

KUMASI TECHNICAL UNIVERSITY



FIXED ASSETS MANAGEMENT POLICY

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Abbreviations

DADF – Donated Asset Declaration Form

DVD – Digital Versatile Disc or Digital Video Disc

FADF – Fixed Asset Disposal Form

FATF – Fixed Asset Transfer Form

GRN – Goods Received Note

IAS – International Accounting Standards

IFRS – International Financial Reporting Standards

PC – Personal Computer

ROI – Return on Investment

WIP – Work-In-Progress

Definition of Terms

Asset: This is an economic resource owned by an entity that generates benefits or service which will flow to the entity and whose costs of fair value can be measured reliably.

Fixed Asset/Capital Asset: All assets which cannot easily be converted into cash and which are usually held for a long period of time, including land, buildings, equipment and furniture.

Coding: It is the generating and assigning a unique number to an asset for identification and classification.

Tagging: It is the process of numbering and labeling fixed assets and allowing the tracking of their movement from location to location.

Asset Impairment: It is an abrupt decrease of the fair value of an asset due to physical damage, significant changes in economic, market or legal environment, obsolescence or idleness of the asset.

Capitalization: It is the recognition of expenditure of an asset in the financial asset register.

Depreciation: This is a non-cash expense that reduces the value of an asset as a result of wear and tear, age or obsolescence.

Disposal: It is the sale, transfer of ownership or destruction of surplus or obsolete assets.

Revaluation: The upward or downward adjustment of the net book value of a fixed asset to account for major changes in the fair market value of the asset.

1.0 Introduction

1.1 Preamble

Except to the extent to which the context may otherwise require, this Policy shall be construed in accordance with the following provisions:

- i. This policy shall apply to fixed assets acquired with funding originating from the University, the Government or other external sources and by gift or loan.
- ii. Any word or expression denoting any gender shall include both genders.
- iii. Words denoting the singular only may also include the plural, and vice versa, where the context requires.
- iv. This policy shall apply only in respect of management of the University's fixed assets specifically land, buildings, plant, equipment, furniture, software, goodwill and other assets of an enduring nature which are owned and controlled by the University;
- v. Where the term assets is used in this policy, it refers to fixed assets whose economic benefit to the University exceeds one year.

1.2 Policy Statement

The purpose of this policy is to define the guidelines, regulations and procedures governing the control and reporting of fixed assets. This includes accountability for the assets, meeting financial reporting needs, and generating asset management information. It is intended to assist the University in implementing and maintaining an effective fixed assets control programme. The implementation

of an effective and accurate process for tracking fixed assets is necessary for several reasons:

- i. The University requires to track asset cost, depreciation and disposal. Assets to be depreciated will be categorized and assigned a depreciation life.
- ii. The University' also uses asset records for insurance purposes. In the event of a loss, it is necessary to have an accurate record of the University's assets to ensure comprehensive insurance coverage.
- iii. Most importantly, it is for accountability reason. It is important to have a policy that helps to account for the use of University funds.

1.3 Policy Objectives

This document undertakes to describe standard policies required for recording new and existing assets, changes in assets and the methodology of record keeping. Moreover, it is intended to provide procedures to assist the University in safeguarding, accounting for and disposing of assets.

The objectives of this policy are to ensure that:

- i. Procedures for recording and capitalization of fixed assets have been established;
- ii. Methods of depreciation, impairment, diminution and amortization of fixed assets have been established;
- iii. Timings for revaluations and accounting in respect of the fixed assets have been determined and documented;

- iv. Procedures for write-off and disposal of fixed assets have been established; and
- v. The University assets are accounted for in compliance with international Financial Standards.

2.0 Responsibility for Asset Management

The responsibilities of various key offices in the enforcement of this policy are as follows:

2.1 Vice-Chancellor

The Vice-Chancellor shall have overall responsibility for oversight, monitoring, implementation and enforcement of this Policy and related regulations or procedures.

2.2 Deans and Directors

Deans and Directors shall be responsible for familiarizing themselves with and sensitizing staff within their Faculties/ Directorates on this Policy. They will also ensure that:

- i. Current inventory of all fixed assets within the Faculties/ Directorates is properly maintained;
- ii. They notify the Estate Manager and the Director of Finance whenever fixed assets are to be acquired, transferred, donated, impaired, stolen, lost or otherwise to be disposed;
- iii. They identify and report to the Estates Manager and Director of Finance any surplus assets which are useable but need not be in their Faculties/ Directorates, or which is beyond economic repair and needs to be disposed of; and

- iv. The assets under their custody are secured, handled with care and used for official University business only.

2.3 Heads of Department/Units

Head of Department shall be responsible for familiarizing themselves with and sensitizing staff within their Units on this Policy. They will also ensure that:

- i. Current inventory of all fixed assets within their Units are properly maintained;
- ii. They notify the Estate Office and the Finance Officer whenever fixed assets are to be acquired, transferred, donated, impaired, maintained, lost or otherwise to be disposed;
- iii. They identify and report to the Estate Office and Finance Office any surplus assets which are usable but need not be in their Units, or which is beyond economic repair and needs to be disposed of; and
- iv. Assets under their custody are secured, handled with care and used for official University business only.

2.4 Estate Office

The Head of Estate shall be responsible for custody, management and control of assets in the University.

2.5 Finance Office

The Director of Finance shall be responsible for coordinating asset audits and physical inventories with the Head of Estate as well as recording capital asset acquisitions, transfers and disposals.

Where necessary, the Director of Finance shall evaluate, review or adapt the Policy or the implementation of the Policy, in order to improve assets management and comply with changes in the financial reporting standards.

3.0 Classification of Fixed Assets and Codes

3.1 Assets Categorization

Fixed Assets shall be classified as follows:

- i. Land
- ii. Buildings
- iii. Furniture
- iv. Equipment
- v. Fixtures and Fittings
- vi. Plant (Generator sets)
- vii. Intangible Assets
- viii. Transport

3.2 Procedure for Updating the Assets Register

- i. Key Officers, Academic and Administrative Heads shall make their request to the Estate Officer through yearly budget.
- ii. The Estate Office shall compile the request from the various offices/ departments/ faculties/ offices for approval by the Vice-Chancellor after needs assessment has been done.

- iii. These approved requests shall be forwarded to the Director of Finance and the Procurement Officer.
- iv. All purchases shall be done by the Procurement Officer by observing the requirements of the Procurement Law.
- v. The Internal Audit Unit shall inspect all the items and certify that they are the appropriate fixed assets requested.
- vi. All procured items received shall be coded and captured in the fixed asset register.

4.0 Capitalization

4.1 Capitalization Procedure

- i. This procedure involves establishing criteria and/or threshold(s) for classifying an item as a fixed asset.
- ii. Appropriate capitalization thresholds for fixed assets are to be determined by the University using appropriate methods.
- iii. The University primarily acquires assets either as complete units ready for use (direct acquisition) such as vehicles, computers, equipment and projectors or through project expenditure for assets like buildings and roads (indirect acquisition).

4.2 Capitalization Guiding Principles

The capitalization thresholds shall be as follows:

- i. Lands, buildings and motor vehicles shall be capitalized regardless of the cost.

- ii. Asset additions, repairs, replacements or expansions expenditures that enhance or extend the useful economic life of the assets shall be capitalized.
- iii. Completed projects ready for use shall be moved from work in progress costs into the appropriate assets classification.
- iv. Expenditure incurred in acquiring Information Communication Technology equipment for example laptops, notebooks, desktop computers, servers, printers shall be capitalized. Where there is additional expenditure to improve/upgrade existing equipment, the expenditure shall be capitalized.
- v. Furniture and equipment acquired with expected lifespan of five years shall be capitalized. However, equipment of a household nature such as utensils acquired for use in administrative offices will not be capitalized
- vi. When assets are capitalized, the University shall assign an asset number and arrange for the asset to be tagged with the asset number for control purposes.
- vii. Costs incurred to keep a fixed asset in its normal operating condition that do not extend the original useful life of the asset or increase the asset's future service potential are not capitalized. These costs are expensed as repairs or maintenance.

5.0 Asset Valuation and Revaluation

The responsibility to undertake valuation and revaluation of assets lies with the Director of Finance and the Head of Estate.

The objectives of valuation are to:

- i. ascertain fair values of fixed assets for accounting purposes, disposal or other purposes
- ii. facilitate reconciliation of the fixed asset register and the physical inventory of assets
- iii. establish replacement costs for purposes of insurance and general replacement of assets
- iv. establish and advise on the expected useful life in years for the fixed assets from the date of revaluation
- v. enable proper internal reconstruction, such as to decrease the ratio of debt to equity.

5.1 Valuation of Asset

- i. Valuations of land when carried out by valuers are the most appropriate methods of obtaining land values. Using the concept of current cost, land will be valued at market value.
- ii. Anything done on land to improve its utility, service potential or make it ready for an identified use that has a limited useful economic life should be included in the land improvements. The valuation basis most appropriate to land improvements will be replacement cost.
- iii. Land improvement when considered to have an unlimited life shall be valued as part of the land rather than as a separate component as the two items may be difficult to separate.

- iv. For building structures, determination of current cost will generally be established by licensed valuers.
- v. Furniture and equipment, computers, motor vehicles and academic gowns are valued at cost.

5.2 Revaluation of Assets

- i. Revaluation shall be conducted every five (5) years for land and buildings. Other assets of operating nature such as furniture and fittings, equipment, motor vehicles and academic gowns may be revalued if the University management considers it appropriate. .
- ii. The asset register is to be maintained using the historical data and original cost for regulatory purposes, however revalued asset would be updated in the asset register. The valuation report will be used as evidence to update the value of assets in the financial statements.

6.0 Donated Assets

Where a Department/Unit receives a gift or donation of an asset, it should fill in Form DADF (Appendix II) and forward to the Estate Office to record in the fixed assets register.

7.0 Capital Budget

Departments and Units shall prepare their estimates for the various capital expenditure requirements. The Directorate of Works and Physical Development shall conduct a needs assessment survey to recommend assets requested by departments before procurement.

Requests for assets to be used in the University shall emanate from the Directorate of Works and Physical Development.

The budget items shall be consolidated at the Finance Directorate and rationalized by the University Budget Committee before approval by the University Council.

Energy rating and efficiency shall be considered in every capital expenditure on assets that have anything to do with energy usage.

8.0 Asset Tagging

- i. Tagging shall be done to identify assets as belonging to the University. The importance of tagging is to:
 - (a) Provide an accurate method of identifying individual assets;
 - (b) Assist in taking the physical inventory;
 - (c) Control the location of physical assets; and
 - (d) Aid in the maintenance of fixed assets.
- ii. The tag number is entered in the asset register at the point of tagging by the officer in charge of asset tagging. The asset tag itself will be issued by the Estate Manager to the assignee (with responsibility for the asset) for attachment to the asset.
- iii. Any asset that has a life more than one year should be tagged.
- iv. Furniture and equipment including health and fitness machines must be tagged. These include but not limited to:
 - (a) Furniture
 - (b) Computers and Laptops
 - (c) Audio Visual Equipment

- v. Other special assets to be tagged regardless of their value include assets such as overhead projectors, printers, televisions, DVD players, video cameras, digital cameras, fax machine, desktop computers, laptop computers, tablets and any asset that may be easily stolen.
- vi. The tags should be consistently placed in the same location on each similar asset type. The tags should be placed, if possible where they can be:
 - i) Easily accessible
 - ii) Easily identifiable without disturbing the operation of the asset.

9.0 Depreciation

Depreciation is charged on straight line basis calculated at cost or valuation of an asset over its useful economic life. Depreciation is charged in full during the year of acquisition and nil during the year of disposal.

9.1 Depreciation Rates

The annual rates of depreciation for each class of assets are as follows:

Assets	Depreciation Rate
Building	5%
Motor Vehicles	20%
Furniture and fittings	15%
Plant and Machinery	15%
Academic Gown	20%
Software	25%
Office equipment	25%

9.2 Posting of Depreciation

- i. Depreciation shall be calculated annually and charged to the income statement.
- ii. The depreciation shall be effective from the day the asset is capitalised.

10.0 Inventory of Fixed Assets

- i. A register of fixed assets shall be maintained by the Head of Estate.
- ii. Title deeds, leases and contracts relating to land and buildings shall be maintained by the Director of Works and Physical Development, Legal Unit and the Office of the Registrar.
- iii. The Director of Works and Physical Development and the Director of Finance shall annually conduct an inventory inspection of all fixed assets of the University.

11.0 Movement of Fixed Assets

When an asset is transferred to another unit, the transferring unit together with the receiving unit shall fill in Form FATF (Appendix III) and forward to the Head of Estate to update the Fixed Assets Register.

12.0 Disposal of Fixed Assets

12.1 Asset Impairment

- i. A capital asset will be considered to be impaired when its service utility has permanently declined significantly. Events or changes that may lead to impairment include:

physical damage, obsolescence, technological, legal or environmental changes.

- ii. An asset shall be declared impaired by the Estate Officer in consultation with the Board of Survey and a technical person in that area.
- iii. The responsibility to record the impairment of assets and reversals of impairment losses lies with the directorates of Works and Physical Development and the Finance.
- iv. For the purposes of Financial statements and in compliance with International Financial reporting Standards, impairment assessment shall be done and if impairment has occurred shall be recognized.

12.2 Asset Disposal

- i. The University shall dispose fixed assets that are in surplus, not in working condition, obsolete or dismantled as and when the need arises.
- ii. Fixed Assets identified for disposal shall be disposed of after completing the Declaration for Disposal of Fixed Assets DDFA Form (Appendix III).
- iii. The University shall dispose fixed assets where the assets are: i) Fully depreciated and cannot be economically used; ii) Not fully depreciated but are damaged beyond repair; and iii) Unserviceable or obsolete.
- iv. All disposals shall be done through the University Disposal Committee (Board of Survey) and in accordance with the Public Procurement Law and associated regulations.

13.0 Monitoring and Evaluation

The implementation of the Fixed Assets Management Policy shall be monitored and evaluated annually by the University Management through the Internal Audit.

14.0 Review and Revision of the Policy

This policy may be reviewed every five (5) years.

Appendix 1

KUMASI TECHNICAL UNIVERSITY

Asset Coding

1. Segment One (1) - Shall take 4 characters identifying the Institution i.e. KsTU
2. Segment Two (2) - Shall take 2-4 characters as follows:
 - i. Two characters to identify an Office/ Department
 - ii. Two characters to identify sub-offices.
3. Segment Three (3) - Shall take 2-3 characters identifying the item type (Furniture/Equipment/ Fixture and Fittings/ Land/ Building/ Plant).
4. Segments Four (4) - Shall take 3 characters
 - i. Three characters for item quantity

Examples;

A cabinet in Estate Office shall be coded and tagged as follows:

KsTU/EO/EQ/001

An Office Desk in Estate Office shall be coded and tagged as follows;

KsTU/EO/FUR/001

A Ceiling Fan in Estate Office shall be coded and tagged as follow;

KsTU/EO/FF/001

For Landsbelonging to the Institution, it shall be tagged in an Asset Register as Example, Asokwa and Amakom Lands

KsTU/AS/L/001(Kumasi Technical University, Asokwa, Land, Number 1)

KsTU/AM/L 001(Kumasi Technical University, Amakom, Land, Number 1)

For Generator Set belonging to the Institution, it shall be tagged in an Asset Register as

KsTU/OL/GS/001(Kumasi Technical University, Old Library, Generator Set, Number 1)

KsTU/AJ/GS/001(Kumasi Technical University, AdakoJachie, Generator Set, Number 1)

For Buildings belonging to the Institution, it shall be tagged in an Asset Register as Example, MPC Block and Senior Members Bungalow AdakoJachie

KsTU/MPC/MC/BDG/001(Kumasi Technical University, Multi-Purpose Complex, Main Campus, Building, Number 1)

KsTU/SMB/AJ/BDG/001 (Kumasi Technical University, Senior Members Bungalow, AdakoJachie, Building, Number 1)

Appendix II

KUMASI TECHNICAL UNIVERSITY

Donated Asset Declaration Form

This form is used to add donated assets to the fixed assets register.

Faculty/Directorate/School/Institute/Centre:

Department/Unit:

Name of Donor:

ASSET INFORMATION

Description: Date of Donation:.....

Make/Model: Manufacturer:.....

Serial No: Part No/Vehicle Reg.:

Asset Type: Tag No:

Prepared by: Date:

Checked by: Date:

Please forward this form to Estate Office.

Appendix III

KUMASI TECHNICAL UNIVERSITY

Fixed Assets Transfer Form

This form is used for transfer of fixed assets

From:..... To:

Faculty/School: Faculty/School:

Department/Unit:..... Department/Unit:

Reason for Transfer:
.....

ASSET INFORMATION

Description: Date of Purchase:

Make/Model: Manufacturer:

Serial No: Part No/Vehicle Reg.:

Asset Type: Tag No:

Prepared by: Date:

Accepted by: Date:

Please forward this form to Estate Office.

Appendix IV

KUMASI TECHNICAL UNIVERSITY

Declaration For Disposal Of Fixed Assets Form

This form is used to declare fixed assets for disposal

Faculty/School/Institute/Centre:

Department/Unit:

Reason for Disposal: **(Please tick)**

Obsolescence [] Unserviceable [] Damaged [] Surplus []

Other:

ASSET INFORMATION

Description: Date of Purchase:

Make/Model: Manufacturer:

Serial No: Part No/Vehicle Reg.:

Asset Type: Tag No:

Prepared by: Date:

Authorized by: Date:

Please forward this form to Estate Office.