

# In Business for You

Workstream Description

## Asset Administration

Nonprofit Model 21.3

2021-11-30



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## About this document

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### Context

Unit4 has developed the **Nonprofit Model** (NP Model), which is the approach to deliver out of the box capabilities embedded in the software based on best practices for Nonprofit organizations. It is supported by additional database configuration, documentation and an iterative delivery model.

### Workstreams

The NP Model consists of several workstreams. For each of these workstreams, documentation is available that describes the supplied capabilities. The following workstreams are available:

- Finance (mandatory)
- Budgeting
- Asset administration
- Procurement
- Sales
- Human Resources
- Payroll
- Travel & Expenses
- Project Cycle Management
- Award Management
- System Administration
- Volunteer Management

The workstreams setup is predefined based on the process scoped for the solution. In the personalization phase, the information specific from the customer is configured. Unit4 ERPx is a highly flexible and agile solution that can easily be adapted to support different system setups and processes.

### Intended audience

This document's intended audience is the organization's finance department, familiar with Asset management processes. Readers are not required to know all the details of financial processes. However, some knowledge of basic financial concepts would be advantageous for reading this document.

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# Asset Administration (addition)

## Introduction

This documentation describes the workstream for Asset administration. It provides support for the business processes to create and maintain your fixed assets. Next to a predefined configuration of these processes described in detail in this documentation, the solution consists of a standard set of inquiries and reports, and predefined tailorable stationery output.

The described structures and processes are based upon the software capabilities provided with Unit4 ERPx. The Asset administration workstream is part of the Additions level of the NP Model.

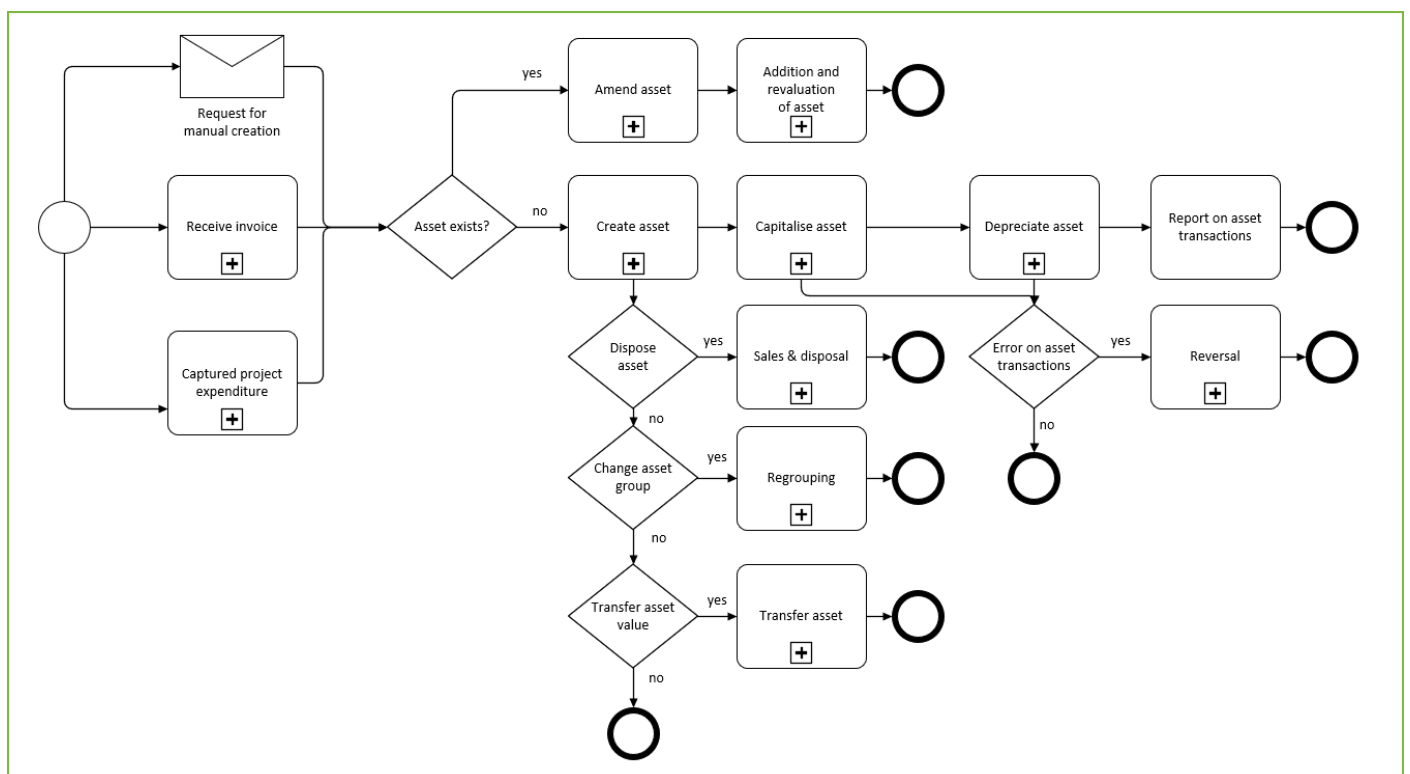


Figure 1 - Asset administration process

The process contains the creation and maintenance of fixed assets, the capitalization and depreciation of them, and the additional transactions such as additions and revaluations, sales and disposal of assets and extra depreciation. It also allows the transfer and regrouping of existing assets.

## Asset creation process

Assets are created either manually in the asset record directly, automatically from an incoming invoice or by capitalizing project expenditure (e.g. investment projects being capitalized on). Assigning the asset to an asset group prepopulates lifetime, depreciation method, nominal accounts and costing analysis. Documents can be attached to the asset record for later retrieval. Every asset is numbered with a unique automatic number.

The screenshot displays the 'Asset' record form in the UNIT4 system. The form is titled 'Asset' and has a breadcrumb trail: Asset > GL analysis > Depreciation book > Contact information > Relation > Action overview. The main form area is divided into several sections:

- Asset:** Includes a 'Lookup' field, an 'Asset' field with the value '1000000', and an 'Asset group' dropdown menu set to 'Property Assets'.
- Description:** A text field containing 'Office building'.
- Status:** A dropdown menu set to 'Active'.
- Default values:**
  - 'Depr./capit. base value' is set to '1,500,000.00'.
  - 'Grant' is an unchecked checkbox.
  - 'Asset date from' is set to '1/1/2021' with a calendar icon.
  - 'Depreciation date from' is set to '1/1/2021' with a calendar icon.
  - 'Depreciation date to' is an empty field with a calendar icon.
  - 'Period from' is set to '202101'.
  - 'Period from' (second instance) is set to '202101'.
  - 'Period to' is set to '0'.
- Parent asset:** An empty field with a search icon.
- Supplier ID:** An empty field with a search icon.

Figure 2 - Asset record

## Manual creation of assets

The solution provides an asset record in which all relevant asset details are entered and stored. The asset record associates the asset to an asset group. This group contains all default accounting information, so the user doesn't have to enter this.

The following asset groups are provided:

Asset group	Definition
Building	Property Assets, with a default lifetime of 600 periods and a Straight line 1 depreciation method
Expensed	Expensed Assets, with a default lifetime of 60 periods
IT Software	Software Assets, with a default lifetime of 36 periods and a Straight line 1 depreciation method
Vehicles	Vehicles, with a default lifetime of 96 periods and a Straight line 1 depreciation method

Asset groups are maintained as a separate function, detailing depreciation books, lifetime and nominal accounts used in the General Ledger and Asset sub-ledger.

Figure 3 - Asset group definition

## Assets based on invoices

The solution allows you to create assets based on incoming invoices. By registering an invoice against an asset account, the invoice is available for asset creation in a specific function. When registering an asset based on an invoice, the invoice document is automatically attached to the document archive and is linked to the asset record created. The asset manager receives an alert when invoices are posted to this asset account and ready for asset creation.

## Assets based on aggregated project expenditure

To capitalize on project expenditure, the solution offers projects to be classified as capital projects. This allows all project cost to be selected, aggregated and used to create the associated asset accordingly. It allows for investment projects to be capitalized and depreciated over a defined lifetime.

## Capitalization

The capitalization process for an asset is triggered when the asset is created or when the user decides to manually start the capitalization process. The process generates the posting of the capitalization entries in the Asset sub-ledger and General Ledger automatically.

### Capitalisation

---

**Asset information**

Asset \*  ...      Depreciation book \*  ▼

Office building

---

Depreciation book	Depr./capit. base value	Salvage amount
BUS	1,500,000.00	0.00
TAX	1,500,000.00	0.00

---

**Transaction details**

Asset trans. date       Asset period

Valuedate

Amount to capitalise       Currency       Amount   
Euro

Salvage amount       Currency       Amount   
Euro

Transaction text

---

**GL Analysis**

Depreciation b...	Cost centre	Cat 2	Fixed Assets	Cat 4	Cat 5	Award	Cat 7
BUS	OO114		1000000				
TAX	OO114		1000000				

*Figure 4 - Asset capitalization function*



## Depreciation

An automatic depreciation process is provided. The process selects the assets to be depreciated by asset group, depreciation book and per individual asset. It posts the depreciation entries automatically in the Asset sub-ledger and General Ledger.

For depreciating assets, the solution offers multiple depreciation books for tax, business and Fully Expensed Asset depreciation, which allow you to depreciate according to different depreciation methods and lifetimes. It allows for depreciation according to Local GAAP and/or IFRS at the same time. The behavior is defined per depreciation book and captures whether asset transactions are kept in the Asset sub-ledger only or posted into the General Ledger as well. This to avoid double accounting entries.

**Asset**

Asset    GL analysis    **Depreciation book**    Contact information    Relation    Action overview

Asset  
Lookup:  ...

**Depreciation books**

<input type="checkbox"/>	Depreciation book	Status	Posting setup	Index table ID	Units	Historical	Cap. status	Capitalise
<input type="checkbox"/>	* Business Dep	* Active	* GL Posting		0	<input type="checkbox"/>	Not capitalised	<input type="checkbox"/>
<input type="checkbox"/>	Tax Depreciation	Active	No GL Posting		0	<input type="checkbox"/>	Not capitalised	<input type="checkbox"/>

**Depreciation book**    Depr. book GL analysis    Advanced

**Dates**

Capitalisation date \*    Capitalisation period  
   

Depreciation date from \*    Period from  
   

Depreciation date to    Period to  
   

**Amounts**

Depr./capit. base value \*

**Depreciation setup**

Depreciation method \*    Depreciation table  
   

Lifetime in periods \*    Yearly depr. %  
   

Depreciation interest    Frequency of depr. \*  
   

Same amount each period

▼ Setup for declining balance  
 Automatically switch to straight line     From fiscal balance

Figure 5 - Depreciation books in Asset record

It is used to define accounts for capitalization, user-defined accounts, depreciation methods and frequency. The solution provides standard inquiries on transactions per depreciation book. The following depreciation books are provided:

Depreciation book	Definition
Business Depreciation	Used to define depreciation conditions according to the organization's requirements (commercial depreciation)
Fully Expensed Assets Depreciation	Used for the assets that are fully depreciated and continue to be used in the business
Tax Depreciation	Used to define depreciation according to legal and fiscal requirements (when applicable)

The solution supports the following depreciation methods out of the box:

- **Annuity** - Each depreciation of the outstanding balance pays the interest and principal. As the outstanding balance decreases with time, a shifting distribution takes place, causing the interest portion to decrease parallel to an increasing principal.
- **Declining balance 1** - Rapid depreciation method in which a percentage and a factor are applied to the net book value.
- **Declining balance 2** - Rapid depreciation method in which a percentage and a factor are applied to the net book value. When the resulting depreciation using **Straight line 1** is higher, it switches to **Straight line 1**.
- **Declining balance 3** - Rapid depreciation method in which a percentage and a factor are applied to the net book value. When the resulting depreciation using **Straight line 2** is higher, it switches to **Straight line 2**.
- **Depreciation table** - Depreciation is calculated using rates defined in a depreciation table.
- **Low-value assets** - Fully depreciates assets in the year in which they were acquired.
- **Manual** - Depreciation is calculated using manual depreciation routines.
- **No depreciation** - Depreciation is not calculated.
- **Straight line 1** - Calculates depreciation by spreading an asset's net book value equally over the remaining lifetime.
- **Straight line 2** - Calculates depreciation by using a defined percentage times the capitalized amount.
- **Sum of the year's digits** - Calculates depreciation by taking the expected life of an asset in years, counting back to one, and adding the figures together. This may also be expressed as the cost of acquisition multiplied by the asset's remaining life, divided by the sum of lifetime (in years).

## Additional processes

Besides Capitalization and Depreciation processes, the solution supports other relevant processes in asset management.

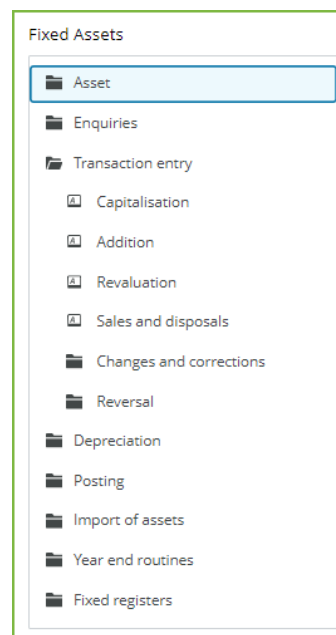
### Additions and Revaluation

A standard process is provided to update the asset with the fair market value or insert an addition to the asset value. After selecting the correct asset and entering the new values, this process is run to generate the associative journal entries into the Asset ledger and the General Ledger.

### Extra depreciation

The solution allows you to process unplanned depreciation, for example, when the asset is damaged.

The solution provides the “Asset Extraordinary Depreciation” as a reference to this process. Although it can be run separately from regular depreciation; the way costs are posted in the ledgers is the same as for the planned depreciation. It also enables manual posting of extra depreciation.



*Figure 6 - Asset transactions*

## Sales and Disposal

There are two scenarios in which you may dispose of an asset. The first situation (disposal) arises when you eliminate the asset with no payment in return. The second scenario occurs when an asset is sold, and you receive cash in exchange for the fixed asset you are selling. These two scenarios are supported in the solution by a standard Sales and Disposal process.

Figure 7 - Sales and Disposals

## Asset Reversal

Occasionally asset transactions may be entered improperly into the system or applied to the wrong Asset ID. Consequently, this will create errors in the depreciation calculation and corresponding accounting entries. The solution provides you with an asset reversal process to select the correct asset and reverse the accounting entries.

## Changes and Corrections

### Transfer

The solution allows organizations to transfer the full value, or part of the existing asset value, to a new or existing asset. The asset to which you are transferring value may be linked to a different group from the original. If transferring value to a new asset, there is no need to first create this new asset. The solution supports the creation of the new asset by simply entering its name within the transfer process.

When transferring an asset, all other balances (e.g. accumulated depreciation, index-based revaluations) are also transferred. When transferring a part of the asset value, the indicated percentage to transfer is used to transfer these balances pro ratio.

### Regroup

The solution provides the ability to move an asset from one asset group to another. Here are a few of the scenarios when this might be necessary:

- Assets are registered in the wrong asset group
- Assets must be reclassified due to internal changes
- Changes in legislation require that assets are reclassified

The regroup process supports all necessary procedures when the asset is moved to the new asset group: all balance amounts are moved from the original asset group to the new asset group.

### Year-end process

The solution provides an automated process to update the Depreciation base at the end of a financial year for year-end reporting on fixed assets.

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