

Asset Depreciation Reports

CSE's Asset Manager is able to produce management reports detailing fixed asset depreciation. These reports will aid your establishment's financial controller when updating balance sheets, and highlight when the assets have reached the end of their useful economic life.

What is the Useful Life of a fixed asset?

An asset may be seen as having a physical life and an economic life.

Most fixed assets suffer physical deterioration through usage and the passage of time. Although care and maintenance may succeed in extending the physical life of an asset, typically it will reach a condition eventually where the benefits have been exhausted.

However, you may not wish to keep an asset until the end of its physical life. There may be a point when it is no longer economically viable to continue to use the asset, even though there is still some physical life left.

The economic life of the asset will be determined by such factors as technological progress and changes in demand. For purposes of calculating depreciation, it is the estimated economic life rather than the potential physical life of the fixed asset that is used.

What about the residual value of a fixed asset?

At the end of the useful life of a fixed asset the business will dispose of it, and any amounts received from the disposal will represent its residual value. Again, this may be difficult to estimate in practice. However, an estimate has to be made. If it is unlikely to be a significant amount, a residual value of zero will be assumed.

The cost of a fixed asset, less its estimated residual value, represents the total amount to be depreciated over its estimated useful life.

Depreciation

Depreciation is calculated as the estimate of the measure of wearing out, and is a charge in the profit and loss account. Accumulated depreciation is the total depreciation charges to date, deducted from the original cost of the fixed asset to show on the net book value (NBV) in the balance Sheet.

In terms of the method of calculating depreciation, there are basically three options. Different assets can be put into different 'pools'. The three methods are:

Straight line percentage of original value

The user specifies the percentage depreciation applied per year. If this was (for example) set at 10% per annum, then from an original value of £1000 the first year depreciation would be £100, and the net book value (NBV) after one year £900. The second year depreciation of £100 would leave the NBV after two years at £800. The asset would eventually be written down to nil in the balance sheet.

Straight line depreciation over useful economic life

This is calculated on the basis of $(\text{original cost} - \text{residual value}) / \text{useful economic life}$.

If the original value were £1000, and an asset was considered to have a residual value of £100 after five years of usage:

- first year depreciation = $(£1000 - £100) / 5 \text{ years} = £180$, NBV after one year is £820
- second year depreciation = $(£1000 - £100) / 5 = £180$. NBV after two years is £640
- third year depreciation = $(£1000 - £100) / 5 = £180$. NBV after three years is £460.

The user here specifies the residual value and economic life of the asset.

Reducing Balance Method

This is somewhat similar to the straight line percentage method, but modified by applying the depreciation percentage to the net book value (NBV) each year.

If the original value were £1000, and the depreciation percentage 10%:

- first year depreciation 10% of NBV (£1000) = £100. NBV after one year £900
- second year depreciation 10% of NBV (£900) = £90. NBV after 2 years £810
- third year depreciation 10% of NBV (£810) = £81. NBV after 3 years £729.

Here, the user specifies the depreciation percentage.

The NBV will not fall below zero, thanks to automated calculations.

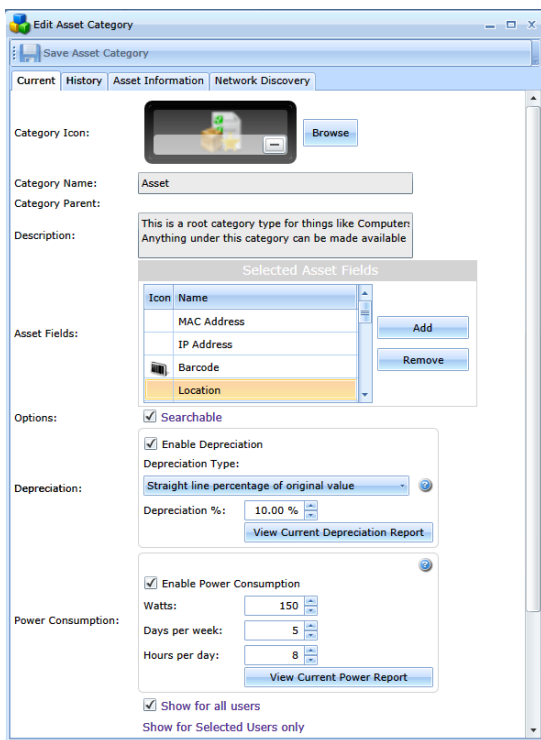
Asset Categories

Asset Categories play an important part in structuring your asset database; they also play an important role in setting up the default depreciation settings. There are three root categories. These are *Assets*, *Consumable* and *Software*. Depreciation is only relevant to the Asset root category.

The Asset categories form a hierarchy (tree structure). Below the root are categories: these are containers which usually contain individual assets, but can also contain sub-categories to enhance the structure of the asset database.

Each of the category containers (including the root) can be configured with your chosen default depreciation settings. Assets inherit these settings either hierarchically from the appropriate category above them, or from the category they reside in.

Depreciation Setup



In order to calculate depreciation, each asset requires two pieces of information: the *Purchase Price* and the *Date of Purchase*. These asset fields are pre-allocated to all asset categories.

You can also pre-configure the type of asset model you want to use by editing asset categories and setting the default options. These settings then filter down the category structure to be inherited by your individual assets.

Here you can enable depreciation and pre-configure your preferred model.

Straight Line percentage of original value

Simply set your annual depreciation value as appropriate.

Depreciation:

Enable Depreciation
 Depreciation Type: Straight line percentage of original value
 Depreciation %: 10.00 %
 View Current Depreciation Report

Straight line depreciation over useful economic life

Set the residual value and your estimate of the asset's economical life.

Depreciation:

Enable Depreciation
 Depreciation Type: Straight line depreciation over useful economic life
 Residual Value: £500.00
 Economic Life: 5 Yrs
 View Current Depreciation Report

Reducing balance method

Simply set your annual depreciation value as appropriate.

Depreciation:

Enable Depreciation
 Depreciation Type: Reducing balance method
 Depreciation %: 10.00 %
 View Current Depreciation Report

Setting Asset Purchase Price and Purchase Date

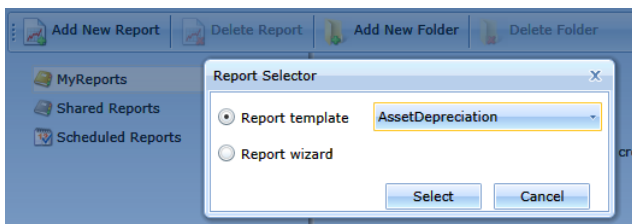
Both of these values are specific to individual assets within your database, and as such need to be set individually.

If you used the CSV import method of importing assets into the database, than these fields can be specified and imported directly.

Location	<input type="text"/>
Manufacturer	Xen
Model	HVM domU
Serial Number	5c66ba5f-146e-fdd4-fe39-62ae30b5aa0d
Purchase Date	08/02/2005
Purchase Price	£500.00
Owner	Supervisor
Bios Date	17/01/2012 00:00
Notes	<input type="text"/>

Depreciation Reports

You can go to any individual asset and view the depreciation report for it instantly by clicking the *View Current Depreciation Report* button. Whilst looking at individual assets may be interesting, as well as allowing you to change the depreciation models and view different scenarios, It is probably more appropriate to use Service Manager's reporting model to get a bigger picture.



Under the main menu are the *Admin Portal*, and a link to the Reports module.

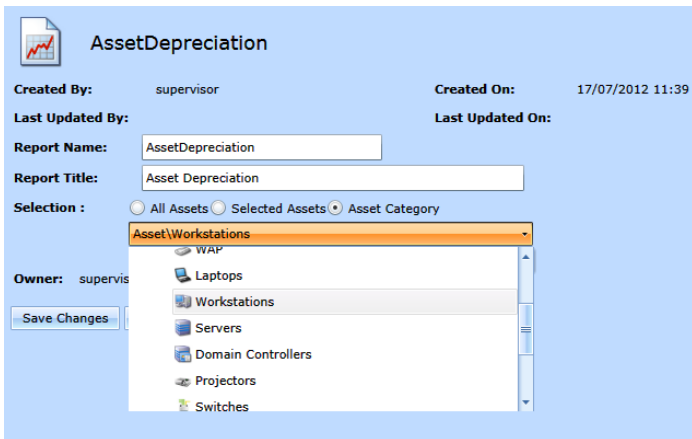
Click *MyReports* and then *Add New Reports*.

Select the *Report template* option and then *AssetDepreciation* from the list of available reports.

You can change the report name and description fields as appropriate.

The selection options allow you to narrow down your report's scope. *All Assets* could easily result in a very large and unmanageable report.

Selected Assets allows you to pick individual assets from the database. The most useful option is probably to view them by asset category.



Here you have the option to select a specific asset category. For instance, by selecting the *Workstation* category we can generate a report that details the current depreciation status of all of our workstations.

After you have made any changes to the report's settings, click the *Save Changes* button before doing anything else.

To run the report – simply click the *View Report* button.

The system will now render your report - this is actually carried out at the server and not the workstation you are using. You might need to be prepared to wait for the process to return the result: this obviously depends upon the number of individual assets that the report is processing.

The *Result Viewer* will then open, displaying the report you have just run. It is probable that the report will be multi-page. However, this particular report is two pages long, as can be seen in the windows header ribbon.

You can see at a glance the current asset value based upon the depreciation model we have chosen.

This report can now be printed or saved as appropriate.

When you save the file, you have options to save it in Acrobat PDF, CSV, Excel, RFT, TIFF and Web Archive formats.

Probably the most useful formats for asset depreciation report outputs are CSV or Excel, as both these can be directly imported into spreadsheets for further processing.

Asset	Depreciation Type	Depreciation	Purchase Date	Purchase Price
wf1	Reducing Balance	10%	08/02/2005	£500.00
			Depreciation Year	Depreciation Value (NBV)
			1	£490.00
			2	£480.00
			3	£364.50
			4	£328.00
			5	£295.24
			6	£266.72
			7	£239.15
			8	£215.23
			9	£193.71
			10	£174.34
wf2	Reducing Balance	10%	04/01/2005	£500.00
			Depreciation Year	Depreciation Value (NBV)
			1	£490.00
			2	£480.00
			3	£364.50
			4	£328.00
			5	£295.24
			6	£266.72
			7	£239.15
			8	£215.23
			9	£193.71
			10	£174.34
wf3	Straight Line Percentage	10%	11/04/2006	£500.00
			Depreciation Year	Depreciation Value (NBV)
			1	£490.00
			2	£490.00
			3	£490.00
			4	£300.00
			5	£200.00
			6	£100.00
			7	£150.00
			8	£160.00
			9	£193.71
			10	£50.00