing balance for each asset class is also displayed for each of the following:

- Capitalization and Total Capitalization
- Upward / downward revaluation during the period
- Transfer of assets during the period

There is also a provision to view the total cost, depreciation and the net value of all the assets for a period and a combination of depreciation book and finance book.

Report Layout

Refer the Report Book for the Report Layout.

8.4.2.4 Asset Schedule Details with WIP

Apart from the entities like: original cost, cumulative depreciation and the net book value of the asset class for a particular year/period, the asset schedule details report also provides information on the WIP details for each asset class. The following information's are also provided for the above mentioned entities and for each asset class:

- Opening balance
- Additions during the period
- Deductions during the period
- Closing Balance

The report also gives the total cost, total cumulative depreciation and the net book value considering all the asset class for finance book and depreciation book total and the asset class.

Report Layout

Refer the Report Book for the Report Layout.

8.4.2.5 Asset Group-wise Summary Report

The consolidated fixed assets report focuses on the asset group giving details of original cost, cumulative depreciation, the net book value and the capital WIP for each asset group for a particular financial year or period. The totals for all the entities can also be viewed for the finance book and the depreciation book chosen.

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage

S No	Input Parameter	Mandatory	Usage
1.	Company Code	Yes	Represents the company for which the report is being generated.
2.	Business Unit	Yes	Represents the business unit for which the report is being generated. Defaulted with the business unit mapped to the login organization unit. However, this value can be changed.
3.	Finance Book	Yes	Represents the finance book for which the report is being generated.
4.	Business Segment	Yes	Represents the business segment for which the report is required.
5.	Depreciation Book Code	Yes	Represents the depreciation book code. Defaulted with Corporate Book. However, this value can be changed.
6.	Currency	Yes	Report will be displayed in the currency selected.
7.	Asset Class Code	No	Represents the asset class based on which the report is generated. Range of asset classes can also be selected to view the reports for that range.
8.	Asset Group Code	No	Asset group range can be selected to view the group wise report.
9.	Financial Year	Yes	Reporting for the financial year selected. This can be any year either in Open or Closed status.
10.	Financial Period	No	Reporting for the financial period selected. This can be any period within the financial year selected and can be either in Open or Closed status.
11.	As on date	No	Represents the date on which the report is required.

8.4.3 Asset Acquisition Details Report

There are two asset acquisition reports.

8.4.3.1 Asset Acquisition Details

Report provides the list of assets acquired along with capitalized amount, capitalized date, finance book, cost center and the location where the asset and asset tags are capitalized. The following details are displayed in the report:

- Business unit and the financial year (in the header)
- The asset number and description
- The tag number, description and the tag cost

- Capitalization number and date
- Finance book, cost center, asset location and the OU

Report Layout

Refer the Report Book for the Report Layout.

8.4.3.2 Asset Acquisition Document Details

This report provides details on the documents such as proposals and invoices through which the assets have been acquired, along with details of manufacturer, supplier, model and warranty details of the asset tag. The asset acquisition document detail provides the following:

- Business unit and the financial year (in the header)
- Asset location / cost center
- Asset number and description
- Tag number and description
- Proposal details like proposal no, description date and amount
- Supplier from whom the asset is acquired
- Invoice details like document no, document type and document date with which the asset is capitalized
- Receipt details like the GR number and date evidencing the receipt of the assets

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Company / BU / Segment	Yes	Represents the entity for which the report is required whether company / BU / segment
2.	BU Code	Yes	Represents the business unit for which the acquisition report is required
3.	Asset Location	No	To view the report on assets acquired in a certain location or a range of locations
4.	Cost center	No	To view the report on assets acquired for a cost center or a range of cost centers
5.	Asset Class	No	Asset class can be given if the report is required only for the asset class range
6.	Asset No. From and To	No	If the acquisition report is required only for certain assets, then the asset number range can be given
7.	Tag No. From and To	No	Tag number range can be selected if the acquisition report is required only specific tag numbers.
8.	Depreciation Book Code	Yes	Represents the depreciation book code. Defaulted with corporate book. However, this value can be changed.

S No	Input Parameter	Mandatory	Usage
9.	Finance Book	Yes	Represents the finance book for which the report is being generated.
10.	Financial Year	Yes	Reporting for the financial year selected. This can be any year either in Open or Closed status.
11.	Financial Period	No	Financial period range can be selected to view the details of the assets acquired in a specific period.
12.	Currency	Yes	Report will be displayed in the currency selected.
13.	Date Range	No	Date range can be selected to view the acquisition report only for that range.

8.4.4 Asset Listing Reports

Business Functionality

The asset listing report provides information regarding the details of the asset, forming part of a particular business segment or business unit. The user can select one of the entities to see the reports. The report gives the properties of the assets like asset number, description, asset class, asset group, cost etc belonging to either of the entity. As per the user's requirements, the reports can be listed in the following manner:

- Cost center report
- Location report

8.4.4.1 Cost Center-wise Report

Cost center-wise report displays the details of all the assets belonging to each cost center for each business segment or business unit. This report can be used when the user wants the information about all the assets belonging to a cost center. The following details are provided for a cost center wise report:

- Asset number
- Description of the asset
- Asset class
- Asset group
- Book value of the asset
- Original cost of the asset
- Physical location of the asset
- Finance book in which the asset was created
- Status of the asset

Report Layout

Refer the Report Book for the Report Layout.

8.4.4.2 Location-wise Report

Location-wise report provides information regarding all the assets that are physically available in each location of every business segment / unit. The following details are provided for a location-wise report:

- Asset number
- Description of the asset
- Asset class
- Asset group
- Book value of the asset
- Original cost of the asset
- Cost center to which the asset belongs
- Finance book in which the asset was created
- Status of the asset

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Segment	Yes	Represents the segment for which the report is being generated.
2.	Business Unit	Yes	Represents the business unit for which the report is being generated.
3.	Location	Yes	To view the assets present in a particular location. This parameter is mandatory for listing by location.
4.	Cost Center	Yes	Represents the cost center defined in Cost Setup component. This parameter is mandatory for cost center-wise report.
5.	Asset Class	Yes	Range of asset class to view the report for that asset class.
6.	As on date	Yes	The date on which asset listing is done. The system date is defaulted, which can be changed to view the report as on a particular date.

8.4.5 Asset Inventory Report

Business Functionality:

In a typical business scenario, it is mandatory to carry out the physical inventory / verification of assets at periodic intervals in order to ascertain the status of the assets of the company. This is facilitated by grouping certain assets exist in a particular location. In the “Asset Inventory” component, the assets existing in a particular location are grouped together and a sheet number is assigned to it. The assets are then inventoried and the results are recorded against each asset in the sheet. The following asset inventory reports can be generated:

8.4.5.1 Asset Inventory Sheet

The asset inventory sheet report focuses on the results of the inventory and the reconciliation details of the assets. It gives the following details.

- The inventory sheet details such as the sheet number, description and status
- The details of the assets like the asset number, tag number, description, status and location of the asset
- The inventory details like inventory cycle, inventoried date, inventory results and the comments or observations pertaining to the inventory process

Report Layout

Refer the Report Book for the Report Layout.

8.4.5.2 Asset Inventory Schedule

The asset inventory schedule report focuses on the inventory status of the assets, the last date on which the inventory was carried out for the assets and the due date for the subsequent inventory. The following details will be available in the asset inventory schedule report:

The asset details like asset number, tag number, tag status and its location.

The inventory details like the last inventoried date, inventory due date, and the inventory cycle.

Report Layout

Refer the Report Book for the Report Layout.

Input parameters

S No	Input Parameter	Mandatory	Usage
1.	Inventory Sheet Number	Yes	A number that has been generated in the Asset Inventory component, for all those assets that form a part of the inventory sheet. Range can be selected to view the report with all the assets belonging to the specified range.
2.	Sheet Status	Yes	Represents the status of the inventory sheets, which can be Completed, Confirmed, Fresh, Reconciled or Verified.
3.	Sheet Date	Yes	Represents the date assigned to each sheet. Date range can be given to view the details of all the sheets falling between these dates.
4.	Asset Location Code	Yes	Represents the assets that are physically available in a particular location.
5.	Asset Group Code	No	Represents the group to which the asset belongs.
6.	Finance Book	Yes	Represents the finance book to which the asset has been associated.
7.	Asset Class Code	Yes	Represents all the asset class codes of the company.
8.	Cost Center	Yes	Represents the cost center, which has been defined in the Cost Setup component.
9.	Child Location	Yes	Represents the child location in which the asset is present. This check box can be selected when the report is required for the child locations.

S No	Input Parameter	Mandatory	Usage
10.	Child Group	Yes	Represents the child group to which the asset belongs. This check box can be selected if the report is required for the child groups.
11.	Asset Cost	Yes	Represents the cost of the asset.
12.	Inventoried date	Yes	Represents the date on which the assets are inventoried.
13.	Inventory Cycle	Yes	Represents the frequency in which the assets have to be inventoried, i.e. half yearly, monthly, quarterly and yearly. The value “Not required” is also available when inventory of assets has not been opted for.
14.	Tag status	Yes	Represents the status of the asset tags, which can be Frozen, Marked for Insurance, Marked for Retirement and Marked for Transfer. The status of the asset tag is Done when the inventory is reconciled.
15.	Asset Category	Yes	Represents assets that are Overdue, Newly Acquired or Newly Transferred.
16.	Asset Number	No	Represents the number assigned to each asset.

8.4.6 Asset Transfer Report

Business Functionality

Transferring assets from one location to another is a common activity in organizations. Ramco ERP Suite Enterprise Edition facilitates transfer assets between locations, cost centers and finance books. The inter finance book transfers are done in the Asset Disposal component and the location / cost center transfers are done in the Asset Inventory component.

Report on asset transfers facilitates the user to view all those transfers that have been done in a company / BU / segment. The following asset transfer reports are available:

8.4.6.1 Inter Finance Book Transfer Report

Report on transfer of assets from one finance book to another within a company / BU / segment in a particular period, gives the following details:

- Asset details like asset number and tag number and description
- Cost of the asset, cumulative depreciation and asset book value
- Source and destination finance book
- Transfer number, date and the status

Report Layout

Refer the Report Book for the Report Layout.

8.4.6.2 Inter Location / Cost Center Transfer Report

Report on transfer of assets between cost centers / locations within a company / BU / segment for a particular period, gives the following details:

- Asset details like asset number and tag number and description

- Source and destination location or Source and destination cost center
- Date of transfer and the status

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Company	Yes	Represents the company / business unit or segment. One of the entities can be selected to view the report
2.	Source Finance Book	Yes	Represents the finance book from which the asset is transferred. This includes all the finance books for the company
3.	Destination finance book	Yes	Represents the finance book to which the asset is transferred. This includes all the finance books for the company
4.	Source Location	Yes	Represents the location from which the asset is transferred
5.	Destination Location	Yes	Represents the location to which the asset is transferred
6.	Source Cost Center	No	Represents the cost center from which the asset is transferred
7.	Destination Cost Center	No	Represents the cost center to which the asset is transferred
8.	Asset Class	Yes	Represents all the asset class codes of the company. A range of asset class codes can be selected to view the report only for that particular range.
9.	Asset ID	No	Range of asset numbers can be selected to view the transfer details of the assets within that range.
10.	Financial Year	Yes	Financial year for which the report is required.
11.	Financial period	No	Financial period for which the report is required. Range of periods can also be selected.
12.	Date Range	No	Specific date range for which the report is needed.

8.4.7 Asset Proposal Report

Business Functionality

Asset Proposal report provides the following details that are necessary for tracking and analysis purposes:

- List of acquisition proposals
- List of retirement proposals

The report displays the following details:

- Business unit, finance book and the financial year / period (in the Header)
- Currency in which the proposal is made

- Asset class and the proposal type
- Proposal number, date, proposal description and status
- The asset details like the asset number and description
- The total amount proposed for an asset class, the amount committed, liability booked and the utilized amount
- The OU in which the proposal has been created

This report also provides the asset class-wise, financial year-wise and business unit-wise totals for all the proposals.

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Company Code	Yes	Represents the company for which the report is being generated
2.	Business Unit	Yes	Represents the business unit for which the report is being generated
3.	Finance Book	Yes	Represents the finance book for which the report is being generated
4.	Asset Class Code	Yes	Represents the asset class based on which report is generated
5.	Proposal Type	Yes	Represents the type of proposal, which can be either acquisition or retirement
6.	Financial year	Yes	Reporting for the financial year selected. This can be any year that is in Open or Closed status
7.	Financial period	No	Reporting for the financial period selected. This can be any period within the financial year selected and can be in either Open or Closed status. Financial period range can also be selected
8.	Date Range	No	Date range can be specified to view the proposal details pertaining to that period
9.	Currency	Yes	Currency in which the report is to be generated

8.4.8 Asset Insurance Information Report

Business Functionality

Risk management – Insurance reports provides information needed for managing risks associated with high valued fixed assets. The following are the various insurance reports that can be generated:

8.4.8.1 Asset Insurance Policy Report

The insurance policy report provides a comprehensive list of policies that have been taken for a range of asset class / asset number, on a particular date. The following details are given as output:

- The policies which are taken for an asset class (or a range of asset classes)
- The policies taken for an asset or a range of asset numbers
- The policies that are available on a particular date
- Policy details like the policy number, policy type
- Insurance company from which the policy is taken
- Effective From and Effective To dates of the insurance policy
- Policy amount
- The frequency in which the premium amount is payable
- The premium amount applicable for the policy
- The amount due from the insurance company (in case a claim has been raised against the policy)
- The status of the policy

Report Layout

Refer the Report Book for the Report Layout.

8.4.8.2 Asset Insurance Details Report

This report provides the information regarding the insurance policies based on asset tags. The report gives the following details as output:

- The policies that are taken for an asset class (or a range of asset classes)
- The policy taken for an asset or a range of asset numbers
- The policies that are available on a particular date
- The policies taken for a combination of asset number and tag number
- The cost of a particular asset tag
- Policy details like the Policy number and the policy type
- Insurable value assigned to the asset
- The premium amount applicable for the policy
- The frequency in which the premium amount is payable

The amount due from the insurance company (in case a claim has been raised against the policy)

Report Layout

Refer the Report Book for the Report Layout.

8.4.8.3 List of Assets Not Insured

This report provides a list of assets that has not been covered under any insurance policy.

- Details of assets not insured with the asset no and the description
- Tag details like tag number and the description
- Cost associated to a particular asset tag

- In-service date of the asset

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Company	Yes	Represents the company for which the report is being generated
2.	Finance Book	Yes	Represents the finance book for which the report is being generated
3.	Asset Class	Yes	Range of asset class can be selected to view the report for that asset class range
4.	Asset No	No	Asset number range can be selected to view the report for that range
5.	As on date	Yes	The date on which the insurance status details are needed. Defaulted with the system date and can be changed
6.	Insurance Company	Yes	To view the policies taken from a particular insurance company
7.	Policy Type	Yes	Represents the type of insurance policy
8.	Status	Yes	Represents the status of the insurance policy, which can be Active, Fresh, Draft, Closed or Renewed

8.4.9 Asset Retirement Details Report

Business Functionality

This report provides a list of assets retired along with the appropriate retirement details such as retirement values, depreciation value, revaluation cost, gain or loss due to sale / scrap etc. The report displays the following details:

- Finance book, currency, cost center, depreciation book, date range, business unit and the location (in the Header)
- The details of the assets retired like asset number, tag number and description
- The retirement details like the retirement number and the retirement proposal number
- The net book value of the assets retired
- The sale value of the asset that has been retired
- Profit / loss on sale of asset
- Organization unit in which the asset is retired

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Entity Type	Yes	Represents the company / business unit for which the report is being generated
2	Entity Name	Yes	Represents the Company / BU for which the report is generated.
3	Location From / To	Yes	Represents the location in which the assets to be retired are presents
4	Cost Center From / To	No	Represents the cost center that is affected by the asset retirement
5	Asset Class From / To	Yes	Range of asset class can be selected to view the report for that asset class range
6	Asset ID From / To	Yes	Range of assets can be selected to view the report for that assets range
7	Depreciation Book	Yes	Represents the depreciation book in which the assets to be retired are depreciated
8	Finance Book	Yes	Represents the finance book for which the report is being generated
9	Currency	Yes	Represents the currency in which the report is viewed
10	Financial Year	Yes	Represents the year for which the report is viewed.
11	Financial Period From / To	Yes	Represents a period or a range of periods for which the report is viewed
12	Date Range	No	Represents a specific range of dates for which the report is viewed.

8.4.10 Asset Revaluation Report

Two types of revaluation reports can be generated. They are:

8.4.10.1 Revaluation Report

Revaluation report provides revaluation details for a range of assets selected, based on finance book, asset class or asset category.

8.4.10.2 Revaluation Simulation Report

The effect of revaluation on an asset can be simulated before the asset is revalued. For a simulation run number this report provides simulated values for a range of assets selected, based on finance book, asset class or asset category.

The following details are given as output for both the reports:

- The business unit, organization unit and finance book
- Asset class
- Asset details like the asset number, tag number and the description of the assets

- Revaluation type
- Revaluation Basis
- Revaluation Option
- Revaluation Date
- Revaluation Run No.
- Original cost of the asset
- Cumulative depreciation
- Book value of the asset
- Revalued cost
- Revalued cumulative depreciation
- Net revalued cost
- Increase / decrease on asset value
- Increase / decrease on asset value in terms of percentage

8.4.10.3 Report Layout

Refer the Report Book for the Report Layout.

> ***Note**: The layouts for the Asset Revaluation and the Asset Revaluation Simulation reports are the same, except that the Revaluation Run numbers of both the processes will be different.*

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Company Code	Yes	Represents the company for which the report is being generated. Defaulted with the login company. However, this value can be changed.
2.	Business Unit	Yes	Represents the business unit for which the report is being generated. Defaulted with the business unit that has been mapped to the login organization unit. However, this value can be changed.
3.	Finance Book	Yes	Represents the finance book for which the report is being generated
4.	Depreciation Book Code	Yes	Represents the depreciation book code in which the depreciation details are maintained
5.	Cost Center	Yes	Cost center to which the asset has been mapped and the depreciation amount applicable to the cost center for a specific year / period. The output displayed based on this parameter reflects the impact of depreciation on the mapped cost center.

S No	Input Parameter	Mandatory	Usage
6.	Currency	Yes	Report will be displayed in the currency selected
7.	Asset Class Code	No	Represents the asset class based on which report is generated
8.	Financial Year	Yes	Reporting for the financial year selected. This can be any year either in Open or Closed status.
9.	Financial Period	No	Reporting for the financial period selected. This can be any period within the financial year selected and can be either in Open or Closed status.
10.	To Date	No	Represents the date till which revaluation details must be displayed in the report. This value can be any date within the financial period selected.
11.	Run No.	No	Represents the number identifying the process by which the assets were revalued
12.	Option	No	Represents the entity based on which revaluation is done, which can be By amount, To amount, Index or Percentage.

8.4.11 Depreciation Simulation Report

Business Functionality

Before depreciating the assets organizations would like to simulate the depreciation for various reasons. A report can be generated to see the simulated depreciation values.

8.4.11.1 Depreciation Simulation Summary Report

This report provides a summary of the depreciation at the asset class and depreciation category level. The following details are provided by the depreciation simulation summary report

- Business unit, organization unit, finance book and cost center
- Depreciation book for which simulation is done
- Depreciation category used for simulation
- Simulation number of years and run number
- Asset class and a range of asset numbers
- Asset value and salvage value
- Existing depreciation rule
- Depreciation simulated under existing rule
- Suspension depreciation value
- Simulated depreciation under other rules
- Effect of change in depreciation

It also gives a summation of existing depreciation amounts and the suspension depreciation of all asset classes. A summation of depreciation for all the asset classes under different rules can also be displayed.

Report Layout

Refer the Report Book for the Report Layout.

8.4.11.2 Depreciation Simulation Details Report

The simulated depreciation values can be listed for a specific range of assets and asset tags. It gives a detailed report of the assets simulated and the impact of depreciation on each asset tag. The following details are displayed as output:

- Business unit, organization unit, finance book and cost center
- Depreciation book for which simulation is done
- Depreciation category used for simulation
- Simulation number of years and simulation run number
- Asset number, tag number and description
- The financial year in which the simulation has been done
- Asset value and salvage value
- Existing depreciation rule
- Depreciation simulated under existing rule
- Suspension depreciation value
- Simulated depreciation using other rules
- Effect of change in depreciation

This report also gives a summation of the depreciation values for each asset class, depreciation book, cost center, finance book and business unit. This report also displays the summation of depreciation values for the existing depreciation, suspension total and the depreciation rules.

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Company Code	Yes	Represents the company for which the report is being generated. Defaulted with the login company. However, this value can be changed.
2.	Business Unit	Yes	Represents the business unit for which the report is being generated. Defaulted with the business unit that has been mapped to the login organization unit. However, this value can be changed.
3.	Finance Book	Yes	Represents the finance book for which the report is being generated.

S No	Input Parameter	Mandatory	Usage
4.	Depreciation Book Code	Yes	Represents the depreciation book code in which the depreciation details are maintained. Defaulted with corporate book. However, this value can be changed.
5.	Cost Center	Yes	Cost Center to which the asset has been mapped and the depreciation amount applicable to the cost center for a specific year / period. The output displayed based on this parameter reflects the impact of depreciation on the mapped cost center.
6.	Currency	Yes	Represents the currency in which the report is displayed, which can be either base currency or parallel base currency.
7.	Asset Class Code	Yes	Represents the Asset Class based on which Report is taken.
8.	Asset No.	No	Represents the asset number for which the simulation report is required. Range of asset numbers can also be selected.
9.	Financial Year	Yes	Reporting for the financial year selected. This can be any year either in Open or Closed status.
10.	Simulate Years	No	Represents the number of years for which simulation is done for a simulation run number
11.	Simulation Run Number	No	Represents the simulation run number for which the report is being generated.
12.	Depreciation Category	No	Represents the depreciation category of the assets based on which the report is being generated.

8.4.12 Asset Depreciation Report

Business Functionality

Depreciation report gives details of depreciation processed against assets in a specific financial year or period. Asset-wise details of depreciation charged and suspension depreciation if any are also reported. In addition to this, other details like depreciation method, rate, basis and depreciation category of the assets are also listed in the report. This report can also be used to display sub-totals at asset class, depreciation book code and finance book levels.

8.4.12.1 Asset Depreciation Report (without Revaluation)

The following details are displayed as output:

- Asset details like asset no and asset description
- Tag details like tag no and tag description
- Opening accumulated depreciation, current depreciation, closing accumulated depreciation and suspension depreciation
- Depreciation method, basis, yearly % of depreciation, depreciation convention and category
- Cost center details

Report Layout

Refer the Report Book for the Report Layout.

8.4.12.2 Asset Depreciation Report (with Revaluation)

The following details are displayed as output:

- Asset details like asset no and asset description
- Tag details like tag no and tag description
- Opening accumulated revaluation depreciation, current revaluation depreciation, closing accumulated revaluation depreciation and suspension depreciation.
- Depreciation method, basis, yearly % of depreciation, depreciation convention and category.
- Cost center details

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Company Code	Yes	Represents the company for which the report is being generated. Defaulted with the login company. However, this value can be changed.
2.	Business Unit	Yes	Represents the business unit for which the report is being generated. Defaulted with the business unit that has been mapped to the login organization unit. However, this value can be changed.
3.	Finance Book	Yes	Represents the finance book for which the report is being generated
4.	Depreciation Book Code	Yes	Represents the depreciation book code in which the depreciation details are maintained. Defaulted with corporate book. However, this value can be changed.
5.	Cost Center	Yes	Represents the Cost Center to which the asset has been mapped and the depreciation amount applicable to the cost center for a specific year / period. The output displayed based on this parameter reflect the impact of depreciation on the mapped cost center.
6.	Currency	Yes	Represents the currency in which the report is displayed. The currency can be either the base currency or the parallel base currency of the company.
7.	Asset Class Code	No	Represents the asset class based on which report is generated
8.	Depreciation Category	No	Represents the depreciation category based on which the simulation details are displayed
9.	Asset No. From / To	No	Represents the asset number or a range or assets whose depreciation simulation details are displayed in the report

S No	Input Parameter	Mandatory	Usage
10.	Asset Location From To	No	Represents the range of asset locations ; i.e. assets located in those locations for which depreciation details can be viewed
11.	Financial Year	Yes	Reporting for the financial year selected. This can be any year in Open or Closed status
12.	Financial Period From / To	No	Reporting for the financial period selected. This can be any period within the financial year selected and can be in Open or Closed status.
13.	To Date	No	Represents the date till which depreciation simulation details must be displayed in the report. This value can be any date within the financial period selected.
14	Process Run No.	No	Represents the process run based on which the depreciation was computed and posted into the books

8.4.13 Asset Proposal Utilization Report

Business Functionality

Utilization report gives details of Asset Proposals, against which various transactions have been performed. The summary report gives the break of Proposal utilization in form of Committed, Liability, Utilized and balance amount for the same. The Detail report further breaks the committed amount into list of transactions for the same. Similarly, details available for the Liability, Utilized amount also would be displayed.

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Company Code	Yes	Represents the company for which the report is being generated. Defaulted with the login company. However, this value can be changed.
2.	Business Unit	Yes	Represents the business unit for which the report is being generated. Defaulted with All. However, this value can be changed.
3.	Finance Book	Yes	Represents the finance book for which the report is being generated
4.	Asset Class	No	Indicates the asset class for which the report to be launched. Defaulted with All, however values can be changed.
5.	Proposal Type	Yes	Indicates, report launched for acquisition proposal or retirement proposal
6.	Report Type	Yes	Indicates whether summary or detail report is launched

S No	Input Parameter	Mandatory	Usage
7.	Financial Year	Yes	Reporting for the financial year selected. This can be any year in Open or Closed status
8.	Financial Period From / To	No	Reporting for the financial period selected. This can be any period within the financial year selected and can be in Open or Closed status.
9.	Date From / to	No	Represents the range of dates between which report is generated
10.	Currency	Yes	Represents the currency in which the report is displayed. The currency can be either the base currency or the parallel base currency of the company.
11.	Proposal No. From / To	No	Represents the proposal number or a range or proposal numbers whose details are displayed in the report
12.	List active proposals only	No	Check box to extract only active proposal.

8.4.14 Report on Asset Leasing

Business Functionality

Leasing report gives details of Lease and lease assets.

Report Layout

Refer the Report Book for the Report Layout.

Input Parameters

S No	Input Parameter	Mandatory	Usage
1.	Company Code	Yes	Represents the company for which the report is being generated. Defaulted with the login company. However, this value can be changed.
2.	Business Unit	Yes	Represents the business unit for which the report is being generated. Defaulted with All. However, this value can be changed.
3.	Organization Unit	Yes	Represents the Organization unit for which the report is being generated. Defaulted with All. However, this value can be changed.
4.	Finance Book	Yes	Represents the finance book for which the report is being generated
5.	Report Option	Yes	Indicates whether the report to display the lease details or the leased asset details
6.	List By	No	When the report option is Lease Asset Details, whether the assets are displayed asset group wise / or asset location wise.

S No	Input Parameter	Mandatory	Usage
7.	Party Type	No	Represents the party type for which the report is to be retrieved. It can be a registered supplier code or miscellaneous parties.
8.	Party Code From / TO	No	Represents the range of party code for which report is generated
9.	Lease No. From / to	No	Represents the range of Lease NO. for which report is generated
10.	Transaction Date From / to	No	Represents the range of dates between which report is generated
11.	Asset Class	No	Indicates the asset class for which the report to be launched. Defaulted with All, however values can be changed.
12.	Asset No. From / To	No	Represents the asset number or a range or assets whose lease details are displayed in the report.
13.	Asset Group From / To	No	Represents the range of asset group; i.e. assets mapped in those groups for which lease details can be viewed.
14	Asset Location From To	No	Represents the range of asset locations; i.e. assets located in those locations for which lease details can be viewed.

Corporate Office and R&D Centre

Ramco Systems Limited,
64, Sardar Patel Road, Taramani,
Chennai – 600 113, India
Office + 91 44 2235 4510 / 3090 4000
Fax +91 44 2235 2884
Website - www.ramco.com

