



ASSET ACCURACY COUNTS:

**COMMON MISTAKES TO AVOID
& BEST PRACTICES TO CONSIDER**

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WHY DO YOU NEED ACCURATE ASSET INFORMATION?

In our personal lives, it's unheard of to not know what you do or do not own. Can you imagine going to the store to buy an expensive coffee maker to realize you have the same exact appliance hiding in your kitchen cabinet?

Many people also neglect to find the true value of their assets - What if you sold an old vase at a yard sale for a dollar and later saw the same one valued at \$10,000 on Antiques Roadshow?

While this type of scenario is frustrating for an individual, it could be significantly more serious for a manufacturer.

These situations lead to this question: How important is accurate asset information and how do you obtain it?

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IGNORANCE IS DANGEROUS

Plant, Property and Equipment (PPE) is usually the largest line item on most manufacturers' balance sheets—sometimes representing billions of dollars. Despite the significance of these investments, many companies do a poor job of tracking such assets. A 2014 press release revealed that the average company's asset register was only 40% accurate. Another 40-50% of assets exist, but are so inadequately described it makes it impossible to prove their true standing. The remaining 10-20% of assets are well described, but cannot be found, indicating they no longer exist.

It's critical to be unaware of the location or value of your capital assets. It leads to inadequate decisions, including purchasing unneeded assets, incurring unnecessary storage and maintenance fees and paying taxes on assets you don't own. Asset ignorance can also result in material misstatement of the company's financial status and regulatory noncompliance.

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TOP 3 MISTAKES THAT LEAD TO INACCURATE ASSET DATA

Knowing the common risks can help you avoid similar mistakes at times:

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one

Using Inconsistent Data Systems and Formats

Often, finance and engineering departments use different asset tracking systems, record different levels of asset detail and use different terminology. This causes uncertainty and leads to inaccuracies in the asset register.

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two

Failing to Record Asset State

When companies redeploy, relocate, remove for repair or retire assets, they often forget to communicate with accounting. As a result, the register becomes inaccurate and the company may continue paying taxes and maintenance contracts on assets that are no longer there.

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three

Failing to Merge Old Systems into New Systems and Upgrades

During a merger/acquisition, restructuring or even an enterprise software upgrade, companies often postpone the laborious task of integrating differences between the legacy and updated systems. Over time, this creates an excess of inconsistencies that can result in substantial errors.

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3 KEYS TO A SUCCESSFUL AND ACCURATE ASSET INVENTORY

Ensure that your chosen vendor has the necessary technologies and processes to achieve the highest levels of accuracy.

When considering which vendor is best for your organization and its needs, it would be important that they show up to your facility with the proper tools to complete the job as well as a proven methodology for success. Your chosen vendor should have access to the latest asset recording technologies, and should practice the most recent inventory and asset reconciliation techniques for your project.

There are some things to look for while choosing the right vendor for you:

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Handheld Asset Information Recorder

The onsite personnel for the inventory company are equipped with the latest handheld data recording equipment. This equipment allows them to accurately record asset information into a database where it is then entered into a quality control process.

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Established Quality Control System

Once the vendor has collected all of your asset information, how do they test and review their work? Some companies today have a Quality Control System in place that automatically scans the collected asset information for the following:

- » Standard naming conventions for descriptions
- » Model types
- » Manufacturer information
- » Correct length of serial numbers
- » Correct combination of alpha and numeric characters of a serial number
- » Detect duplicate unique identifiers

Ensure your chosen vendor has the necessary industry expertise to efficiently and professionally conduct your inventory project.

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Established Quality Control System Factors

It is likely that you would not want to hire the company with minimal experience to handle your inventory project. Inexperienced companies can potentially make mistakes that could cost you more money than if you chose an experienced vendor. When considering the relative experience of your selected vendor, it would be practical to consider the following factors before making your final decision:

- » The number of similar projects completed within the last three years
- » The industries of successfully completed projects
- » The number of different geographic regions of successfully completed projects
- » Any professional accreditations or awards they have earned
- » Proven project management capabilities and technological expertise in collecting data in a corporate operating environment, with limited disruption and maximum efficiency

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ASSET VALUES

After having a vendor professionally inventory all of your assets, you are now aware of your company's possessions.

The question now: How much is everything worth?

This matter can be more difficult to answer than you think. An obvious solution is to hire a vendor capable of performing an appraisal service at your facility, preferably the same vendor who performed your asset inventory. However, there are some factors that need to be considered when choosing the appropriate vendor to perform your asset appraisal:

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Appraisal Companies Have Limited Visibility and Market Knowledge

Most appraisal companies lack the necessary market visibility, which prohibits them from gathering accurate data to confirm their asset values against. Without knowing what the particular asset is currently worth in the global market and who the current potential customers are, it is impossible to provide your organization with the accurate value of its assets. This kind of inaccuracy can lead to asset register issues in the future.

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Appraisal Companies Only See Results from Certain Channels

Each appraisal company is different, but primarily these companies only look to a few information channels to gather the data on which they base their appraisal reports. They use only one or two traditional channels such as auctions, scrap, negotiated-sales and/or redeployment. As a result, you may not get the full picture regarding the true value of your assets. The appraisal values may be significantly higher or lower than the actual worth of your assets.

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WHAT DOES THIS ALL MEAN FOR YOU?

When selecting the vendor to perform your appraisal, you will want to choose the company who meets or surpasses all of the previously listed qualifications.

If you select the right company, you have the potential to obtain the following benefits:

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With Accurate Information, You Can Make the Right Decisions

A lot of companies make high-level decisions without having accurate asset data available. Unfortunately, this may result in a waste of utilizing company resources and more.

When you obtain accurate asset inventory and value information, you empower yourself, enabling your company to strengthen its balance sheets, eliminate unnecessary costs and make strategic decisions that boost the company's overall profitability. This also ensures that companies' resources are not put to waste.

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Knowing the True Value of Your Assets, You May Use Them as Collateral for Financing.

When companies seek out financing from banks and investors, a major bargaining chip are the assets the companies own. The higher value the assets, the more leverage you have while bargaining with your potential financiers for their support.

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Accurate Information is Invaluable when Negotiating for New Assets or the Sale of Current Assets.

When engaged in negotiations for the sale or lease of your entire facility, having accurate asset information is a significant advantage to you – ultimately, it will add substantial value to your facility. This additional value can provide you significant leverage as you negotiate the sale or lease price with your potential customer. It is likely that the value of your equipment and your set price is less than what your potential customer would have to pay if they opt to purchase new equipment or purchase from the secondhand market.

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four

Accurate Asset Information Could Result in Significant Tax Savings

This is a clear benefit of having accurate, up-to-date asset information. If you were either overstating the quantity and/or value of your assets in the past, you probably paid a higher premium in property tax. With an accurate asset register, free of errors and omissions, you could save up to 50% on your property tax for the next fiscal year.

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CONCLUDING

Accurate asset management is essential for today's industries. A company must know which assets they own, the status of these assets and the fair market value of these assets. Asset Management companies, such as EquipNet, offer a number of asset management programs and services to allow companies to properly keep track of their assets.

EquipNet's extensive Asset Management tools include certified appraisals and valuations, auctions services, a customizable asset redeployment management system (ARMSTM), IT asset management, procurement options, project management teams, worldwide logistics services and much more. EquipNet's vision is to revolutionize the way companies manage their surplus assets. Through their corporate asset management program, an invaluable tool is offered that results in ideal asset management.

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