Asset Management Resources

Teleconference: Minimizing Property And Income Taxes By Tightening Fixed-Asset And Real Property Controls And Processes

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Unrecorded Retirements

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Unrecorded Fixed-Asset Retirements

Unrecorded fixed asset retirements = *"Ghost Assets"*

Arguably the most significant factor in overpaying property taxes

Fixed-asset management (FAM), like most business processes, is the alignment of people, processes and systems to maintain data integrity and leverage data for financial and operational benefits

The three most important issues with respect to FAM???

1. Data 2. Data 3. Data

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Corporate Fixed-Asset Data Observations

- **Ghost assets typically range from 10% to 30% of gross book value**
- **Key data elements such as make, model #, mfg, serial #, description and asset classification are incomplete and inaccurate more than 65% of the time**
- **Bulk line items create significant difficulty for booking partial retirements and transfers**
- **Generic descriptions (e.g. “Machinery”; “Line 8”) and lack of detail inhibit ongoing efforts to cycle-audit the assets and analyze ROI**

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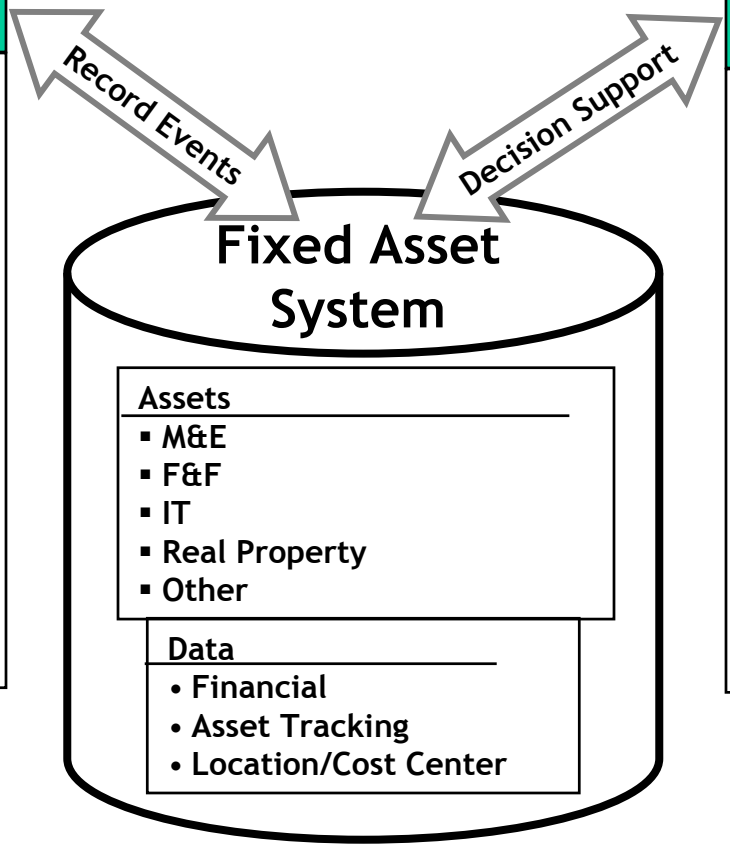
Fixed-Asset Management

Asset Events

1. Procurement
2. Moves/Changes
3. Retirement



Benefits

1. Personal Property Tax Savings
2. Sarbanes-Oxley Compliance
3. Surplus/Idle Asset-Early Identification
4. Common Process for Facilities and Tooling
5. Drive Efficiencies for Annual 4-Wall Process
6. Ability to Outsource Asset Management
7. Asset-Based Finance (RONA)
8. Maintenance/Warranty Linked to Asset System
9. Improved Capital Budgeting/Forecasting
10. Reduced Insurance Costs

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FAM Becoming More Of A Priority?

- SOX has become a major business-driver that is changing corporate passivity toward FAM
- Executives are mandating that it is no longer good enough to record fixed-asset data in the "system" without a discipline toward consistency, accuracy, completeness and ongoing control
- Fortunately, FAM is not just more corporate burden but also has an economic payback

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FAM – Other Observations

- FAM will allow companies to gain a better ROA and limit financial/tax exposure
- No FAM approach can fully cover the myriad of ongoing "asset events"
- Independent measurements must be taken to validate the effectiveness of the FAM approach
- If the proper vehicles are established (e.g. barcode tagging, data integrity development, etc.), cycle FAIR projects will be more affordable and justified as the measurement for how well the FAM practices are working and where further improvements can be implemented
- Only a book-to-floor approach has gaps

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