Inventory Manual

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Uniform Accounting Network – Inventory Manual

Uniform Accounting Network - Inventory Manual

Introduction
Using This Manual

Parts of the Manual

Overview

Welcome to the Uniform Accounting Network program. This manual is a reference guide for the UAN Inventory Software, a component of the Uniform Accounting Network. The Inventory program is designed to assist in the task of tracking and maintaining the inventory records of a local government.

This manual contains procedures for the operation of the UAN Inventory Software, and the structure of the manual has been designed to guide you through each application of the Inventory system. The manual has been divided into four main parts: **Assets**, **Reports**, **Maintenance,** and **Appendices**. The order of the parts and the chapters within each part follow the layout of the menu options in the software.

Part 1 - Assets

> Part 1 of the UAN Inventory Manual consists of Chapter 1 which contains a section for each application listed in the Assets option of the UAN Inventory Software. These applications include Acquisition, Warranty, Maintenance, Debt Management, Depreciation and Disposal.

Part 2 - Reports

> Part 2 of the UAN Inventory Manual contains a chapter for each report grouping listed on the Report menu of the UAN Inventory Software. These include the Information Reports and Maintenance Reports. Descriptions of the various information, status and summary reports that can be generated by the software are included in these chapters.

Part 3 - Maintenance

> Part 3 of the UAN Inventory Manual contains a chapter for each application located on the Maintenance menu of the UAN Inventory Software. These applications include Departments, Insurance and Vendors.

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Part 4 - Appendices

Part 4 of the UAN Inventory Manual consists of Appendix A: Glossary. Additional appendices may be added later.

Part 1

Assets

Chapter 1 in this part of the manual includes topics on:

- **Acquisition**
- **Warranty**
- **Maintenance**
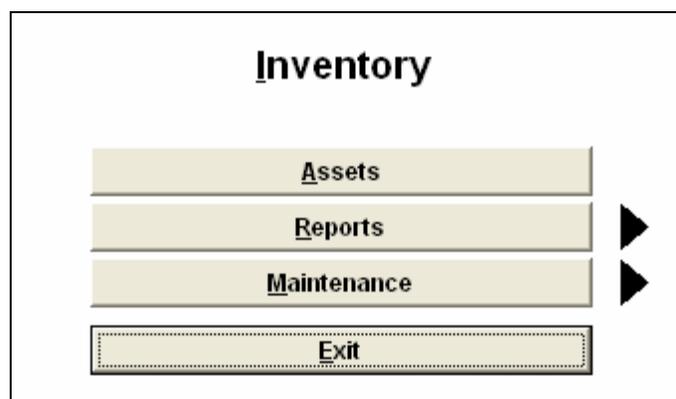- **Debt Management**
- **Depreciation**
- **Disposal**

Introduction
Part 1
Assets

The Inventory functions are accessible through the drop down menus across the top of the screen or by selecting the specific inventory options from the center screen menu as shown below.

Overview

Inventory is a system of methods, policies and procedures which address the acquisition, use, control, protection, maintenance and disposal of assets. Inventoried assets meet all of the following criteria:

1. It is tangible in nature.
2. It has an extended useful life, which the entity may identify as two or more years.
3. It is not a repair part or supply item.
4. It has a value greater than the capitalization threshold established by management or is considered to be an asset for which control (accountability) is desirable.

One of the first and most important decisions that must be made before an inventory system can be established, is the identification by management of the purposes that the inventory system's information will be expected to accomplish. These purposes may include insurable values, control and accountability, excess asset management, accounting for depreciation, debt security and preparation of capital and operating budgets.

Insurable Values
The UAN Inventory Software allows complete asset identification and valuation which may help management to prevent the local government from being over or under insured. Insurable Value can be tracked by using the Acquisition page under the Assets area of the software.

Introduction
Part 1

Assets

Control and Accountability

The UAN Inventory Software can track and maintain records regarding the location, responsible party and condition of the public property. The software permits loss, theft or damage to property to be identified by a comparison of the assets on hand and their present condition to the information found in the asset records. Control and accountability can be tracked by using the Acquisition page under the Assets area of the software.

Maintenance Scheduling and Cost Analysis

The UAN Inventory Software can be used to maintain records regarding the maintenance costs and the frequency of repairs, major overhauls or replacements. By budgeting time and money for maintaining assets, the governmental entity may move from emergency maintenance to preventive maintenance. Maintenance Scheduling and Cost Analysis can be tracked by using the Maintenance page under the Assets area of the software.

Excess Asset Management

The UAN Inventory Software can identify assets as "not in use" and those assets that can be scrapped, salvaged, sold, or shifted to other departments. Reports can be generated which list the excess asset(s) which can be compared to the capital budget, purchase orders or requisitions to save on unnecessary purchases. Excess Asset Management can be tracked by using the Disposal page under the Assets area of the software.

Accounting for Depreciation

The UAN Inventory Software can calculate depreciation expense on assets. This feature will benefit those local governments who wish to prepare financial statements in conformity with generally accepted accounting principles (GAAP) for example comprehensive annual financial report (CAFR) and/or governmental grants which allow depreciation as a reimbursable cost. Accounting for Depreciation can be tracked by using Depreciation page under the Assets area of the software.

Preparation of Capital and Operating Budgets

The UAN Inventory Software can record information regarding an asset condition, scheduled maintenance, useful life and repair costs. The information can be used by management to prepare long-term capital budgets, make informed repair or replacement decisions and generated reasonable estimates of repair and maintenance costs for the current operation budget. Preparation of Capital and Operating Budgets can be tracked by using Warranty page under the Assets area of the software.

Introduction
Part 1

Assets

Debt Management

The UAN Inventory Software can be used to record debt incurred when acquiring assets. This information can be useful in being able to prepare a long-term capital budget. Management can use the information to identify both long and short term financing needs and to prepare to meet those needs. This feature will also benefit those local governments who wish to prepare financial statements in conformity with generally accepted accounting principles (GAAP) for example comprehensive annual financial report (CAFR). Debt Management can be tracked by using the Debt Management page under the Assets area of the software.

The methods, policies and procedures selected by the governmental entity's management determine the information that must be maintained within the inventory system, and should be determined before a system is implemented. This is because the data to be developed will differ depending on the use or purposes selected; if the uses or purposes were to be identified after the data gathering process has been completed, the data may prove to be insufficient, thereby necessitating duplication of some of the work.

Inventory
Assets

Overview

The Record Assets application is the main area of the software and is where all asset information is maintained. This area consists of six pages of asset information which are Acquisition, Warranty, Maintenance, Debt Management, Depreciation and Disposal. When an asset is initially recorded in the system, the required fields of the Acquisition page must be completed. Any additional information about the asset can be entered on the Acquisition page and the other five asset pages. Once the asset has been recorded in the system by selecting the Process button, asset information can be added or modified by accessing the asset number under the Edit function.

On the following pages of this chapter, each page of the Record Asset area will be depicted and explained separately. However again, when an asset is first entered in the system, information can be entered on any of the six asset pages before selecting the Process button needs to be selected to save the new asset's information.

Inventory
Assets
Acquisition

Overview

The Acquisition page is used to record how an asset was obtained (e.g. by purchase, loan, grant, donation or lease). Asset numbers are assigned to ensure specific assets can be identified and the description of the asset clarifies the asset's purpose or use. Each asset is also assigned to a specific department, and each department is responsible for the asset's location, condition and safekeeping. Valuing assets should be recorded at cost. If the cost is not determinable, then they should be recorded at the estimated cost. Donated assets should be recorded at their estimated fair market value at the time they are received. The cost of the asset includes the purchase price, freight and handling charges, insurance on the asset while in transit, cost of special foundations if required, assembling, installation and costs of conducting trial runs. Costs thus include all expenditures incurred in acquiring the machinery or equipment and preparing it for use plus the market value of any trade-ins or exchanges. Sources of acquisition cost include vendor invoices, vouchers, cancelled checks and purchase contracts.

Inventory
Assets

Acquisition

Steps to Access

Select **Inventory**.
Select **Assets**.
Select the **Record** button.
Select the **Acquisition** tab.

Data Entry

Required Fields
1. Asset Number
2. Description
3. Department

Optional Fields
1. Quantity
2. Unit
3. Unit Price
4. Location
5. Serial Number
6. Model Number
7. Acquisition Date (The date can be entered or selected from the built in calendar by clicking on the down arrow beside the field. If the date is not known, place a ☑ to select the date as **Unknown**.)
8. Vendor
9. Warrant
10. PO (Purchase Order)/BC (Blanket Certificate)
11. Classification
12. Insurance - Detail or Lease (Assets covered under a separate insurance policy, not an umbrella policy, should have the 'Detail' box checked. Assets that are leased should have 'Lease' box checked. This information is included on the Asset reports which can be used to submit information to an insurance company.)
13. Comments

Inventory
Assets

Acquisition

Data Validation

The system will validate the data entered on the screen based on the following data validation rules:

Asset numbers can only be used once.

The suggested asset number may be replaced with any other number desired.

If an asset number already exists, the system will default to the next available asset number.

The department cannot be manually entered in the department field when recording the asset. It must be set up in the maintenance area before it is available under the assets area.

Example 1-A

The following is an example of entering asset information on the **Acquisition** page:

Inventory
Assets
Warranty

Overview

The Warranty page is used to enter the contract or promise by manufacturer or seller (the vendor) to correct problems with an asset for a specified period of time.

Data Entry

Required Fields – none

Optional Fields
1. Coverage Period
2. Extent of Coverage
3. Service Vendor
4. Comments

Inventory
Assets
Warranty

Data Validation

The system will validate the data entered on the screen based on the following data validation rule:

The acquisition page's asset number, description and department have been entered.

The acquisition date is pulled from the acquisition page. 'Unknown' will be grayed out if an acquisition date has been entered.

Example 1-B

The following is an example of entering asset information on the **Warranty** page:

Inventory
Assets
Maintenance

Overview

The Maintenance page is used to enter the costs and information that have been incurred on an asset. This can range from ordinary repairs and maintenance to significant additions. Accountants for the most part have adopted the position that costs incurred to achieve greater future benefit should be capitalized, whereas expenditures that simply maintain a given level of service should be expensed. The distinction between a capital expenditure and an expense is not always quickly determinable.

Generally, the major types of expenditures incurred relative to existing assets are:
1. Additions – Increase or extension of existing assets. Any additions to assets are capitalized because a new asset has been created that increases the ability to provide service.

Inventory
Assets

Maintenance

2.   Improvements and Replacements – Substitution of a better asset for the one currently used. A replacement is the substitution of a similar asset for the one being used. If the expenditure increases the future service potential of the asset, it should be capitalized. If the expenditure maintains the existing level of service, it should be expensed as a normal repair.

3.   Repairs – Expenditures that maintain assets in condition for operation. Replacement of minor parts, lubricating and adjusting of equipment, repainting and cleaning are examples of the type of maintenance charges that occur regularly and are treated as expenses.

Expenditures will be recorded under the Maintenance page.

Capitalized items will be recorded under Acquisition page. The quantity, unit or unit price will need to be edited.

This page also contains function buttons that can be used to Add, Edit, or Delete maintenance records for an asset. The software will assign a service number to each transaction. For example, to add repair records for a vehicle in inventory, the steps below would be followed:

1. Select Assets from the Inventory menu.
2. Select the Edit function button.
3. Select the Maintenance page.
4. Select the Asset Number.
5. Select the Add function button on the Maintenance page.

Data Entry

Required Fields - none

Optional Fields
1.   Extent of Service
2.   Next Appointment
3.   Current Condition
4.   Maintenance/Repair Date
5.   Maintenance/Repair Covered by Warranty (Place a ☑ to select as 'Yes'.)
6.   Maintenance/Repair Description
7.   Vendor

Inventory
Assets

Maintenance

8.   Maintenance/Repair Cost
9.   Warrant
10.   PO/BC Number
11.   Parts Warranty Information
12.   Comments

Data Validation

The system will validate the data entered on the screen based on the following data validation rules:

The acquisition page's asset number, description and department have been entered.

A service number is automatically assigned to each maintenance transaction.

Example 1-C

The following is an example of entering asset information on the **Maintenance** page:

Inventory
Assets

Debt Management

Overview

The Debt Management page is used to enter and track money owed to a creditor. The data entered in the fields comes from information the creditor has provided.

Data Entry

Required Fields - none

Optional Fields
1.   Beginning Loan Balance
2.   Effective Interest Rate
3.   Cash Payment
4.   Payee

Inventory
Assets

Debt Management

5.   Beginning Loan Date
6.   1st Payment Date
7.   Number of Years
8.   Payments Schedule
9.   Comments

Data Validation

The system will validate the data entered on the screen based on the following data validation rules:

The acquisition page's asset number, description and department have been entered.

The grid will calculate the interest expense and amortization amount after data is entered in the optional fields.

Example 1-D

The following is an example of entering asset information on the **Debt Management** page:

Inventory
Assets
Depreciation

Overview

The Depreciation page is used to enter the decline in an asset's service potential. The usefulness of most assets, other than land, declines over time and some type of decrease or write-off of cost is needed to indicate that the usefulness of an asset has declined. Depreciation is not a matter of valuation but a means of cost allocation. Assets are not depreciated on the basis of a decline in their fair market value, but on the basis of systematic charges of cost to income. The UAN Inventory Software calculates depreciation using the straight line method. The estimated salvage value and estimated life must be determined by the local government.

Inventory
Assets

Depreciation

Data Entry

Required Fields - none

Optional Fields
1.   Estimated Salvage Value
2.   Estimated Life (Years)
3.   Comments

Data Validation

The system will validate the data entered on the screen based on the following data validation rules:

The acquisition page's asset number, description and department have been entered.

The grid will calculate the depreciation amount and net book value after data is entered in the optional fields.

The acquisition date is pulled in from the Acquisition page. If the date needs to be edited, it must be changed on the Acquisition page.

The purchase price is the total amount from the Acquisition page. If the Purchase Price is not correct, it must be edited on the Acquisition page.

The acquisition date is pulled from the acquisition page. 'Unknown' will be grayed out if a acquisition date has been entered.

$$\text{Straight Line Depreciation} = \frac{\text{Acquisition Cost} - \text{Estimated Salvage Value}}{\text{Expected Life}}$$

Inventory
Assets

Depreciation

Example 1-E

The following is an example of entering asset information on the **Depreciation** page:

Inventory
Assets
Disposal

Overview

The Disposal page is used to enter how an asset has been removed from the local government's inventory. Assets may be donated as gifts, retired voluntarily, or disposed of by sale, exchange, obsolescence or theft. Regardless of the time of disposal, depreciation expense for assets should be taken up to the date of disposition and all amounts related to the retired asset should be removed from the accounts. Ideally the net book value of the asset would be equal to its salvage value. However, this is generally not the case, and a resulting monetary gain or loss occurs. The replacement cost, estimated salvage value and net book value must be determined by the local government.

Inventory
Assets

Disposal

Data Entry

Required Fields - none

Optional Fields
1.   Item Status
2.   Resolution/Approved By
3.   Replacement Cost
4.   Replacement Date
5.   Disposal Date
6.   Net Book Value
7.   Sold For
8.   Disposal/Transfer to Name
9.   Address
10.   City, State, Zip
11.   Contact
12.   Telephone, Extension, Fax
13.   Disposal Type
14.   Comments

Data Validation

The system will validate the data entered on the screen based on the following data validation rules:

The Acquisition page's asset Number, description and department have been entered.

If the net book value is greater than the estimated salvage value, there is a gain.

If the net book value is less than the estimated salvage value, there is a loss.

Inventory
Assets
Disposal

Example 1-F

The following is an example of entering asset information on the **Disposal** page:

Part 2

Reports

The chapters in this part of the manual are:

- **Chapter 2: Information Reports**

- **Chapter 3: Maintenance Reports**

Inventory Reports
Information Reports

Overview

The Information Reports area of the Inventory software contains all of the reports that provide detailed information on assets.
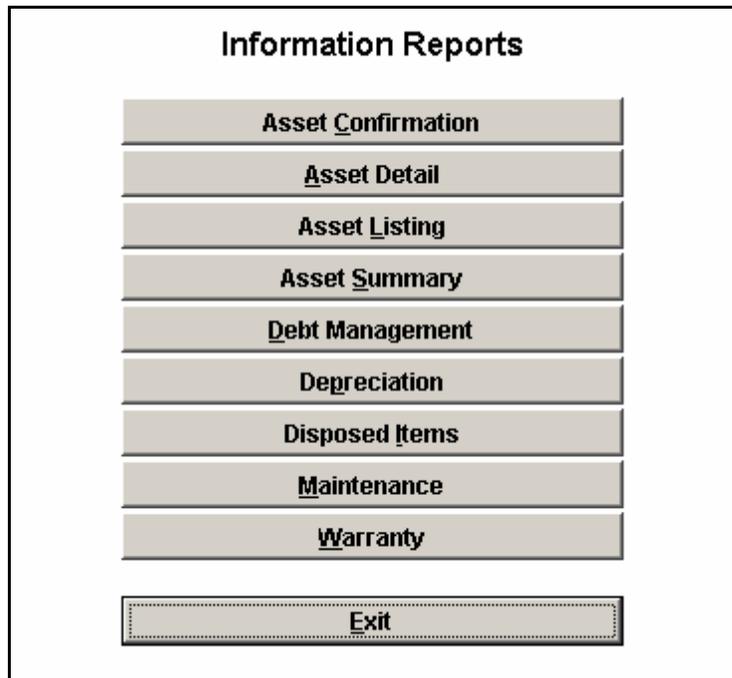
Asset Confirmation

The Asset Confirmation report provides a listing of all assets. It lists the asset description, number, quantity, department, model number, serial number and location. The main purpose of this report is for doing manual inventory checks. There is a blank space next to all inventory items so they can be marked off as they are checked. This report can be used to compare the inventory data on record the actual inventory and to check for accuracy. This report can be sorted by asset number, description, department, location, model number or serial number.

Inventory Reports
Information Reports

Asset Detail

The Asset Detail report provides detailed information about the assets set up in the system. Information provided by the report includes the asset number, description, department, acquisition date, location, model number, serial number and status (active or inactive). Optional information that can be selected to print includes price information, classification and comments. This report can be sorted by asset number, description, department, acquisition date, location, model number or serial number.

Asset Listing

The Asset Listing provides the same information as the Asset Detail report. However, the Asset Listing also includes the value of the asset.

Assets Summary

The Asset Summary report provides a listing of all inventory assets and includes the total value of all assets listed. Information provided by the report includes asset number, description, department, quantity, acquisition date, location, model number, serial number and total value. This report can be sorted by asset number, department or description, acquisition date, location, model number or serial number.

Debt Management

The Debt Management report provides information on loans obtained for the purchase of assets in inventory. The report lists important details of the loan such as beginning loan balance, effective interest rate, cash payment amounts, beginning loan date, number of years of the loan and number of payments made per year. The report also provides a payment table for the loans. This table breaks the payments down into interest and principal portions. The report can be sorted by asset number, department or description.

Inventory Reports
Information Reports

Depreciation

The Depreciation report provides information on depreciable assets. Information provided by the report includes asset number, department, acquisition date, purchase price, estimated salvage value and estimated life. The report also provides a table which breaks down the depreciation amount per year and gives the ending book value. This report can be sorted by asset number, department or description.

Disposed Items

The Disposed Items report provides a listing of all assets designated as a disposed item under the assets area. The report includes asset information such as department, description, asset number, serial number, model number, location and date of disposal. Purchase information such as quantity, unit price, vendor and total cost are also included. This report can be sorted by asset number, department, disposal date, disposal type or description. (Some examples of disposal types include auction, salvage, theft or obsolescence.)

Maintenance

The Maintenance report provides information on all maintenance and repair work done on assets. Information provided by the report includes asset number, department, maintenance/repair date, maintenance/repair description, maintenance/repair cost, warrant number used, PO/BC number used, extent of service, current asset condition and next appointment date. This report can be sorted by asset number, department or description.

Warranty

The Warranty report provides details on warranty information recorded for assets. Information provided by the report includes asset number, description, department, warrant number used, PO/BC number used, acquisition date, coverage period, extent of coverage and service vendor. This report may be sorted by asset number, department or description.

Inventory Reports
Maintenance Reports

Overview

The Maintenance Reports area of the Inventory software contains all of the reports that provide information on the data retained in the Maintenance area of the inventory software.
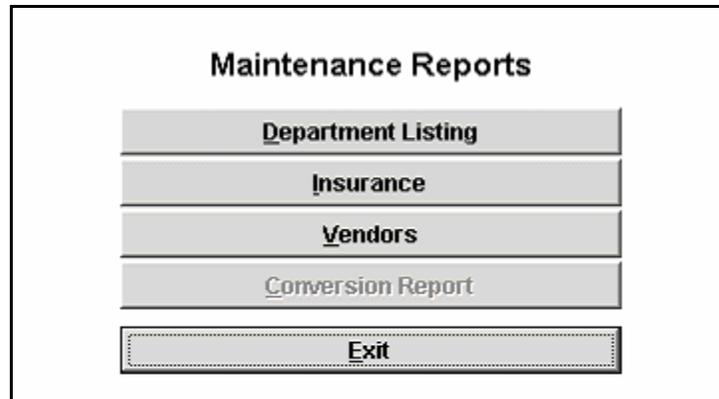
Department Listing

The Department Listing is a report of all departments entered in the maintenance area of the Inventory system. The report list the department Id, department name, and the report can be sorted by department Id or department name as well.

Insurance

The Insurance report provides a detailed listing of all insurance policies for the assets in inventory. This report includes the agent and company's name, address, phone number, fax number and email. The report also lists the policy number, coverage, insured value, deductible, insured loss, premium amount and premium due date. This report can be sorted by the name of the insurance company or insurance agent.

Vendors

The Vendors report provides a listing of all vendors set up in the system. The Vendors report can be printed out in a listing format or in an information format. The listing format is a simple list of vendor name and vendor number. The information format reports the vendor name, vendor number, address, contact, phone number and fax number. Both of these reports can be sorted by vendor name or vendor number.

Part 3

Maintenance

The chapters in this part of the manual are:

- **Chapter 4: Departments**

- **Chapter 5: Insurance**

- **Chapter 6: Vendors**

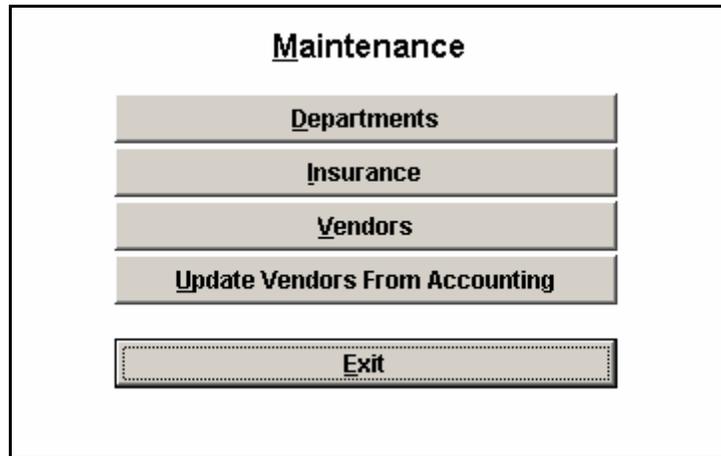- **Chapter 7: Update Vendors From Accounting**

Introduction
Part 3
Maintenance

Overview

The Maintenance functions are accessible through the drop down menus across the top of the screen or by selecting the specific maintenance options from the center screen menu as shown below.

In selecting Departments, Insurance, Vendors Maintenance or Update Vendors From Accounting there are four main buttons to select from: **Record, Edit, Delete, or Display**.

> **Record** is the function to use when entering a new item, such as a new asset into the system. The Record function is further explained at the beginning of each chapter and includes the instructions for this function.
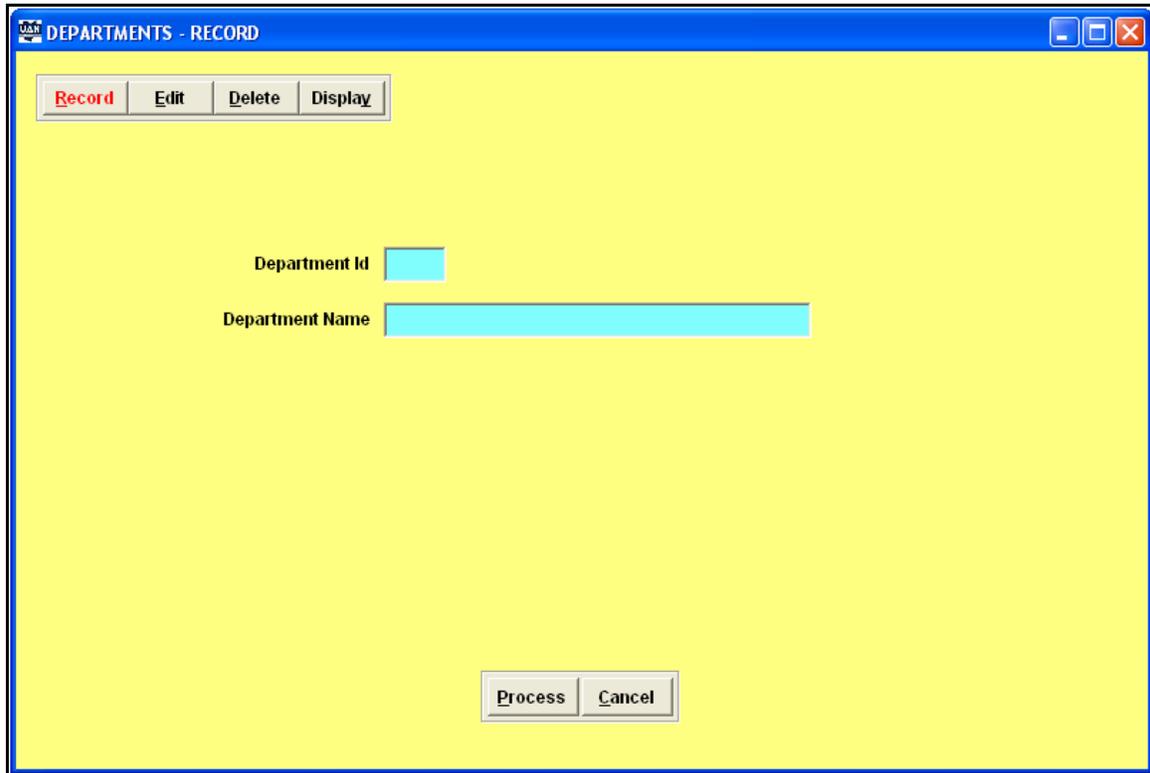>
> **Edit** is the function to use when modifying or correcting any recorded information. There are certain limitations that may apply to selected maintenance areas.
>
> **Delete** is the function that is used to delete entries no longer used or recorded erroneously.
>
> **Display** is the function that is used to view all the entries that were set up in the Record option.

Inventory Maintenance
Departments
Record Departments

Overview

The Record Departments application allows departments to be created so assets can be designated to specific areas of the local government. Department ID's must be established prior to setting up assets under the Assets menu of the software.

Steps to Access

Select **Inventory**.
Select **Maintenance**.
Select **Department**.
Select the **Record** button.

Inventory Maintenance
Departments
Record Departments

Data Entry

Required Fields
1.   Department ID
2.   Department Name

      Note: The characters can be alpha or numeric, or a combination of both alpha and numeric.

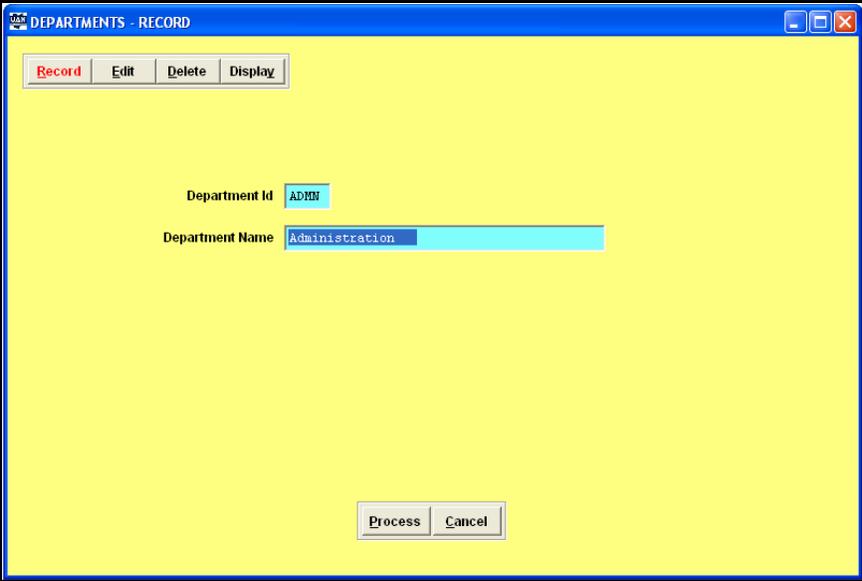| Data Validation |
| :---: |

The system will validate the data entered on the screen based on the following data validation rules:

> *The department Id must be unique. The system will display a message stating that the department Id already exists.*

Example 4-A

The following is an example of recording a department:

Inventory Maintenance
Insurance
Record Insurance

Overview

The Record Insurance application allows frequently used insurance agencies to be setup in the system.

Steps to Access

Select **Inventory**.
Select **Maintenance**.
Select **Insurance**.
Select the **Record** button.

Inventory Maintenance
Insurance

Record Insurance

Data Entry

Required Fields
1.   Insurance Company

Optional Fields
1.   Insurance Company's
             Address
             City, State, Zip
             Contact
             Telephone, Extension, Fax
             Email Address
2.   Agent Name's
             Address
             City, State, Zip
             Contact
             Telephone, Extension, Fax
             Email Address
3.   Comments
4.   Policy Number
5.   Coverage
6.   Insured Value
7.   Deductible
8.   Premium Amount
9.   Premium Due Date
10.   Insured Loss

Data Validation

The system will validate the data entered on the screen based on the following data validation rule:

> *If the insurance company already exists, the system will display a message stating the insurance company name already exists.*

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Inventory Maintenance
Insurance

Record Insurance

Example 5-A

The following is an example of recording an insurance company:

Inventory Maintenance
Vendors
Record Vendors

Overview

The Record Vendors application allows additional vendors to be setup. Once the vendor name and information is recorded it is available in the Asset area of the software. Two addresses may be set up for a vendor if needed. A search box can be utilized as a quick reference to search for vendors, alphabetically by name or numerically.

Steps to Access

Select **Inventory**.
Select **Maintenance**.
Select **Vendors**.
Select the **Record** button.

Inventory Maintenance
Vendors

Record Vendors

Data Entry

Required Fields
1.   Vendor Number
2.   Vendor Name

Optional Fields
1.   Address 1 and/or Address 2
        City, State, Zip
        Contact
        Phone, Extension, Fax
        Email Address

Data Validation

The system will validate the data entered on the screen based on the following data validation rules:

Vendor number must be numeric.

The system will display the next unused vendor number for suggested use.

The suggested vendor number may be replaced with any other number desired.

If a vendor number already exists, an error message is displayed.

Inventory Maintenance
Vendors

Record Vendors

Example 6-A

The following is an example of recording a vendor:

Inventory Maintenance
Update Vendors From Accounting

Overview

All of the vendors that are entered in the UAN Accounting Software are automatically available in the Inventory program. If new vendors are added in the Accounting software, the Update Vendors From Accounting application can be used to add the new vendors to the Inventory software. This application eliminates duplicate entries of vendor information that already exists elsewhere in the UAN system.

Steps to Access

Select **Inventory.**
Select **Maintenance.**
Select **Update Vendors From Accounting.**

Inventory Maintenance
Update Vendors From Accounting

Data Entry

Select the Accounting Vendors to add by placing a ☑ next to the vendor numbers. The **Select All** function button can be used to select all if all the vendors in the list are to be added.

Data Validation

The system will validate the data entered on the screen based on the following data validation rule:

> *Any vendor number that already exist in the vendors area of the Inventory system will not appear on the Update Vendors From Accounting screen and be available to added.*

Example 7-A

The following is an example of selecting Accounting vendors to add to Inventory:

Select	Vendor Number	Name
☑	1	SBC
☑	2	John Brown
☑	3	Asphalt Materials
☑	4	First Bank of Ohio
☑	5	Avery Products
☑	6	Pat M. Clark
☑	7	Western Electric
☑	8	Mays Landscaping
☑	9	Treasurer State of Ohio
☑	10	Nearby Fire Service
☑	11	UAN Township
☑	12	ABC Phone Co.
☑	13	BEST BUY
☑	14	WALMART
☑	15	ESPN
☑	16	KROGER
☑	17	GIANT EAGLE
☑	18	RADIO SHACK

Select All   Clear All

Process   Cancel

Part 4

Appendices

The appendix in this part of the manual is:

- **Appendix A: Glossary**

Appendix A
Glossary

ACCUMULATED DEPRECIATION - The total amount of depreciation that has been recorded for an asset as of any give time.

ACQUISITION - Obtaining an asset by purchase, lease or loan.

ACQUISITION COST - (See Historical Cost) The purchase price plus all cost necessary to ready an asset for use.

ACQUISITION DATE - The date an asset is acquired (actual or estimated) and becomes available for use.

AMORTIZATION AMOUNT - The recording of cost such as interest over a period of time.

ASSET - Economic resource controlled by an entity.

ASSET NUMBER - The unique number assigned to a particular asset.

BOOK VALUE - Historical cost less the recognized accumulated depreciation.

CLASSIFICATION - Generic category for classifying or grouping assets.

CONTROLLED ASSET - Property that does not meet the capitalization threshold criteria but is inventoried and controlled because of its sensitive, portable and/or theft-prone nature.

COST - The cash price, or its equivalent, plus all other costs necessary to place the asset in its intended location and condition for use.

DEDUCTIBLE - The amount that must be paid upon the loss or damage of an asset before insurance will initiate the payment process.

DEPARTMENT - The department that uses and is responsible for a specific asset.

DEPRECIATION AMOUNT - The portion of the cost of a tangible asset (other than land) recognized as expense for each period.

DEPRECIATION METHOD - The standardized calculations required to determine periodic depreciation for various patterns of decline in the service potential of assets e.g. straight-line depreciation.

Appendix A
Glossary

DISPOSAL - The means of selling or disposing of property.

DISPOSAL DATE - The date the asset is sold or disposed.

DISPOSAL TYPE - How the asset was disposed of e.g. sale, salvage…etc.

DISPOSAL VALUE - See estimated salvage value.

EFFECTIVE INTEREST RATE - The true interest-rate cost of borrowing money expressed as a percentage. The effective rate on a loan includes fees, points and other charges that you pay when you close the loan. The effective rate is higher than the interest rate stipulated in the note.

ESTIMATED LIFE - The period of time over which an entity anticipates deriving benefit form the use of an asset.

ESTIMATED SALVAGE VALUE - The value that an entity expects to recover on retiring a particular asset upon disposal.

EXPENSE - The outflow or other using up of assets by an entity.

FAIR MARKET VALUE - Fair value that an asset may be worth.

FIXED ASSET - Any object tangible in nature, having a life longer than one year, not considered a repair part or supply item and either having a value greater than the capitalization threshold or being considered a controlled asset.

GAIN - At the time of the assets disposal, the asset's book value is less than the disposal value.

HISTORICAL COST - Cost of an asset.

INFRASTRUCTURE - Also known as "public domain" fixed assets. Assets that are normally immovable and are of value only to the governmental unit.

INSURED LOSS - See your insurance agent for guidance.

INSURED VALUE - See your insurance agent for guidance.

INTEREST EXPENSE - Cost paid for the use of money.

Appendix A Glossary

INTEREST RATE - Interest rate stipulated in the loan note.

LIABILITIES - Probable future sacrifices of economic benefits (e.g. debts owed to creditors).

LOSS - At the time of the assets disposal, the asset's book value is greater than the disposal value.

MARKET VALUE - The amount of cash that could be obtained by selling an asset in an orderly liquidation.

NET BOOK VALUE - The amount at which an item is currently carried in the accounting records. Book value is the original cost less accumulated depreciation.

ORIGINAL COST - Cost of property at date constructed or installed.

REPLACEMENT COST - The cost, usually determined by independent appraisal, to replace an asset with one of equal usefulness. Usually used for budgeting the replacement of an asset. In some cases, replacement cost and reproduction cost new will be the same.

RESIDUAL VALUE - See Estimated Salvage Value.

SOURCE DOCUMENTS - Those internally or externally prepared documents that describe a transaction and the monetary amount it involves.

STRAIGHT-LINE DEPRECIATION - The depreciation method that allocates an equal amount of an asset's cost to each year of the asset's expected life.

$$\text{Straight Line Depreciation} = \frac{\text{Acquisition Cost - Estimated Salvage Value}}{\text{Expected Life}}$$

SURPLUS ASSET - An asset that is not currently in use but is still retained by the entity.

TAGGING - Placing identifying information physically on an asset.

WARRANTY - It's a contract or promise by manufacturer or seller (the vendor) to correct problems with an asset for a specified period of time.