

ST. MARY'S UNIVERSITY
BUSINESS FACULTY
DEPARTMENT OF ACCOUNTING

*AN ASSESSEMENT OF FIXED ASSET MANAGEMENT:
THE CASE OF UNITED BANK SHARE COMPANY*

BY
KIKRON TEFERA
FREZEWD YIRGA
MARTHA GETANEH

JUNE, 2014

SMU

ADDIS ABABA

**AN ASSESSEMENT OF FIXED ASSET MANAGEMENT:
THE CASE OF UNITED BANK SHARE COMPANY**

**A SENIOR ESSAY SUBMITTED
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DEGREE OF BACHELOR OF ARTS IN ACCOUNTING**

BY
KIKRON TEFERA
FREZEWD YIRGA
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FACULTY OF BUSINESS DEPARTMENT OF ACCOUNTING

Approved By the Committee of Examiners Signature

Department Head

signature

Advisor

signature

Internal Examiner

signature

External Examiner

signature

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ACRONYMS

AICPA- American Institute of Public Accountants

BBMT- Broad Band Money Transfer

ERCA- Ethiopian Revenue and Customs Authority

UB – United Bank

Popⁿ – Population

Depⁿ – Depreciation

Mgt – Management

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Abstract

According to our pilot study that most private bank in A.A uses only manual or guide for fixed asset managing purpose. Using the above mechanism leads errors in formulas and miscalculation caused by spreadsheets and human errors. The purpose of the research is to analyze existing fixed asset management practice in United Bank S.C and recommend best practice on fixed asset management. And also to identify the factor that affects the bank fixed asset management, as well as to examine policy and procedures of the bank.

United Bank is one of the prominent private commercial bank having 87 Branches throughout the country the study focuses in some selected branch located in Addis Ababa.

To achieve the objective of the study, all necessary data have been collected using primary and secondary data. Primary source of information has been obtained through interviewing & Distribution of questionnaires. While secondary data also obtained from the bank fixed asset manual, books and various websites. Analysis was conducted through simple statistical method including percentage and ratio.

The researcher has used probability sampling and target population for this study were 170 employee's out of that 86 clerical staffs were selected and data was presented in tabular forms. Analysis was conducted through simple statistical method including percentage and ratio.

Finally, optimized fixed asset management prevents overpayment of property taxes and insurance, as well as errors in depreciation calculation result. Existing systems including spreadsheets don't reflect the latest tax regulations. So, fixed asset managing department can improve on the best practices by selecting appropriate software solutions for their organizations.

CHAPTER ONE

1. Introduction

1.1. Background of the Study

Fixed asset are the major resources for a business enterprise either profitable or non-profitable to facilitate organizational activities. Once the business emerges, as soon as possible fixed assets must be purchased and provided to the business. According to this condition, all fixed assets of the companies need due attention before they acquired to their purpose and proper maintenance during in the function. On the other hand, disposable fixed asset should be well examined and disposed by the concerned party.[warren,1986]. This and other related condition on the business's function will be determined.

From the beginning fixed asset needs huge amount of budget to acquire and provide. Fixed asset includes building, computer, truck, machines and equipment and so on. They are resources which can be purchased or donated in kind and held by the related company. They are not for sale in the normal operation of business but used for the purpose of producing goods and services. Since they are capital resources of any business, they can be properly managed and maintained by the concerned body. [Warren,1986]. Therefore, fixed asset are important for the business to achieve their objectives and goals efficiently and effectively.

Fixed assets are highly exposed to a mischief, fraud and theft because they have high market values. So, high controlling mechanisms are needed to safeguard them by preparing well designed manuals, policies and procedures.

Internal controls over fixed asset relates primarily to the authorization for expenditure on additions and for the sale or disposal of existing fixed assets. The proper recording of fixed asset in accounting and other records and physical custody over the assets themselves or the documents on which such assets are recorded is also the function of a good internal control system over fixed assets .(Barra and Bagardia,1992).

Therefore, this study aims to assess the fixed asset management of United Bank. In doing so, it focuses whether the manuals, policies and procedures of the Bank are effectively implemented to control the acquired, allocated and disposal of fixed assets.

1.2. BACKGROUND OF THE UNITED BANK S.C

United Bank S.C is the brainchild of a few leading member of the business and professional community who pulled together their intellectual and financial resources to establish a financial institution, which would provide credit facilities for investment purpose and commercial service to the people. It took the bank more than a year of preparation. It was able to secure the financial backing of 335 founding shareholders to start banking operation on 21 September, 1998 with a paid up capital of birr 20.8 million. Currently, the bank has a total of 2,447 shareholders and a total capital of which comprise paid up capital, legal reserve, retained earnings and premium on share capital, stood at birr 467,871,937.

United bank is the best private bank which uses modern banking software technology (Flex cube, Indian made banking software) that helps to bring interested, time consuming (fast), simple and understandable banking service to its beloved customer. By this technology, all branches connected each other so that one branch customer becomes other bank customer. This technology makes the bank competitive and preferred one, also the bank provides a Broad Band

Money Transfer (BBMT, the fastest way to send money), SMS banking, Telephone banking and other services.

United bank has a connection with two worldwide money transfer companies. Western Union Money gram and x-press money, Trans fast and Lari exchange. By most standards, the financial year 2009/10 was period of remarkable achievement when compared to other periods. Furthermore, the recent incorporation of the bank core banking system has enable the bank to undertake its banking operation with an efficient and effective performance and this has contributed to the remarkable endeavors which the bank has started beginning from the fiscal year 2004 ([Annual report 2013](#)).

1.3. STATEMENT OF THE PROBLEM

It is known that performing unsatisfactory fixed asset management is a common problem in most private banks. With this regard, fixed asset investment requires large amount of capital, beside it is necessary to implement strong management and adequate controlling mechanism to maintain safeguarding.

According to our pilot study, that most private banks in Addis Ababa use only manual or guide for fixed asset managing purpose and this leads to primitive processes. Using fixed asset manually can bring to the following problems;-

- Errors in formulas and miscalculation caused by spreadsheets and human errors
- Change in tax rules and regulations not being applied when released
- Lack of audit trails and history tracking and reporting
- Inability to easily change critical depreciation information: like depreciation methods,
- Difficulty in exchanging data with other financial or inventory applications
- Inability to attach other information on fixed asset records.

Therefore, the general purpose of this study is to assess the fixed asset management of Untied Bank in the light of the above factors.

The study was also find assurance for the following significant questions.

- How is the status of the general trend of the Bank's fixed asset management efficiency?
- What are the factors that affect the Bank's fixed asset management?
- Does United Bank have well designed policy and procedure regarding fixed asset acquisition, disposal and valuation?

1.4. OBJECTIVE OF THE STUDY

1.4.1. General Objective

The general objective of this study is to assess the fixed asset management of United Bank.

1.4.2. Specific Objective

In line with the above broad objective of the study, the specific objectives are;

- To review the status of the general trend of the Banks fixed asset management effectiveness from 2011 to 2013
- To identify the factors that affect the Banks fixed asset management.
- To examine whether the United Bank has well designed manuals, policies and procedures regarding fixed asset acquisition, disposal and valuation.

1.5. SIGNIFICANCE OF THE STUDY

Doing a research has its own reason or significance in which it contributes for the improvement of resolving problems of a Company. This study has been significant to inform the United Bank about its strength and weakness on the existing system applied on managing Fixed Asset. In addition, it is provide the possible suggestions that may contribute to the United Bank to manage its resources properly. It also helps others who want to make further study related to this topic in the Banking industry sector.

1.6. SCOPE AND LIMITATION OF THE STUDY

1.6.1. Scope of the Study /Delimitation

Fixed Asset management include utilization of asset, which the company uses those fixed assets to generate profit and physical protection and safeguarding of asset, deals with safety in handling from thefts, break etc. but because of problem of timing and availability of data this study has delimited in physical protection, administration and controlling of fixed assets.

1.6.2. Limitation of the study

Despite the ample efforts that have been exerted, this research has never be said unchallenged with any problems. In fact, it was confronted with problems at some extents though there was exploitation of successful way outs too. The biggest challenge the researcher was faced is fully indicate the problem of Fixed Asset Management in United Bank S.C. This was mainly because of the lack of willingness by the Bank to give extensive data about Fixed Asset management and the lack of willingness of some respondents to fill and return the questionnaires. So, in the process of data collection, the researchers have persisted on incessant follow-ups to let the questionnaires back to their original owner and of course, it had been a booming experience.

1.7. RESEARCH DESIGN AND METHODOLOGY

The method used in gathering and analyzing data for the purpose of the project were as follows:-

1.7.1 Research Design

To assess the Fixed Assets management in United Bank S.C., a descriptive research method has been used. In this type of method, United Bank fixed

assets acquisition; disposal and depreciation method was described in such a way as to answer the research questions. The descriptive research has an advantageous for this study to describe main factors that affect the fixed asset management in detail to achieve the general and the specific objectives of this research.

1.7.2. Data source and Collection Method

To find solution for problems arisen on the study and to get conclusion both primary and secondary data were used. The Primary source of information has been obtained through distribution of questionnaires' and interview to employees of the bank; purchase department, financial staff, general service department and warehousing and other departments.

The Secondary data has include different documents of the bank like: fixed asset manual, procedures, fixed asset register book, archive documents, different reference books outside the bank and the internet.

1.7.3. Method of data collection

Our interview was structured because we set based on structured questions and which is highly standardized based on form and content. It is more Economical, providing a safe basis for generalization. Also assures the comparability of data, because we were working based on different department to collect efficient information.

Interview was conducted with procurement service section, finance and accounting section, General Service section, disposal committee, and administrative section.

Questionnaires have been also distributed among the selected clerical staff members, branches managers, branch auditors' finance and accounting section, administrative section, disposal committee, general service section, and some selected section which are high related to our purpose.

Examination of published and unpublished source has been made also observation was used to gather relevant information.

1.7.4. POPULATION AND SAMPLING TECHNIQUE

Study Population

The target populations for this study were 170 employees of the bank working in related to fixed asset management, which includes managerial, supervisory and support staff.

Sample Size

86 samples were selected from the population and questionnaires were distributed. In addition to this we undertake interview from selected branch manager, section head and employees.

Sample Technique

To take samples from employees of the bank, a probability sampling method was used as they have a predetermined chance to be included in the sample.

For interview and questionnaire our sample has been based on stratified sampling because United Bank is departmentalized bank and occupied large number of employee's in it. As you can see below the ratio of sample to population, we select the samples those employees who are more close relationship to our purpose. In addition, data was analyzed and presented in the form of table.

We want a sample size $n=86$ to be drawn from a population of size $N=170$ which are divided into eleven strata of size:-

Strata

Population Size

N_1 /procurement service section/	10
N_2 /finance and Accounting section/	15
N_3 /General service section/	10
N_4 /Disposal Committee/	11
N_5 /Administrative Section/	16
N_6 /ware house section/	8
N_7 /Legal service section/	8
N_8 /Marketing section/	8
N_9 /Branch Manager and Assistance/	16
N_{10} /Branch Auditors/	8
N_{11} /Clerical Staff/	<u>60</u>
Total	<u>170</u>

Adopting Proportional Allocation, we shall get the sample sizes as under for the different strata:

For Example:- For strata with $N_1=10$, we have $P_1=10/170$

And hence $n_1=n.p_1=86(10/170)=5$

where:- P_n =proportion of population

For strata with $N_2=15$, we have $P_2=15/170$

$n_2=n.P_2=86(15/170)$, we have $P_2=8$

Branch/Section	No. of Sample	Population
Procurement Service section	5	10
Finance and accounting section	4	7
General service section	3	5
Disposal committee	3	6
Administrative section	4	8
Total	19	36

Fig. 1.1 Ratio of Sample to Population for Interview

Branch/Section	No. of Sample	Population
Supervisor of Main branch	8	15
Supervisor of Mehal Arada branch	8	15
Clerical staff of Etegetaitu branch	8	15
Clerical staff of Tana branch	8	15
Clerical of Bonb Tera branch	4	8
Warehouse	4	8
Administrative section	4	8
Disposal committee	3	5
General service section	2	5
Legal service section	4	8
Marketing section	4	8
Branch manager and assistance	8	16
Branch auditors	4	8
Total	69	134

Fig 1.2. Ratio of Sample to Population for Questionnaire

1.7.5. Method of data analysis

The method applied in the study to analyze the data collected from primary and secondary data is analyzed by using a descriptive analysis method of percentage and presenting through tables and figures.

1.8. ORGANIZATION OF THE STUDY

The paper has organized in four chapters. Chapter One Covered general background of the study, statement of the problem, objective and significance of the study, scope and limitation, also what method was applied for the development of the study. The second chapter Covered review of related literatures. The third chapter has shown the practical aspect of the paper which was conducted in the United Bank S.C. By doing so, we were going to explain, what the actions were taken by the bank to manage and utilize its fixed asset and the deviations. Chapter four: - Includes summary, conclusions, and recommendation.

CHAPTER-TWO

2. LITERATURE REVIEW

2.1 DEFINITION OF FIXED ASSET

Long lived assets that are tangible in nature, used in the operations of the business, and not held for sale in the ordinary course of the business are called plant assets or fixed assets. (Mosich and Larson ,1982)

Fixed assets are defined as items with a purchase price of \$2,000 or more and a useful life of two years or more; donations with an estimated or appraised market value of \$2,000 or more and a useful life of two years or more are also included; and new construction and renovations, with a cost of \$10,000 or more or (for renovations) a significant improvement of the existing asset or the extension of its' useful life. Items representing construction in progress are not entered into the fixed asset system until the construction or renovation is complete. The classification of a renovation as a fixed asset depends upon the significance of the renovation to the structure. (Anthony,1999)

From the above definition, fixed assets should fulfill the following three characteristics,

- The asset must be held for use (not for sale)
- The asset must be long lived (usually greater than one year)
- The asset must be tangible in nature (the asset must be seen and touched).(Mosich 6th edition)

2.2. ACQUISITION OF FIXED ASSETS

The acquisition of fixed assets will probably be processed through the purchases system, but there will be additional controls because of their high value. The businesses have an agreed procedure over the acquisition of, and accounting for, fixed assets. Controls in this area should be strong, particularly for the acquisition of high – value items. The directors of the business should have

approved for the year a budget, which will include the agreed value of fixed asset to be acquired in the year.

For acquisition of small-value fixed assets for example, under 500 the procedure may be similar to other purchases and the items may be expensed rather than included in fixed assets. However, there are likely to be annual limits to the amount of such expenditure by each department. As some fixed assets can be used privately (e.g computer) the purchases Department should ensure that the items are being acquired for use in the business and are not going to be taken home by employees. (Elliott, 2001)

- **Land**

Unlike the other kinds of tangible property, land has an indefinite economic life. In general, land does not deteriorate with the passage of time and is not physically exhausted through use. There may be exceptional cases. Agricultural land may suffer a loss of usefulness through erosion or failure to maintain fertility. Land is accounted for as a non depreciable asset. (Mosich 6th edition).

Special problems arise in the determination of the initial cost of land. Generally, the acquisition cost of land includes:

- 1) The acquisition price
- 2) All cost of closing the transaction and obtaining title, such as real estate commission , legal fees, escrow fees, title investigation and title insurance.
- 3) All costs of surveying clearing, draining, or filling to make the land suitable for the desired use including the cost of demolishing existing unneeded structure and
- 4) Costs of land.

- **Building**

The distinction between land and building costs may be considerable importance because of the potential effect on net income. For example suppose that a parcel of land is acquired as the site for a new building on the land is an old building

that must be razed before the new building can be constructed. Is the cost of tearing down the old building (not of any salvage recovery) a current expense a part of the cost of the new building or a part of land cost? If it is a current expense, it is deducted from revenue immediately; if it a part of the cost of the new building it will be depreciated over the economic life of the building; if it is a part of land cost it will not be depreciated. What are the standards to be used in the application of these guidelines? (Thomas, 15th edition)

The primary issue is the nature of the relationship between the expenditure and a particular plant asset. Accountants must ask: what is the asset that has been acquired, and is the cost at issue reasonably related to the acquisition of this particular asset? If land is acquired for a building site, the entire cost of bringing the land into suitable condition as a building site, including cost of razing existing structures is allocated to the land; in contrast, excavation costs incurred to construct the foundation for a new building are a part of the cost of the building. (Thomas, 15th edition)

When a building is constructed, all costs necessary to complete the constructing should be included in the cost of the building. These may include architects' fees, building permit, and a variety of overhead costs. When a completed building is acquired, all costs relating to the acquisition (permits, inspection fee, for example)

- **Machinery and Equipment**

This category may encompass a wide variety of items, including all types of machinery, furniture, fixture, ships, vehicles of all types, tools, containers, patterns and dies, computers, and other office equipment. Cost of machinery and equipment items is determined and allocated to revenue through the process of depreciation. (Mosich 6th. edition).

The costs of machinery and equipment consist of all costs normal and necessary to purchase them and prepare them for their intended use. They include the

purchase price, taxes, transportation charges, insurance while in transit, and the installing, assembling, and testing of machinery and equipment. (John :399)

- **Donated Assets**

Assets donated by unrelated parties should be recorded at their fair values based on either an available market price or appraisal value. This is not a departure from historical cost valuation. The treatment of the transaction is equivalent to the donor contributing cash to the company and the company using the cash to acquire the assets.

Self Constructed Assets

The cost of a self constructed assets, includes identifiable materials, labor and a portion of the company's manufacturing over head. (Thomas, 15th edition)

2.3. ACCOUNTING FOR PLANT ASSETS

A plant asset is a bundle of future services. The cost of acquiring such an asset is a measure of the amount invested in future services that will be provided by the asset. At the time of acquisition cost is also an objective measure of the exchange value of assets. (Mosich 6th edition).

These assets are acquired by the business for permanent use. They are not expected to be converted in to cash or consumed entirely in the production process during the current year. The usual examples of this types of assets are; land, building, plant, furniture etc. but expect for the case of land the life of there assets are limited by use or efflux of time.

In other words, they may be called depreciable or wasting fixed assets. Land on the other hand, is the example of non depreciable or non wasting fixed asset. It is expected to remain in the business until the liquidation of the business or fill it is exchanged for the assets. (John,2002)

2.3.1. Capital and Revenue Expenditure

The cost of acquiring fixed assets, adding, to a fixed asset improving a fixed asset, or extending fixed assets useful life are called capital expenditures. Such expenditure is record by either debiting the asset account or its related accumulated depreciation account. Costs that benefit only the current period or costs incurred for normal maintenance and repairs and called revenue expenditures such expenditures a debited to expense account. To properly match revenues and expenses, it is important to distinguish between capital and revenue expenditures. Capital expenditures will affect the depreciation expense of more than one period. While the revenue expenditure will affect the expense of only the current period (Warren, 1986)

2.3.2. Expenditures Subsequent to Acquisitions

Many operational assets require expenditure to repairs, maintain or improve them. These expenditures can present accounting problems if they are material. In general a choice must be made between capitalizing the expenditures by either increasing the asset's book value or creating a new asset, or expensing them in the period in which they are incurred.

Expenditures related to operational assets can increase future benefits in the following ways:

- An extension to the useful life of the assets
- An increase in the operating efficiency of the asset resulting in either an increase in future operation costs.
- An increase in the quality of the goods or service produced by asset.

Theoretically, expenditures that cause any of those results should be capitalized initially and then expensed in future period through depreciation. This permits the matching of the expenditure with the future benefits. Of course materiality is an important factor in the practical application of this approach. We classify

subsequent expenditures as ordinary repair, extraordinary repair, additions and improvements.

2.3.3. Ordinary Repair Expenditures

This expenditure is made to keep the asset in normal operating conditions. They are necessary if an asset is to perform efficiently over its useful life. Ordinary repair doesn't increase productivity and doesn't extend its useful life. This means these costs are treated as expenditure on the current income statements.

2.3.4. Extraordinary Repair Costs

Extraordinary repair costs are expenditures that extend the assets useful life beyond its original estimate. Cost of extraordinary repairs is capital expenditure, because they benefit future periods. They can be added to the asset account.

2.3.5. Betterments

These are costs incurred to increase the operating efficiencies, productive capacity, or expected useful life of the plant assets. These expenditures are usually material in amount and occur in frequently during the period. Expenditure for additions and improvements increase the company's productive facilities and are generally added to the plant asset affected.

2.4. FIXED ASSET DEPRECIATION

Depreciation is the lost usefulness or expired utility of fixed assets. Or "the cost or expense due to all the factors which ultimate retirement of the property."

- “Loss usefulness expired utility, the diminution in service yield from a fixed asset or fixed asset group that can not or will not be resorted by repairs or by replacement of parts.” (Elliott , 2001)

Depreciation is the portion of the cost of plant assets that is deducted from revenue for asset services used in the operations or a business enterprise. In practice, depreciation describes the cost of the expired services of tangible plant assets. (Mosich ,6th edition).

As time passes, all plant assets with the exception of land lose their capacity to yield services. This expiration of the cost of plant assets is called depreciation.

Why Should Fixed Assets Be Depreciated?

For a tangible asset, the normal reason for the consumption of economic benefits is usage, often referred to as ‘wear and tear’. However, there could be other factors as well, including.

- Physical deterioration of the asset through the passing of time;
- Economic obsolescence, e.g. the use of the asset is no longer economical,
- Technological obsolescence, e.g. older production processes are replaced by newer methods;
- Legal and other limitations on the use of the asset, e.g. a fixed expiry date on leases. (Elliott , 2001)

In determining the amount of depreciation, three factors need to be considered:

- The plant asset’s initial cost,
- The residual value of the asset, and
- The useful life of the asset.

The difference between a plant asset’s initial cost and its residual value is the cost that is to be spread over the useful life of the asset.

There are five types of depreciation methods

1. Straight line
2. Units-of-production
3. Declining-balance
4. Sum-of-the-years-digits
5. Composite Rate Method

1. Straight Lines Depreciation Method

The straight line method provides for the same amount of depreciation expense for each year of the assets useful life.

$$\text{Annual Depreciation} = \frac{\text{Cost-Estimated Residual Value}}{\text{Estimated Life}}$$

This method is simple and widely uses it provides a reasonable transfer of cost to periodic expense when the asset's use and the related revenues from its use are about the same from period to period.

- Units-of-Production Method

The method provides for the same amount of depreciation expense for each unit produced or each unit of capacity used by the asset. To apply units of productions, the useful life of the asset is expressed in terms of units of productive capacity such as hours or miles. The total depreciation expense for each accounting period is then determined by multiplying the nit depreciation by the number of units produced or used during the period.(Warren,1986)

3. Declining Balance Method

The method provides for a declining periodic expense over the estimated useful life of the asset. To apply this method, the annual straight-line depreciation rate is doubled. For example, the declining balance rate for an asset with an estimated life of 5 years is 40%, which is double the straight line rate of 20% (100%) for the first year.

The cost of the asset is multiplied by the declining balance rate. After the first year, the declining book value (Cost minus accumulated depreciation) of the asset is multiplied by this rate.

- **Sum-Of-The-Years Digits Method**

This method resulting a decreasing charges as a result of decreasing fraction of the years of remaining life over the sum of the total years. In this method a sum of the total years is determined, for example, a five year life would be (5 + 4 + 3 + 2 + 1 = 15). This figure is constant over the five year life.

Therefore, depreciation will be 5/15 for the first year depreciation will be 4/15 etc. (5/15, 4/15, 3/15, 2/15 and 1/15). There will thus be five times as much as depreciation in the first year as in the last.

- **Composite Rate Method**

In this method assets may be grouped according to common traits, such as similar useful life for example a group might include all delivery trucks with useful life of less than 8 years. Likewise, a group might include all office equipment or all store textured.

Depreciation may be determined for each group of assets, using a single composite rate, rather than a rate for each individual asset. The depreciation computations are similar for groups of assets as for individual assets. (Warren, 1986)

The most important function of fixed asset management is to ensure that depreciation is calculated correctly for all fixed assets. For most company's, fixed assets represent the majority of capital investments.

Fixed asset depreciation mistakes are costly. Because fixed assets represent such a significant investment for most companies, mistakes in fixed asset

management can have negative consequences. Depreciation errors can result in financial reporting mistakes, risking failure to comply with regulatory requirements. Improperly calculated depreciation can also be expensive to the company both through the overpayment of property taxes and insurance, and failing to take maximum advantage of depreciation methods that result in larger tax savings. Here are some of the most commonly used reports for fixed asset managers. (E.krugler, 2007)

Consider the reports you will need to use most when evaluating fixed asset management software. Additionally, your fixed asset system should calculate and produce printable tax forms relevant to fixed asset management fixed asset software is designed to save time and reduce errors while tracking and managing fixed assets. In order to leverage the most efficiency from the solution, it is important that users learn how to best use the features and functions provided.

Attending product training ensures that staff members will not reduce accuracy by using the solution incorrectly, or lose time by not taking full advantage of short-cuts and features.

Two things are critical when considering training-timing and resources. It is best to send staff to training well ahead of the busiest times of year for fixed asset management, such as inventories and tax season. Users should have time to absorb the lessons of training and put their new knowledge into practice ahead of these events. It's also important to ensure that enough members of the staff are trained to use the system to provide efficient coverage of fixed asset management functions during tax season.

There are several options available for fixed asset software training. Online classes can provide basic knowledge and can be useful to introduce new users to software packages without the time and expense associated with travel. Such classes can be conducted live over the internet at a pre demined date and time, or via an easily downloadable web session, available to take at your convenience.

For more in-depth training in intermediate and advanced functionality, users can attend training in a classroom environment.

Finally, customized training delivered on-site at your location provides effective learning to the entire staff that is tailored to your specific business environment. (www.Sagefas.com.)

2.5. PROPERTY RECORDS

Property records are useful to maintain good internal control on plant assets. Different kinds of plant assets having varying characteristics and economic lives in accounting for the use of such assets is facilitated by detailed and complete property records. The record should show for each asset its original cost, additions, estimated economic life, estimated net residual value, date of installation, location basics and amount of periodic depreciation and any other useful information.

2.6. DISPOSAL OF FIXED ASSET

Fixed asset that are no longer useful for the business are disposed and there are various reasons why fixed assets are disposed to mention some

- Wear out of the asset
- Obsolescence of the asset
- Change in company's business plan
- Damage due to fire or accident

However regardless of the cause, fixed asset may be disposed in three ways. Namely:-

- Discarding
- Selling
- Exchanging

2.6.1. Discarding Fixed Asset

A company decides to discard (throw away as worthless) a fixed asset, if the following conditions are satisfied:

- The asset is no longer useful to the business and
- When the asset has no market value

At the time of discarding the asset may be fully or partially depreciated. A fully depreciated fixed asset is the asset with zero book value. In other words the original cost of such asset is equal to its accumulated depreciation, therefore if a fully depreciated fixed asset is discarded, it is recorded as:-

Accumulated Depreciation	Dr	xxxx
Fixed Asset	Cr	xxxx

A partially depreciated fixed asset is one that has a positive book value; therefore the original cost of this asset is greater than its accumulated depreciation. Thus if a partially depreciated fixed asset is discarded as worthless the company incurs a loss equal to the difference between original cost and accumulated depreciation. i.e.

Loss on Disposal = Original Cost – Accumulated Depreciation = Book Value of the Asset

2.6.2. Selling Fixed Asset

A fixed asset can be sold under the following condition and these are:-

- When the asset is no longer useful to the company and
- When the asset has market value

When a fixed asset is sold its selling price may be equal to book value, above book value or below book value. The sale of the asset may result in a gain or a loss.

Gain/Loss = Selling Price – Book Value

Each condition is described below:

- When the asset is sold above book value the assets selling price is greater than its book value i.e (selling price > Book Value)

$$\text{Gain} = \text{Selling Price} - \text{Book Value}$$

- When the asset is sold below book value that is when the asset's book value is greater than its selling price. i.e (BV > SP)

$$\text{Loss} = \text{Book Value} - \text{Selling Price}$$

- When the asset is sold at book value there is neither gain nor loss.

$$\text{No Gain/Loss} = \text{Selling Price} = \text{Book Value}$$

2.6.3. Exchanging Of Nonmonetary Assets

The purpose accounting for exchanges of nonmonetary assets (such as inventories and property, plant and equipment) is controversial. Some argue that the accounting for these types of exchanges should be based on the fair value of the asset given up or the fair value of the asset received, with a gain or loss recognized. Others believe that the accounting should be based on the recorded amount (book value) of the asset given up, with no gain or loss recognized. Still others favor an approach that would recognize losses in all cases, but defer gains in special situations.

- **Exchanging Plant Assets**

Many plant assets such as machinery, automobiles, and office equipment often are disposed of by exchanging them for newer assets. In a typical exchange of plant assets, a trade-in allowance is received on the old asset and the balance is paid in cash. Accounting for the exchange of assets is similar to any other disposal unless the old and the new assets are similar in the functions they perform. Trading an old truck for a new truck is an exchange of similar assets, whereas trading a truck for a machine is an exchange of dissimilar assets. (J.wild : 414)

- **Exchange of Similar Asset**

Accounting for exchanges of similar assets depends on whether the book value of the asset given up is less or more than the trade-in allowance received for the asset. When the trade-in allowance is less than the book value, the difference is recognized as a loss. However, when the trade-in allowance is more than the book value, no gain is recognized. (Larson & Miller, 6th Edition)

- **Exchange of Dissimilar Assets**

If a company exchanges a plant asset for another asset that is dissimilar in use or purpose, any gain or loss on the exchange is recorded. The gain or loss is computed by comparing the book value of the asset received (or its trade-in value) (J.wild: 414)

2.7. DEFINITION OF INTERNAL CONTROL

Different authorities have defined internal controls in different ways. According to the council of the institute of chartered accountants of England and Wales, internal control has been defined as it is the whole system of control financial and others established by management in order to carry on the business of the company in an orderly and efficient manner, safeguard the asset and secure, as far as possible the accuracy and reliability to accounting records.

Internal control system is one where in the accounting work of the employee is complemented and verified by the work of another employee, but both employees are working independently and without duplication of each other's work. The international auditing Guideline issued by the international federation of accountant, defined internal control as the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving managements objectives and efficient conduct of its business including adherence to management polices, the safe-guarding of assets, the preparation of reliable financial information (duttachowdhury:1988)

According to The American Institute Of Public Accountants (AICPA), (1948), internal control comprise the plan of organization and all of the coordinated methods, and measures adopted with in a business to safeguard its assets, check the accuracy, and reliability of its accuracy, and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies, (Batra and Bagardia: 1992)

A recent definition which is given by an organization of top federal government auditors from over 100 nations describes internal control as a management tool used to provide reasonable assurance that management objectives are being met (Sawyer and dittenthofr:1996).

2.8. INTERNAL CONTROL SYSTEM

An internal control system consists of the various methods and measures designed in to and implemented within an organization system to achieve the following four objectives:

- To safeguard asset
- To check the accuracy and reliability of accounting data.
- To promote operational efficiency
- To encourage adherence to prescribed managerial policies

2.8.1. INTERNAL CONTROL OVER FIXED ASSETS

A physical inventory of fixed assets should be taken periodically in order to verify the accuracy of the accounting records (Warren, Reeve, Fees).To evaluate the accounting system and internal control related to fixed asset covers the following aspects.

2.8.2. Segregation And Rotation Of Duties

- Authorization of acquisition, transfer and disposal of fixed assets.
- Maintenance of records and documents
- Accountability for and safeguarding of fixed assets

- Independent checks (Ashok Akora 1996)

2.8.3. Accounting For Disposals Of Plant Assets

- Record depreciation expense up to the date of disposal. This updates the accumulated depreciation accounts.
- Remove the balance of the disposed asset and related accumulated depreciation accounts.
- Record any cash (and other asset) received or paid in the disposal
- Record any gain or loss computed by comparing the asset book value of asset received (Chiapetta 15th edition)

2.8.4. Reporting Of Fixed Asset

The amount of each major class of fixed asset should be disclosed in the balance sheet or in notes. The related accumulated depreciation should also be disclosed either by major class or in total. If there are too many classes of fixed assets a single amount may be presented in the balance sheet supported by a separate detailed listing (Warren, 1986)

2.8.5. Tag Assets Appropriately

When a company owns multiple fixed assets that are nearly identical, it can be very easy to make mistakes by creating duplicate asset records or failing to dispose of the correct asset when identical assets are retired.

The easiest solution is to tag each Asset with a unique identifier in the form of bar code labels. This provides the additional advantage of speeding up the inventory process through the use of handheld technology that can scan and record each bar code in seconds. Labels are an important aspect of fixed asset management that is often overlooked. Due to environmental requirements, bar code necessities, and custom printing needs, you should look for a vendor that offers a variety of labels that can be printed on demand to meet your specifications. Using the right labels for the job choosing the type of bar code

labels for assets depends on an assessment of the type of assets to be labeled as well as the environment in which the assets operate. (www.Sagefas.com.)

Many types of high-quality, durable pre-printed labels are available. Outdoor assets will require labels that withstand temperature variations as well as exposure to water.

For high visibility, foil labels stand out and are easy to read. You may wish to purchase labels that break when removal is attempted to prevent labels from being tampered with or moved to another assets. Machinery and equipment in some operating environments need unique labels that can endure extremely high temperatures, such as 250^o and up. Some samples of specific label types include Select the right asset inventory hardware once the decision is made to identify fixed assets using bar code labels, the inventory process will benefit greatly from the speed and efficiency gained through bar code scanning devices. Hardware should be selected to meet the needs of your business and there are many types of handheld devices available. (www.Sagefas.com.)

Inventory software should have the ability to support both baseline inventories to add new assets and dynamic inventories to update and verify data on existing assets. If your company has multiple locations, you'll want the software to provide the ability to conduct concurrent inventories while centralizing the results. Other selection criteria might include the ability to create groups and lists for identification during property tax preparation and check-in /check -out feature that creates a history trail to prevent loss of theft of mobile assets. (www.Sagefas.com.)

CHAPTER THREE

3. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

3.1. INTRODUCTION

In this chapter the study focuses on data presentation, analysis and Interpretation based on gathered data at the selected branch. In order to recognize fixed assets management practice in united bank S.C, Data were captured, processed in a structured tabular form, and carefully analyzed and interpreted.

This chapter has been dealt with the important findings the empirical investigation based on processed data that were collected from the respondents, in order to address causes of poor fixed asset management performance of the bank.

3.2. RESPONDENT'S PROFILE

69 questionnaires were distributed to the respondents as follows: 12 Questionnaires were distributed to Auditors, 8 are distributed to Department Managers and 8 questionnaires were distributed to Assistant Branch Managers 41 questioners were distributed to other clerical staffs. Out of the 69 questionnaires, 56 are filled and returned the remaining 13 are not returned and discarded. So response rate is 81%.

The data collected were now being presented in tabular format. The data were also going to be analyzed and interpreted for each questions as follows.

3.3 PERSONAL INFORMATION ABOUT THE RESPONDENTS

Gender	Frequency (f)	Percentage (%)
Male	46	82.1
Female	10	17.9
Total	56	100

Table 3.1: Gender Distribution

Based on the respondents answer from above table, were observed that there are more male employees than female employees. This means we have more percentage (82.1%) of male employees and a least percentage of females which is 17.9%. So majority of the selected branch respondents were men.

Age	Frequency (f)	Percentage (%)
21-30	23	41.1
31-40	27	48.2
41-50	5	8.9
Above 50	1	1.8
Total	56	100

Table 3.2: Age Distribution of Respondents

From the total respondents as described above, 41.1% of respondents were categorized under the age of 21-30, 48.2% of respondents were categorized under the age of 31-40, 8.9% were under the age group of 41-50, and the rest 1.8% were included in the age group of 45 and above. This shows that more employees of the bank is between ages 31-40 followed by ages 21-30 and 41-50 which took the least figure. So we can get the relevant information about the research, because most of the workers were matured enough in age and this lead them to think "I am responsible"

Education	Frequency (F)	Percentage (%)
12 Complete	0	-
Diploma	8	14.3
Degree	47	83.9
Above degree	1	1.8
Total	56	100

Table 3.3: Education Qualification

Based on the respondents answer from above table we observed that there are degree holder employees. This means we have more percentage (83.9%) of degree holder employees and the remaining 14.3% diplomas with a least percentage (1.8%) of employees are above degree. From this we can observe that there is no working position in the company, which needs postgraduate applicants.

Work Experience	Frequency (F)	Percentage (%)
Less than one year	1	1.8
1-3 years	11	19.6
3-5 years	6	10.7
More than 5 years	38	67.9
Total	56	100

Table 3.4: Work Experience with in the bank

Most respondent has been working in the bank for more than 5 years and took 67.9%. 19.6% of the respondent was 1-3 years, 10.7% were has been working 3-5 years and the rest 1.8% were less than 1 year experience. This percentage tells us the relation ship between the company and the employees is fair and salary payment scale might be desirable than other banks .

3.4. QUESTIONNAIRES WITH THE MAIN FOCUS OF THE STUDY

Q.1. What is your current Working Position?	Frequency (F)	Percentage (%)
Store clerk	4	7.1
Store controller	0	
Accountant	6	10.8
Deputy Branch Manager	8	14.3
Auditor	12	21.4
other	26	46.4
Total	56	100

Table 3.5: What is Your Current Working Position?

Based on the above response, the work title or current positions of the respondents shows 7.1% for store clerk, 10.8% respondents accountant, 14.3% were Deputy Branch Manager 21.4 % of the respondent were Auditors and the rest 46.4% are working in various positions. We can get more critical information about the problem, because auditors are near to check fixed asset register book and write discrepancies when it exists.

Q.2. Are you satisfied with the job you are working?	Frequency(f)	Percentage (%)
yes	29	51.9
No	5	8.9
Not happy not sad	22	39.2
Total	56	100

Table-3.6: Are you satisfied with the job you are working?

When respondents were asked to give response with regard to the satisfaction of their job, 51.9% were satisfied with their job, 8.9% of the respondents where not satisfied on their job and the rest which took a 39.2% rate are neutral. From the above data we could observe, most of the respondents were not interested on

their job. This might be comes from one employee is stay at one position for a long period of time .

Q.3. Does UB have fixed asset Management policy/Procedure?	Frequency(f)	Percentage (%)
Yes	51	91.1%
No	5	8.9%
Total	56	100

Table 3.7: Does UB have fixed asset Management Policy/procedure?

Since the bank have fixed asset management policy because 91.1% of the respondents suggested the bank have the policy on fixed asset management. However, 8.9% replied that the bank doesn't have such kind of policy. So the bank has policy and procedure, although there is deficiency to implement it practically.

Q.4. Do you have enough knowledge about the policy and procedures of Fixed Asset Management?	Frequency(f)	Percentage (%)
Yes	34	60.7%
No	22	39.3%
Total	56	100

Table 3.8: Do you have enough knowledge about the policy and procedures of Fixed Asset Management?

From the total respondent 60.7% of them have enough knowledge about the banks policy and procedure, but the rest 39.3% has no idea about the policy & procedure. So, this implies there might not be concerned party who distribute the policy & procedure through out the branches in the form of hardcopy or softcopy.

Q.5. How to get basic Knowledge on fixed asset management?	Frequency(f)	Percentage (%)
By reading fixed asset policy /procedure manual	20	35.7
By taking training on the issue	6	10.8
By asking immediate supervisors/leaning form others	11	19.6
Other	19	33.9
Total	56	100

Table 3.9: How to get basic knowledge on fixed asset management?

Since policy/ Procedures manual are one of the most important ways to get knowledge, 20% of the respondent suggests they get basic knowledge from manual. Moreover; 19% of the respondent replied that the bank doesn't distribute the manual or give training about the issue, and also 11% of the respondents get by learning from the other, and the rest 6% taking training on the above issue. We were observed existing manual is in the hand of a few persons. So, it lead not to understand easily the existing procedure & Policy.

Q.6. Have you take training on fixed asset management?	Frequency(f)	Percentage (%)
Yes	6	10.7
No	50	89.3
Total	56	100

Table 3.10: Have you take training on fixed asset management?

Based on the above data 89.3% of the respondents were replied, they did not take training but the rest 10.7% have been take the training. Lack of training on fixed asset management is the main problem to brought effectiveness in handling existing materials. (www.sagefas.com)

Q.7. Is it adequate for your current working condition?	Frequency(f)	Percentage (%)
Yes	7	12.5
No	49	87.5
Total	15	100

Table 3.11: Is it adequate for your current working condition?

Nowadays taking training is best way for workers to perform excellent in working conditions. Based on the above data we observe that there is deficiency of getting training. So, 87.5% of the respondent replied they didn't get adequate training for their working condition.

Q.8. What is the impact of training on your work?	Frequency(f)	Percentage (%)
Relevant	16	28.6
Motivate	30	53.6
Unsatisfactory	10	17.8
Total	56	100

Table 3.12: What is the Impact of Training on your work?

Most workers believe that training on their work is motivating factor. Based on the above respond 53.6% replied "Motivate" which implies a positive outcome. 28.6% of the respondent was suggesting training is relevant, the rest 17.8% it is unsatisfactory. From this respond the study identified the HRM department is responsible for unsatisfactory result.

Q.9. Do you think that the fixed asset policies of UB cope up with modern	Frequency(f)	Percentage (%)
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fixed asset management practice?		
Yes	20	35.7
No	36	64.3
Total	56	100

Table 3.13. Do you think that the fixed asset Policies of UB cope up with modern fixed asset management practice?

From the total respondents 64.3% of them responded suggest that united bank not practice modern fixed asset management nowadays, so many fixed asset management software are produced for users. Based on the above data we observed that the bank doesn't have fixed asset management software.

Q.10. Does UB conduct fixed asset inventory?	Frequency(f)	Percentage (%)
Yes	52	92.8
No	4	7.2
Total	56	100

Table 3.14 Does UB conduct fixed asset inventory?

From the total respondents, 92.8% of them believe united bank control its fixed asset. However; 7.2% replied there is no fixed asset inventory control with in the organization. This circumstance might be important to take follow up on existing property, and also accurate physical asset inventory minimize, the challenge to control fixed assets

Q.11. If you answer is yes for Q14 at what time?	Frequency(f)	Percentage (%)
Annually	24	42.9
Semi-Annually	23	41.1
Monthly	1	1.8
Others	8	14.2
Total	56	100

Table 3.15 if you answer is yes for Q14 at what time?

In the above table 42.9% of the respondent were suggested "Annually" this indicate that there is little attention given by the company for fixed asset inventory, However; 41.1% of the respondents required semi-annually the rest 14.2% other. If the company practice to conduct inventory semi annually it was reduced the burden on counting bulky inventory in a year bases.

Q.12. Have you ever participated in the counting?	Frequency(f)	Percentage (%)
Yes	35	62.5
No	21	37.5
Total	56	100

Table 3.16 Have you ever participated in the counting?

From the above out come of the respondents, 62.5% were participated in the counting. So the study investigate that the company give this task for the worker from various positions, the rest 37.5% were not get the chance to participate in counting of fixed asset inventory. So the highest percentage of our respondent participation will help us to point out, the factors that affect accuracy in inventory counting.

Q.13. Is there any chance for fixed asset not to be counted in the inventory time?	Frequency(f)	Percentage (%)
Yes	34	60.7
No	22	39.3
Total	56	100

Table 3.17 Is there any chance for fixed asset not to be counted in the inventory time?

From the respondent view, almost 60.7% were replied that, there is a property that not to be count in the inventory time. We were observing that double tag error might be affecting this problem and also there is the chance of exposing material to theft.

Q.14. While conducting inventory is there any fixed asset with out serial numbered asset tags?	Frequency(f)	Percentage (%)
Yes	29	51.8
No	27	48.2
Total	56	100

Table 3.18 while conducting inventory is there any fixed asset with out serial numbered asset tags?

Based on the collected data, 51.8% of the respondents suggest that there is fixed asset inventory without tag or double tag. The rest 48.2% replied "No" tagging is the most controlling mechanism in fixed asset inventory also without serial numbered, asset tag has negative impact toward to calculate depreciation expense.

Q .15. Is your answer is yes for Q.14, why?	Frequency(f)	Percentage (%)
Lack of experienced professional	5	8.93
Shortage of staffs	6	10.7
Lack of time	6	10.7
Other (please specify)	22	39.3
Answer No	17	30.4
Total	56	100

Table 3.19 If your answer is yes for Q.14, why?

Based on the respondents preview, 39.3% suggested that quality of sticker material used by united bank for tags are not durable and it is easily removed during movement of asset, also forgotten to label because of shortage of staffs.

Q .16. Does UB dispose its depreciated fixed asset properly in the right time?	Frequency(f)	Percentage (%)
yes	29	51.8
No	27	48.2
Total	56	100

Table 3.20 Does UB dispose its depreciated fixed asset properly in the right time?

According to the respondent suggestion, 51.8% were replied there is timely disposal in the company, and the rest replied "NO". If assets are not properly disposed in accounting record, the company can continue to pay property taxes and insurance payment on them. So we observe, there is no proper information flow between department and the branches.

Q 17. Is there proper follow-up for the physical condition of acquired properties & to safeguard it against damage?	Frequency(f)	Percentage (%)
Yes	31	55.4
No	25	44.6
Total	56	100

Table 3.21 Is there proper follow-up for the physical condition of acquired properties & to safeguard it against damage?

One of the basic problems in fixed asset management is absence of proper follow-up for the physical condition on acquired properties. based on the above data 55.4% of the respondent replied "Yes" but the rest 44.6% suggested "No" this indicate that there is no integrated follow up in the bank to safeguard against damage.

Q 18. Is your answer is No for Q.17, why?	Frequency(f)	Percentage (%)
Lack of Decision making on Top Management	16	72.8
Lack Of time	1	4.5
Shortage of staffs	1	4.5
Other (please specify)	4	18.2
Total	22 39.3% (56)	100

Table 3.22 If your answer is No for Q.17, why?

From the respondent preview, 72.8% of them were responded, that lack of decision making on top management leads follow up problem on physical condition of the acquired assets, the rest 18.2% suggest that lack of giving

attention by concerned party brings this drawback. So we observe there might be existence of an idle material, with in the selected branch in the absence of proper follow-up.

Q.19. Does UB annually calculate depreciation expense on its fixed assets?	Frequency(f)	Percentage (%)
Yes	36	64.3
No	20	35.7
Total	56	100

Table 3.23 Does UB annually calculate depreciation expense on its fixed assets?

As based on the collection data United bank S.C annually calculate its fixed asset depreciation expense. Establishing the highest standard of depreciation accuracy and practice will protect misstatement of balance sheet depreciation expense.

Q.20. What depreciation method does UB uses?	Frequency(f)	Percentage (%)
Straight line method	38	95
decline balance method	-	-
Sum-of-the-year digits method	2	5
Units-of-Production Method	-	-
Total	40 71.4% (56)	100

Table 3.24 what depreciation method does UB uses?

Most of the respondents suggested that the company uses straight line method consistent with the proclamation of ERCA. When depreciation was done as per

regulatory requirement, can avoid risk failure that comes from governmental policy.

Q .21. Do you think the fixed asset policy of UB needs review?	Frequency(f)	Percentage (%)
Yes	26	53.1
No	23	46.9
Total	49	100
	87.5% (56)	

Table 3.25 Do you think the fixed asset policy of UB needs review?

Most of the respondents suggested that policy & guideline needs review, hence, it is deemed necessary to develop a guideline on the administration and disposal of acquired properties so as to institute transparency and consistency also to systematize the process of acquisition, administration & disposal of such properties.

3.5. COMMENTS OF RESPONDENTS FOR OPEN- ENDED QUESTIONNAIRES

Q. 22. If your answer is yes for question No 21 please specify it the major policy issue included in the revision.
Almost all respondents had given their comments by mentioning the following opinions.
<ul style="list-style-type: none"> • Proper internal control is required regularly. • Clear policy should prepare. • Follow-up of disposal & replacement should exist on time. • Use high inventory management soft ware when purchasing & disposing of asset • Training should be give regarding fixed asset regularly.

- It should consider other institution experience on fixed asset management.
- Clear precise information about the acquired asset should be included.
- According to new technology and update current information
- If needs to implement better application for inventory control
- Depreciation expense shall be calculated by both branches and head office finance department and reconcile it.
- There should be proper follow up and continuous maintenance.
- Must focus on disposal and related tasks.

Table 3.26 .If your answer is yes for question No 21 please specify it the major policy issue included in the revision.

Based on the respondents opinion, the researchers are investigate that in order to practice excellent fixed asset management by preparing clear policy and procedure, use high inventory management software and uninterrupted follow-up have to be considered.

Q.23 Any suggestion or comment about united bank S.C fixed asset management policy and controlling procedure please clearly specify.

- Respondent for this question replied many ideas. But the researchers are able to present the following which will help to curb problem.
- Most of the fixed asset doesn't have a gat number, so a proper tag should be attached to all fixed assets.
- The policy and controlling procedures must be revised.
- The department should work with branches to dispose fixed assets timely and regularly.
- The accuracy at fixed asset reconciliation has to be reconfirmed by other additional department rather than only depend on the financing department.

- Fixed asset management policy and procedures should be aware to all employees either through training or through brushers and pamphlet.
- Sufficient staff must be employed.
- The bank has not enough space for handling its fixed asset; this leads great damage for the properties.
- The bank should better to replace the many old asset with a few & efficient items.

Table: 3.27. Any suggestion or comment about united bank S.C fixed asset management policy and controlling procedure please clearly specify.

From the respondents opinion the study investigate that there isn't more critical than integration between department and branches to bring accurate fixed asset management system.

Q.24 Finally, what is your opinion about the principles of internal control over fixed asset management in general and implementation of these principles in United Bank S.C

- So far so good but it needs some revision
- During counting of inventory there was some fixed asset with out serial number which is not seen clearly.
- Internal control is necessary for the company in order to handle & use the property efficiently.
- It is very fine, however, it shall be implement on control and monitor the properly of the bank.
- Internal control over fixed asset should for all employees.
- Proper fixed asset replacement should require.
- Fixed asset management policy is so weak and needs correction.
- There is no clear implemented method seen over the control of fixed asset because of that old and out dated materials scraps are seen.

Table 3.28 Finally what is your opinion about the principle of internal control over fixed asset management in general and implementation of these principle in united bank.

Based on the respondents comment, we observe that using updated technology in fixed asset controlling system, as well as implement clear policy & procedure to create successful performance in business environment.

3.6 The data were gathered using interview with Property manager head and subordinate with the objective of having full and complete information on the Fixed Asset Management in UB. Beside this the obtained information will be presented as follows.

3.6.1. Integrated Accounting Procedure

According to the property management Head, the company follows integrated accounting procedure in asset management. But there is big problem on practical aspect.

The above problem may be affecting the overall fixed asset management system. All fixed asset management modules should seamlessly together and reconcile with in one centralized data base. It is essential that the fixed asset management system the company selects should be integrated with the accounting system. Integration also ensures that clerical errors, such as typos, don't cost your organization money and compromises accuracy, whenever data can be automatically shared between applications, valuable time is saved that would otherwise, be spent manually re-keying critical data.

3.6.2. Policy and procedure regarding fixed asset acquisition and disposal.

There is no policy and procedure regarding fixed asset acquisition and disposal but the department facilitates each task by using guidelines.

Regarding to their opinion we observe that there is a problem in development and implementation of the policies and procedures that comprise the company wide fixed asset system. This policy facilitates good business practices and internal control over the acquisition, disposal and inventory information of the company fixed assets.

3.6.3. Repair and Maintenance

The company has maintenance department and it gives the service when branches order by writing inter office memorandum to the department at the time of if a fixed asset is damaged and needs to be required.

The sole purpose of repair and maintenance work on acquired properties to forestall further damage to the property, so maximum precaution should be taken in approving such expenses must be reasonable.

The problem that the researcher got the department maintain when the fixed asset is out of order and this bring hope cost of maintenance. So regular servicing is desirable for keeps material in good condition.

3.6.4. Provisional transfer of asset from branch to branch.

Based on the interview conducted with the concerned person, when transfer is need for a very urgent no proper procedures are taken but it has done by office memorandum of top management.

The impact of violation of procedure leads complicated problem may be the receiving branch no record the item mo fixed asset register book or the sending branch not cancel it from its fixed asset register book too. So fixed asset managing department, might be face error at the time of fiscal inventory counting period.

3.6.5. Approval of requisition of assets

Requisition memo is prepared by branch secretary which is describes the budget material and the date after that the branch manager approve it and sent to the department.

From this we can observe there is concerned organization in every approval of requisition of fixed asset. Hence it is the best controlling mechanism for over requisition of material

3.6.6. Idle Fixed Asset

For question "is there any idle fixed asset in the company?" . The property administration head respond to this question presented in the following manner. "May be idle asset presented in a few branches if there is over request of material from store".

If there is proper follow up and administration in physical condition to fixed asset the above problem might not be observed in the organization.

3.6.7. Return of idle Assets

Based on the information given by store head, most branches didn't write memo for us to take the idle property on time. The department head also mention there is shortage of staff to control this problem.

From the above opinion we can observe the material not being used, result depreciation expense and insurance payment to the company.

3.6.8. Physical guarding of acquired properties.

According to the store control head, fixed asset custodians are responsible for safeguarding all equipment and other fixed asset assigned to their department including items which are no longer needed.

3.6.9. Fixed asset management software program

United bank S.C doesn't use fixed asset management soft ware program at this time. But for the coming year the company will implement it through out its branches.

Many fixed asset managers attempt to calculate depreciation using spreadsheets that they must program and update manually failure to integrate with an inventory solution.

"Spreadsheets can certainly perform complex mathematical calculation they are, however, not the best tool for managing fixed asset.

On the other hand, when selecting fixed asset software, consider the size of you organization and number of fixed asset as well as potential for future growth.

3.6.10. Duties & Responsibilities

According to the interview conducted with department heads, the disposal committee is generally responsible for the disposal of acquired properties by way of selling, leasing, donation or by discarding up on the approval of the president.

Administration department is responsible for disposal of acquired properties and supervision of acquired properties which includes guarding, payment of utility bills, keeping, renewal of insurance etc.

3.6.11. Discarding property by donation

Based on discarding manual guideline the study investigates:-

If handling acquired properties for an indefinite period entails an unnecessary cost and burden to the bank. The human resource management and administration department shall arrange for immediate disposal or sale of these properties for highest possible price.

If such sale is impossible, the disposal committee may recommend donating the property to charity organization.

3.6.12. Supervision and administration of acquired properties

According to the administration head, regular administration of acquired properties is expensive and operational burden. Because of shortage of staff and cost expense, so the bank doesn't supervise regularly.

Monitoring the asset performance over the planning horizon services to assets whether the desired level of service is being accomplished or not. Monitoring requires tracking performance over time, which allow the company detect changes in the asset condition and to take necessary corrective action if needed.

3.7. Analysis of secondary data based on company data

Regarding the united bank fixed asset guideline the following descriptive analysis were given:

The bank has developed a guideline on the administration and disposal of acquired properties on 10th of July 2008.

The main purpose of this guideline was:

- To standardize the administration of acquired properties across the bank
- To systematize the process of acquisition administration and disposal of such properties
- To define duties and responsibilities of every unit of the bank involved in the acquisition, administration and disposal of acquired properties

The objective of manual should be to provide for optimum equipment utilization, maintenance, control, protection and reporting

But we observed that the bank was not efficient in administering such properties, the responsible units were not done their duties that were specified in the guideline. This circumstance brings operational burden to a few departments, and also we have not seen the systemize process of acquisition, discarding and administering of such properties.

CHAPTER FOUR

4. SUMMARY, CONCLUSION, AND RECOMMENDATION

4.1. SUMMARY

In the summary of findings based on the interpretation we have presented earlier in relation with questioner, we found out the following:-

- The employees of the bank are experienced, educated and who have their own additional skills and abilities to go head in hand with the rules, regulation and policies of the bank.
- The relation between the employee and the bank is so far fair since this situation is incentive driven.
- The bank does issue Fixed Asset management Policy but we have found that while implementing the policy there are some challenges & problem as to the management side.
- As we can observe from the respondent view the bank did not timely discard assets that are no longer in service.
- According to the respondent, there is fixed asset without serial numbered tag because of lack of experienced professional. As well as defectiveness of sticker, the tag may lost during movement of the asset.
- Among different business sectors, we can understand from the respondent view and the bank empirical data absent of training, regarding fixed asset management has a great impact on the successful accomplishment of the company fixed asset policy and procedures.
- The majority of employees thought that the impact of proper follow-up for physical condition of acquired property leads to less disposal of depreciated fixed asset properly and in the right time.
- We can observe from the respondent view, proper fixed asset replacement should be required than maintaining the old asset.

- Integrated fixed asset management is preferable than one department effort. The respondents suggest that the bank accounting department should have to reconcile depreciation balance with branches.

4.2. CONCLUSION

From the summary of finding, the researchers draw a conclusion for further recommendation that the bank have to do. Since the major objective of the study was to asses the Fixed Asset management performance of United Bank S.C we draw a conclusion in accordance with in the finding as follows:-

There are different factors that make fixed asset management system performance ineffective. Among them the following are the major ones:

- Using spread sheet or manual system might not match with large presence of Fixed Asset.
- Fiscal inventory need too much time because of double tags and no tag.
- Timely disposing of fixed asset don't take place
- Assets are used beyond their estimated life, resulting in excessive requires and maintenance cost.

4.3. RECOMMENDATIONS

In view of finding and the subsequent conclusions, the following recommendation are put forwarding in the hope that they would help in order to curb the major problems identified in the study and facilitate better fixed asset management system practice in the united bank.

Based on the respondent's comment and the problem, we can observed in this research, such as using spreadsheet to calculate depreciation, not timely disposal of assets and improper transfer of assets from branch to branch. Now, a day Asset tracking software allows companies to track what assets it owns,

where each is located, who has it, when it was checked out, when it is due for return, when it is scheduled for maintenance, and the cost and depreciation of each asset.

Also software solutions exist that can automate the process while save time and eliminate the errors associated with spreadsheets. Depreciation error can result failure to comply with regulatory requirement also be expensive to the company both through the overpayment of property taxes and insurance. So United Bank shall practice to use software that fit with its core banking system to avoid the overall problem that observed in our study.

It is obvious, conducting accurate physical asset inventory can minimize the challenge to control fixed asset. But absences of proper follow up and timely servicing might be exposed the company for extra maintenance for existing fixed assets. So Instead of counting fixed assets inventory annually the bank must implement proper follow up and timely maintenance. Specially, technological equipment such as computers, photocopiers, scanners and note counting machines.

To reduce no tag asset problem, that we were observed in our study. United bank fixed asset managing department shall use high quality, durable, sticker that not loss during the movement of asset, preprint labels to tag each asset, with a unique identifier in the form of bar code labels. Also the tag should be affixed to a non-removable external surface that is easily seen.

Property management department of united bank Share Company, have to provide a fast and efficient way of discarding assets that are not longer in service can reduce continues payment of property taxes and insurance.

United Bank shall maintain such a clear policy and procedure, that to solve the discrepancy we were found in fixed asset register books of selected branches with warehouse return and replaced asset register book.

Generally, the researchers recommend that United Bank Share Company should have to update, its fixed asset management system to solve depreciation

calculation error that comes from using spreadsheet, and also have to hire professional staffs regarding property management.

Finally when the banks can implement the above mentioned idea, it can obtain best return on investment by using effective fixed asset management system.

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Appendix I

St. Mary's University

Faculty of Business, Department Of Accounting

Questionnaire

Research on an assessment of fixed asset management:

The Case of United Bank Share Company

Dear Respondent:

We are BA degree students at St Mary University. We are doing research on "Assessment of Fixed Asset management on United Bank S.C.". The purpose of this research is to investigate the system applied by United Bank in recording, managing and controlling its property. Thus, your cooperation and provision of the correct responses would have a very good contribution particularly to the study in this project. This study will be used only for academic purpose and no need of writing your name & telephone. Please tick (✓) the choice items you want to select from alternatives.

Sex

Male

Female

Age

21-30

31-40

41-50

Above 50

Education

12 complete

Diploma

Degree

Other please specify _____

Work experience with in the bank

Less than 1 year

1-3 years

3-5 years

More than 5 years

1. What is your current working position?

Store clerk Store Controller Accountant
Department/Branch Manager Auditor Other

2. Are you satisfied with the job you are working?

Yes No Not happy not sad

3. Does UB have fixed asset Management Policy/procedure?

Yes No

4. Do you have enough knowledge about the policy and procedures of Fixed Asset management?

Yes No

5. If your answer is **yes** for Q.4, how to get basic knowledge on fixed Asset Management?

By reading Fixed Asset policy/procedure manual

By taking training on the issue

By asking immediate supervisors / learning from others

Other (please Specify) _____

6. Have you take training on fixed asset management?

Yes No

What about the frequency of having /taking trainings?

7. If your answer is **yes** in Q.6, is it adequate for your current working condition?

Yes No

8. What is the impact of training on your work?

Relevant Motivate Unsatisfactory

9. Do you think that the fixed asset policies of UB cope up with modern fixed asset management practice?

Yes No

10. Does UB conduct fixed asset inventory?

Yes No

11. If your answer is **yes** for Q.10, at what times?

Annually Semi Annually Monthly others

12. Have you ever participated in the counting?

Yes No

13. Is there any chance for fixed asset not to be counted in the inventory time?

Yes No

14. While conducting inventory is there any fixed asset with out serial numbered asset tags?

Yes No

15. If your answer is yes for Q. 14, why?

Lack of experienced professional Lack of time

Shortage of staff's

Other (please specify) _____

16. Does UB dispose its depreciated fixed asset properly in the right time?

Yes No

17. Is there proper follow-up for the physical condition of acquired properties & to safeguard it against damage?

Yes

No

18. If your answer is **No** for Q. 17, why?

Lack of Decision making on Top Management

Lack of time

Shortage of staffs

Other please specify _____

19. Does UB annually calculate depreciation expense on its fixed assets?

Yes

No

20. What depreciation method does UB Uses?

Straight Line method

decline balance Method

Sum-Of-The-Years Digits Method

Units-of-Production Method

Other please specify _____

21. Do you think the fixed Asset policy of UB needs review?

Yes

No

22. If your answer is yes for Q .No. 21, please specify it the major policy issue included in the revision.

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____

23. Any suggestion or comment about United Bank S.C. Fixed Asset Management policy and controlling procedure, please clearly specify.

24. Finally, what is your opinion about the principles of internal control over fixed asset management in general and implementation of these principles in United Bank S.C.?

Thank you for your cooperation

Appendix II

St. Mary's University

Faculty of Business, Department Of Accounting

Interview Questions

Research on an assessment of fixed asset management:

The Case of United Bank Share Company

1. Does UB follow the integrated asset management with accounting procedure?
2. Does the UB have a policy and procedure regarding fixed asset acquisition, disposal and valuation?
3. Does the company repair and maintain assets timely when the assets need maintenance?
4. Are there any provisional fixed assets transfers from branch to branch in UB?
5. How Fixed Asset requisitions is approved prepared by the branches? Who is responsible for approval?
6. Is there any idle fixed asset in the company?
7. Does idle fixed asset in the branch returned to head office timely?
8. Does UB have physical guarding of acquired properties?
9. Does UB use Fixed Asset Management Software Program?
10. Is there define duties and responsibilities of every units of the bank involved in the acquisition, administration and disposal of acquired properties?
11. Does UB discarding property by donate to charity organization?
12. Does UB management supervising the activities of branches in the administration of acquired properties?

Declaration

We the undersigned declare that this senior project is our original work, prepared under the guidance of instructor Ato Getahun Guta all sources of materials used for the manuscript have been duly acknowledged.

Name _____

Signature _____

Name _____

Signature _____

Name _____

Signature _____

Places of Submission

Date of Submission

Submission Approval Sheet

This senior essay has been submitted for examination with my approval as on advisor.

Name _____

Signature _____

Date _____