**Title: Assets & Depreciation**
**Section: Organisational**

**Written by: Ray Richards**
**Contributors: Steve Bates, Paul Etherington, John Traill**

**Policy Statement**

Assets are properly recorded, secured and protected from loss or damage in the organisation.

**Purpose and Scope**

To ensure assets and depreciation are

**Definitions**

UBC: The Uncle Bobs Club

State Committee: Directors of Uncle Bobs Club

Current assets: include cash or other assets that are likely to be converted into cash, within 12 months. Examples include cash and bank account balances, inventory (stock) and accounts receivable (money owing by debtors).

Fixed or non-current assets: are assets that will be kept, or used up over 12 months. Examples include long-term investments, buildings, motor vehicles, plant and equipment.

Intellectual property: refers to all property including copyrightable works, documents and ideas developed by your organisation that may be of value. Examples are program ideas and cultural information such as stories contained within a painting which cannot be copied without the agreement of the owner of the idea.

Prepayments: refer to payments made beyond the current financial period, eg rent payments.

Tender: refers to the process used by an organisation to purchase an asset or service. A public (or sometimes selected) offer is made for individuals/organisations to submit a price to provide the organisation with an asset or service as specified in the tender document. The tender document outlines what the organisation wants to buy and the date by which the tender price must be submitted. Once the asset is purchased, it must be added to the Asset Register which contains detailed records of all individual items of property, equipment and plant which the organisation owns.

Depreciation: is ‘the cost of asset allocated over its life’. For example, if you buy a vehicle on July 1, 2005 for $10,000 and on 30 June 2010 you think it will be worth nothing, the total depreciation is $10,000 allocated over 5 years. Therefore, each year the organisation ‘uses up’ one fifth of the motor vehicle’s value, i.e. $2,000. This is the annual depreciation charge.

**Policy**

Assets are anything of value that is owned by the organisation. Assets can be financial such as cash; physical such as motor vehicles; or even things of value that cannot be seen such as intellectual property. An asset must provide some future benefit to the organisation and assists directly or indirectly in earning its future income. Assets are included on the Balance Sheet and can be either current or non-current. In accounting, assets are listed on the debit side of the ledger.

Accounts included in assets

- Current assets include:
  - Cash at Bank
  - Petty Cash
  - Cash Float
  - Prepayments
  - Accounts Receivable
  - Inventory

- Non-current assets include:
  - Long term investments
  - Land
  - Buildings
  - Plant and Equipment
  - Motor Vehicles

Purchase of property, motor vehicles, plant and equipment

When buying assets, the organisation needs to follow its own Purchasing Policy (if there is one) and any conditions placed on the purchase of assets by any funding body. Usually, depending on the cost of the asset, there will be requirements to obtain three written quotes. For expensive purchases, there may be a need to go to tender.

Ownership documents

All documentation relevant to the purchase of fixed assets must be kept in the files. Examples are deeds of property, patents and any technical data.

Recording fixed asset expenditure

The following guidelines must be followed when recording journal entries relevant to fixed assets:

- Capital expenditure

  All the costs incurred in purchasing a fixed asset (including delivery charges), preparing it for productive use and improving its capacity must be capitalised (added to the cost of the asset and entered in the Asset ledger account).

- Recording depreciation

  When an asset is purchased that will have a useful life of more than one year, the purchase prices is not expensed. Rather, the capital cost is allocated over its useful life through a depreciation, which is an expense.

  Depreciation is only a book entry and does not involve any cash.

  The Treasurer, in consultation with the Auditor, is responsible for determining the depreciation method and the percentage to be written off a specific fixed asset. This information must be recorded on the Asset Register Record. At the end of the financial year or accounting period, calculate or identify the depreciation and enter it on the Asset Register Record. A General Journal entry must be prepared to record the amount of depreciation.

<u>Expenses – repairs and maintenance</u>

All expenditure related to a specific accounting period, such as repairs and maintenance, must be treated as an expense and matched against the revenue for that period.

<u>GST</u>

The amount of GST relevant to the purchase of fixed assets is to be allocated to the GST Capital Acquisition Account.

<u>Identification numbers</u>

An identification number should be engraved or painted on each item of property, plant or equipment and the number recorded on the relevant record in the Asset Register. These numbers must be matched when undertaking the annual asset stocktake.

<u>Asset register and asset record</u>

- Each asset must be recorded as a separate item in the Asset Register on an Asset Record and detail the following:
  - purchase price
  - depreciation
  - repairs and maintenance
  - insurance claims
  - disposal.

- The amount of depreciation on each item in the Asset Register provides information for the depreciation expense when year-end adjustments are recorded.

<u>Insurance claims</u>

Details for insurance claims on property, plant and equipment can be obtained from the relevant record in the Asset Register. All claims should be entered on the Asset Record.

<u>Storage of property, equipment and plant</u>

- Location - The location of the asset must be shown on the relevant record in the Asset Register. If the asset is moved, the record in the Asset Register must be updated with the new location.

- Borrowing - If employees wish to borrow equipment belonging to the organisation, written approval must be provided by the Manager.
- Repairs - If feasible, minor repairs can be carried out according to the manufacturer's instructions. Do not attempt to rectify any fault where it is specified that the manufacturer must be contacted. This may void the warranty or the service agreement. For major repairs of equipment, complete an Equipment Fault Report and send to the Administration Officer. (See Equipment Maintenance Policy and Procedure.)
- Staff is responsible for organising repairs with the manufacturer/ service company.
- Maintenance - Maintenance must be carried out within the timeframes and according to the guidelines provided by the relevant manufacturer. All maintenance must be recorded against the relevant item in the Asset Register. This information will be reviewed when a replacement asset is to be purchased.
- Stocktake - An annual check of all property, plant and equipment must be undertaken to ensure that loss and theft are minimised. Identification numbers of each item must be matched with the identification number on the relevant record in the Asset Register. Missing items are to be reported to the Manager who will then inform the Accountant.

<u>Review</u>

This policy and related procedures will be reviewed every three years, unless changed circumstances require earlier review.

**Associated Policies, Procedures and Other Documents**

- Equipment Fault report
- Equipment Maintenance Policy
- Asset Register
- Asset Record

**References**

- N/A

Policy Name: Asset & Depreciation

Responsible Director: State Treasurer

Functional Area: Operational

Date adopted: 26/04/2020

Review Date: 26/04/2023

**Review History**

| Date | Review Details | Action |
|---|---|---|
| | | |
| | | |
| | | |

## ASSET & DEPRECIATION POLICY

I confirm I have read and understood the Asset & Depreciation Policy.

Staff Signature ………………………………………………………………………………. Date ……………………………….

Print Name ……………………………………………………………………………………….