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Asset/ Inventory Management & Software

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Fixed Asset

- A **fixed Asset** is any durable item used in the running of a business and having a useful life of more than one year

Tangible Asset

- A **tangible Asset** is any asset that can be touched and includes both moveable and non-moveable property.

Intangible Asset

- An **intangible Asset** is nonphysical resource and right that has a value to the firm because it gives the firm some kind of advantage in the market place

Inventory

- An **inventory** or stock refers to the goods and materials that a business holds for the ultimate purpose of resale (or repair).

Attractive Item

- An **attractive item** is an item not considered as fixed asset and is prone to theft and/ or loss due to its portable nature and/or attractiveness for personal use and/or resale.



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Assets/ Inventory management is a key financial management area. Thus, it is essential to manage project and organization assets properly, to ensure sound financial management and to prevent improprieties and fraud.



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MEASURES/TOOLS OF ASSET/INVENTORY MANAGEMENT

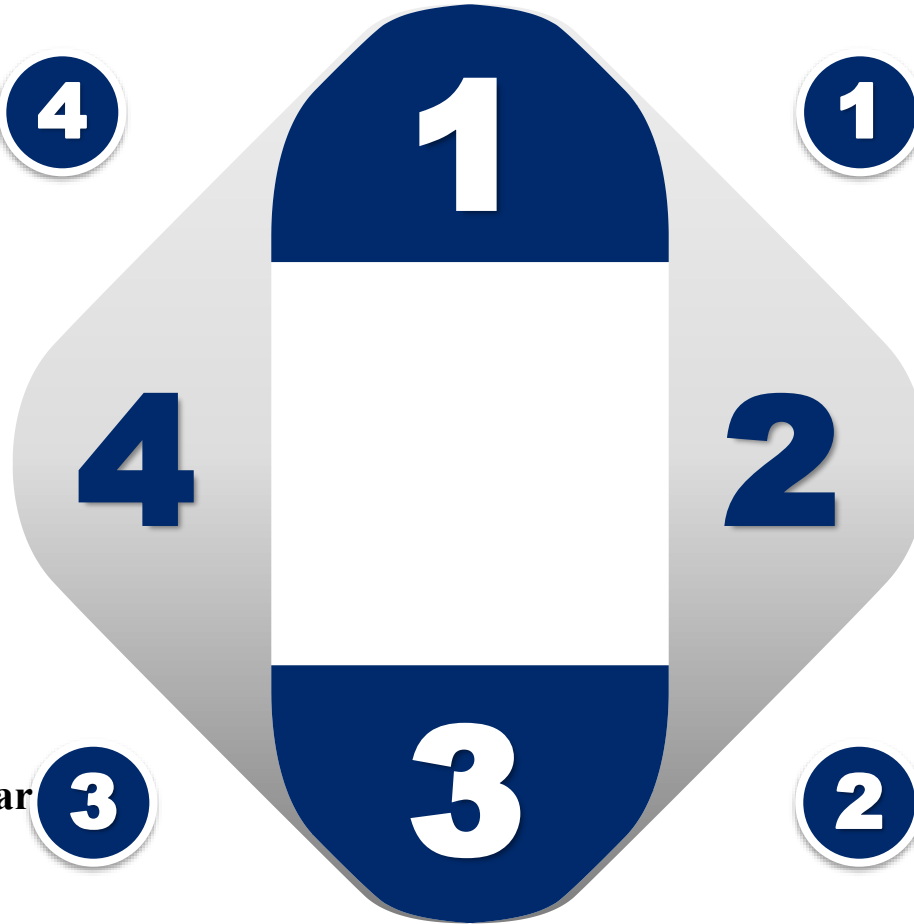


Differences between report and physical count need to be investigated and resolved immediately

4

Control of Assets/ Inventory means regular inspection

3



1

A register of Asset/ Inventory:

The Assets/Inventory database is required and shall be maintained for all property.

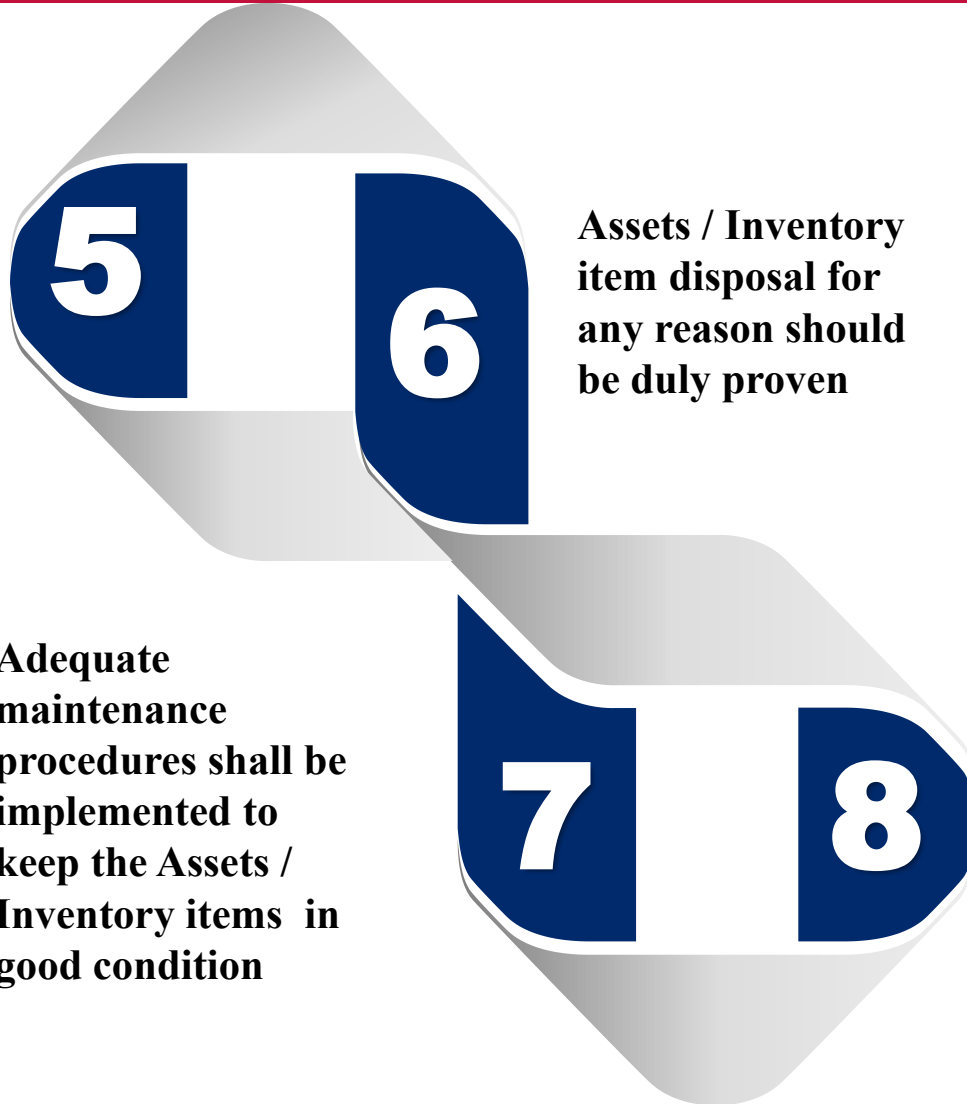
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An Asset/ Inventory item should be physically identifiable for checking

Each asset item should be assigned an identification number (internal to the organization).



**Control of the use of
Assets/ Inventory
item is vital**



**Assets / Inventory
item disposal for
any reason should
be duly proven**

**Adequate
maintenance
procedures shall be
implemented to
keep the Assets /
Inventory items in
good condition**

**Receipt and
issuance of
Assets/Inventory
items should be
demonstrated and
tracked**



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Exercise 1: Receipt of Property





Receipt of property

STEP 1

Payment Issuance

Payment Voucher issued by the Finance Department based on the invoice received and approved by the Treasurer and President/Chairperson.

STEP 2

Recording the property in the GL

The Finance Department records the Asset/Inventory item into the accounting software.

STEP 3

Informing the Asset/Inventory Controller

The Finance Manager informs the Asset/Inventory Controller to add the Asset/Inventory item into the Asset/Inventory database.

STEP 4

Creation of the property record

The Asset/Inventory Controller (A/IC) creates a new record for the item and assigns the next sequential record number to it.

STEP 5

Physical inventory

The Asset/Inventory Controller locates the item and fix a tag to it, completes the physical inventory and records the information in the Asset/Inventory registry.



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ASSET RECORD

DEPRECIATION

DEFINITIONS

Property
Disposal

01

03

05

07

RECEIPT OF
PROPERTY

MAINTENANCE
& REPORTING
REQUIREMENTS

02

ISSUANCE OF
PROPERTY

06

ASSET /
INVENTORY
SOFTWARE

04

08



ASSET/INVENTORY MANAGEMENT RECORD





Exercise 2 : Asset/ Inventory Record





For each asset or inventory item the following steps should be followed :

01

Create record / tag number

02

Create record / Description

03

Enter serial number

04

Note asset location

05

Assign responsibility

Continued





For each asset or inventory item the following steps should be followed :

06

Record the acquisition date

07

Enter cost

08

State the Condition

09

Indicate the name of the supplier

10

Assign a project code or class

Continued





For each asset or inventory item the following steps should be followed :

11

Warranty Information (When Applicable)

12

Depreciation value (When Applicable)

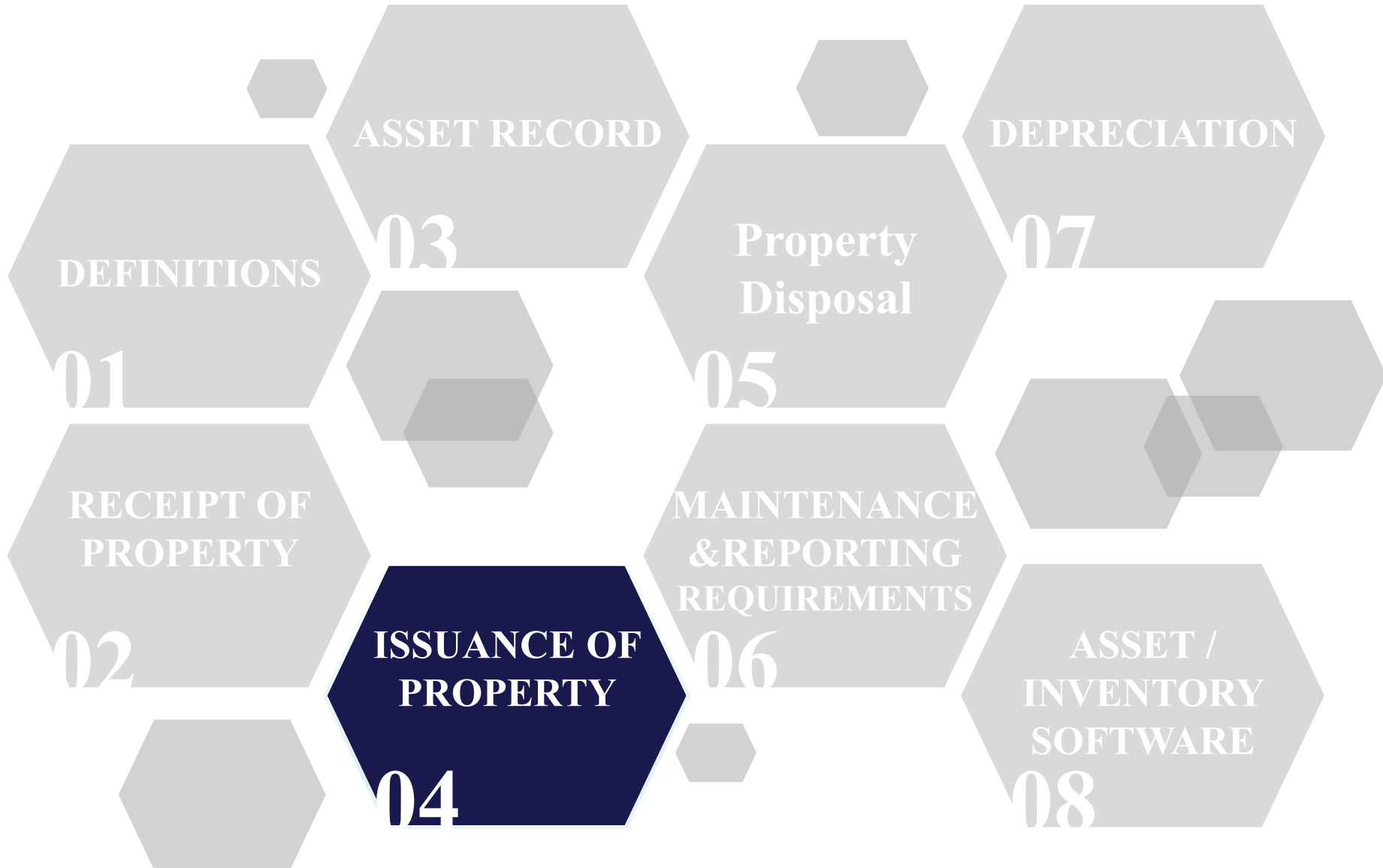
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Net Book Value (When Applicable)



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ISSUANCE OF PROPERTY



Exercise 3 : Issuance of Property



Issuance of property

In order to perform the assigned job, staff are being issued necessary property such as laptop computer, camera, cell phone, etc....

STEP 1

Preparation of the permanent assignment form

The Asset / Inventory Controller should preparer a Permanent Assignment Form.



STEP 2

Signatures on the permanent assignment form

The Permanent Assignment Form should be approved by the President / Chairperson- and signed by the Staff member and by the A/IC as a witness of the property issuance



STEP 3

Update of the Asset/ Inventory registry

The A/IC should update the Asset/ Inventory registry directly after any property issuance.



Return of the property

When the property is returned by the staff member the A/IC, receiving the returned property, should sign to acknowledge its receipt in a separate column in the Permanent Assignment form.



Update of the Asset/ Inventory registry

The A/IC should update the Asset/ Inventory registry directly after any property receipt.



Permanent Assignment Form

Permanent Assignment Form

Employee's Name

Item	Item ID	Date/Time OUT	Condition OUT	Date/Time IN	Condition IN	Employee's Signature	Inventory Controller's Signature

Purpose of Assignment

By signing this form, I adhere to all responsibility of the item being loaned to me. This includes maintaining the condition of the equipment.

Approved by



For temporary property issuance

- ✓ For items under the A/IC's custody, simple principles of temporary property receipt and issuance require that:
 - All incoming property should be signed for using a receipt form and then entered into the Asset/Inventory database.
 - All outgoing property should be signed for using an issue form and recorded into the Asset/Inventory database.

By signing this Issue / Receipt form, the borrower adheres to taking complete responsibility of the item that has been released to her. Furthermore, she agrees to return the item in a timely fashion.



Issue/ Receipt Form

Issue/Receipt Form

By signing this form, I take complete responsibility for the item that has been released to me and will accept any charges that go towards replacement or repair in the event that the equipment is lost or damaged. Furthermore, I agree to return the item in a timely fashion.

Name	Item	Item ID	Item Tag #	Date/Time OUT	Condition OUT	Borrower's Initials OUT	Authorized Initials OUT	Date/Time IN	Condition IN	Borrower's Initials IN	Authorized Initials IN	Comments



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Exercise 4 : Property Disposal



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Property Disposal

STEP 1

Disposal Form Issuance

The A/I C prepares an asset/ inventory disposal form.

STEP 2

Approval of the disposal Form

The Disposal form prepared by the A/IC should be reviewed by the Finance Department and approved by the President/ Chairperson .

STEP 3

Update of the General Ledger

The Finance Department updates the general ledger based on the approved Disposal Form.

STEP 4

Asset/ Inventory Registry Update

The Asset/ Inventory Controller (A/IC) updates the Asset/ Inventory registry based on the approved Disposal Form.

STEP 5

Disposal of The Asset/ Inventory Item

The Asset/ Inventory Controller can now dispose the asset/ inventory item.



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Property Disposal

To prepare for the property disposal the A/IC should prepare a disposal form mentioning minimum:

- The reason of the disposition
- The item tag number
- The item description
- The class or the job code
- The net book value (when applicable)
- Serial number (when applicable)
- Acquisition date and cost
- Fair Market Value



Disposal Form

Inventory Disposal Form

Purpose of Form

Indicate Type of Disposal

Sale:
 Donation:
 Scrap:

Sale or Donation Information (if necessary)

Name of company/person sold or donated to:
 Amount of sale:

This form is to be used when disposing of an asset to properly record on our books.

Office Use Only

Date Received:
 Processed:

*If sale, has company person paid for item (Please see below)

Please use additional sheets if necessary

NO	Description - Include year, make, model, etc.	Job Code	Manufacturers Serial # or Vehicle ID Number	Source of Equipment - Identify if received from Federal Govt or another project	Acquisition Date	Acquisition Cost	Fair Market Value	Condition

Unit Authorization

Name: _____

Signature: _____

Title: _____

Date: _____

Receipt Acknowledgment

Name: _____

Signature: _____

Title: _____

Date: _____

*If this was a sale, please attach the check to this form. If a check has not been received, please provide the necessary information below. An invoice will be sent upon receipt of this form.

Prepared By: _____

Reviewed By: _____

Approved By: _____



Property Disposal

✓ Assets / Inventory item disposal for any reason destroyed, lost, damaged, sold or worn out must be identified in the Asset/Inventory database as being disposed using a disposal form.

No Asset/ Inventory item should be disposed for any reason without the President/Board preapproval.

✓ Check the property title before the item disposal.





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Exercise 5 : Accounting entries for property disposal



Asset/ Inventory Segregation of Duties

The Asset/ Inventory record is :



Prepared and updated by the Asset/ Inventory Controller.



Reviewed by the Finance Department entering the data into the accounting software .



Approved by the upper management (Director, President/ Chairperson)



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MAINTENANCE REQUIREMENTS



Maintenance Requirements

✓ Some properties will require **scheduled maintenance** (such as vehicles, photocopiers...) .
Consequently, maintenance record for these properties.

An effective **preventive maintenance** program
✓ shall include proper storage and preservation of accessories and tools.

All property will need to be **repaired when broken.**





Reporting



Reporting Requirements

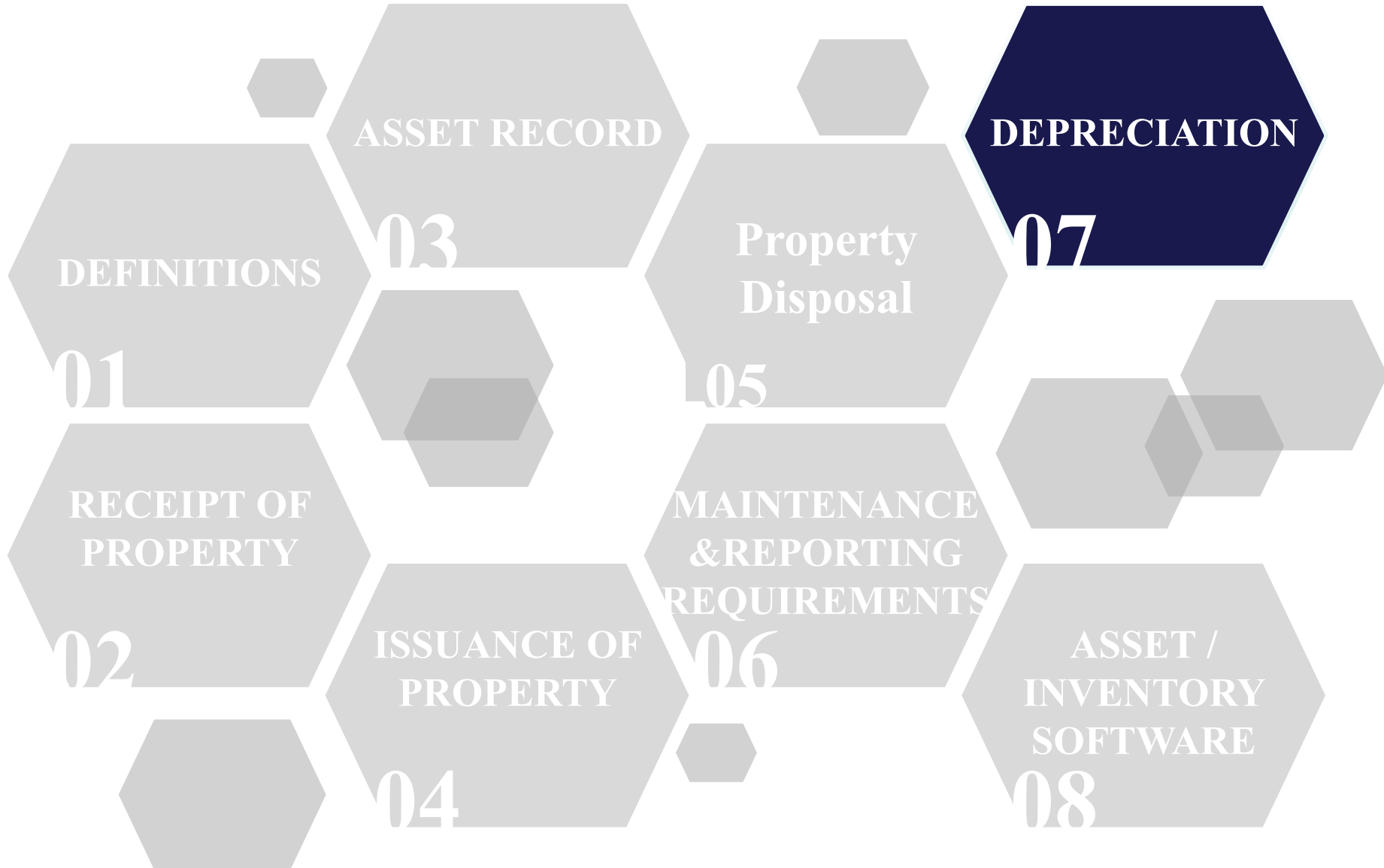
The Asset/Inventory reporting is required on monthly basis .The monthly report only needs to report the current inventory accounting for additions and deletions of items during the month. It does not need to reflect a physical count.

Annual report for December should be submitted to Board; based on a physical Asset/ Inventory Count.



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Definition

Depreciation is the reduction in the value of a product arising from the passage of time due to use or abuse, wear and tear.





**Straight - Line
Depreciation**



**PROPERTY
DEPRECIATION**



Straight – Line Depreciation

Depreciation Expense

=

Total Acquisition Cost - Salvage Value

Useful Life



Acquisition Cost

=

The original cost of an asset is the acquisition cost, which is the cost required to not only purchase or construct the asset, but also to bring it to the location and condition intended.

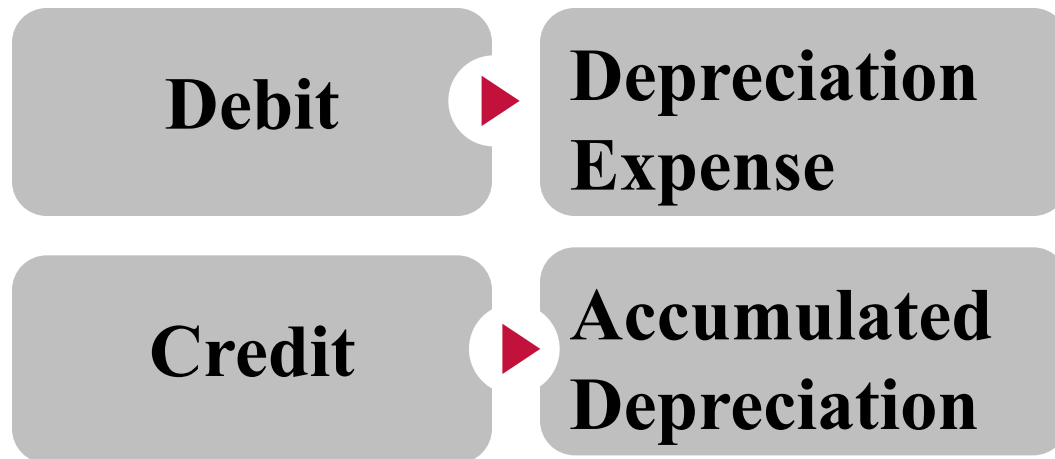
Salvage value

=

The value of the asset at the end of its useful life; also known as residual value or scrap value.

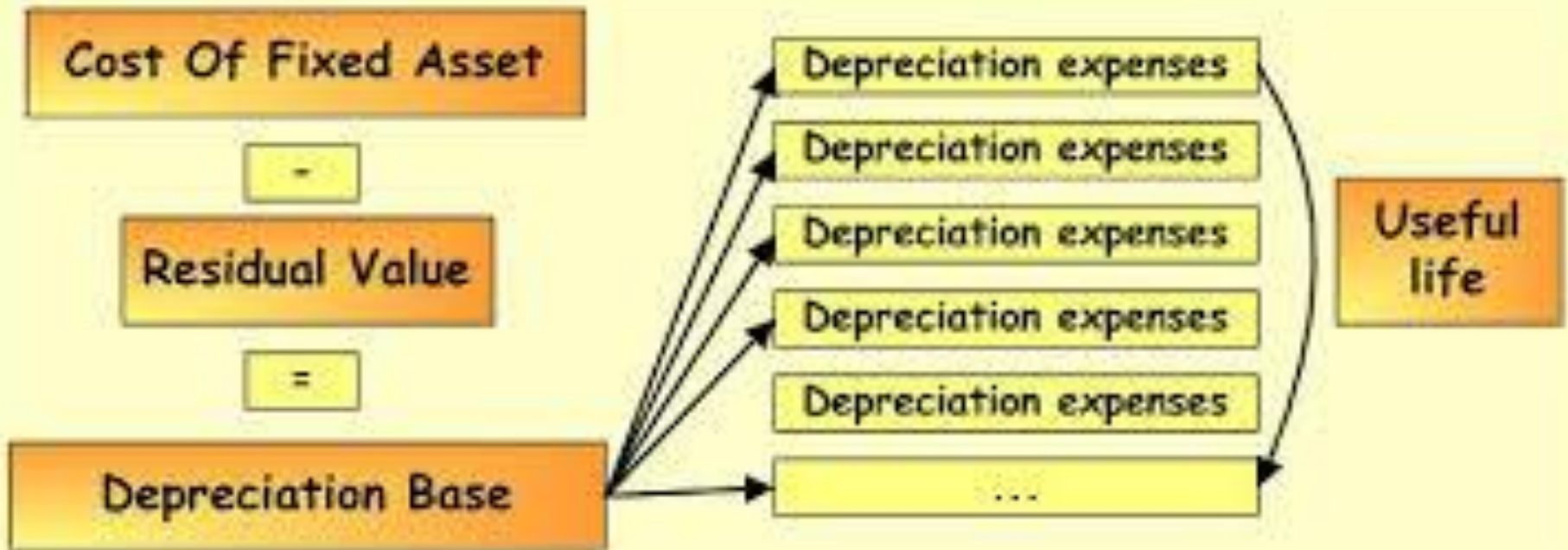


Double entry involved in recording depreciation may be summarized as follows:





DEPRECIATION





Net book value is the original cost of an asset, less any accumulated depreciation, accumulated depletion, or accumulated amortization, and less any accumulated impairment.

Net Book Value

=

Acquisition Cost

-

Accumulated Depreciation



**TIPS
&
PROCEDURES**



“depreciation”



Depreciation Tips

01

Apply the depreciation when applicable

02

Use the depreciation % as set by the Ministry of Finance

03

Depreciation cost should be calculated when end of year accounts are prepared

04

Only depreciate the depreciable amount

05

Depreciate the depreciable amount in a systematic way over the asset's useful life



Depreciation Procedures



Assign an asset class : Match the fixed asset to the ministry of finance's standard asset class descriptions.



Assign depreciation percentage: Based on the asset classed defined above you can determine the % of the asset depreciation on a yearly basis.



Create depreciation calculation: Using the depreciation percentage defined above, calculate the depreciation value and create the journal entry reflecting the depreciation of the asset item.



Record the depreciation in the general ledger: Get the approval on the journal entry and record in the accounting software to get the net book value of the organization assets.



Exercise 6: Depreciation



Asset/Inventory Software



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