

FIXED ASSET PHYSICAL INVENTORY INSTRUCTIONS EXHIBIT B

1. Appoint an inventory supervisor or supervisors. This should not be the bookkeeper or data person.
2. The bookkeeper should control inventory tags, keeping record of all inventory tags given to the inventory supervisor.
3. The inventory supervisor should meet with all inventory takers to explain and distribute the written physical inventory procedures.
4. A map of the physical plant and assets should be distributed to all inventory takers so that they become familiar with the location of assets.
5. The physical inventory should be taken in phases by department or building.
6. The inventory supervisor should record all inventory tags given to inventory takers once the physical inventory begins.
7. The inventory takers should tag all assets meeting the physical inventory instruction criteria. The inventory takers are to record the pertinent information from the tag and asset on the fixed asset inventory and input form.
8. All fixed asset inventory and input forms and unused tags should be returned to the inventory supervisor once all assets in a department or building have been tagged.
9. The inventory supervisor should account for all tags at this point, ensuring that all tags were either placed on an asset or returned to him/her.
10. Once all tags have been accounted for, the inventory supervisor is to inspect the area inventoried and ensure all applicable assets have been tagged and tagged only once.
11. The inventory supervisor should take a sample of the fixed asset inventory and input forms and compare them to the assets to determine if the forms were filled out correctly. If problems are noted on several forms, the physical inventory should be explained again and the fixed asset inventory and input forms should all be reviewed.
12. Once the inventory supervisor is satisfied with the physical inventory of a department or building, the fixed asset inventory and input forms and any unused tags are to be turned into the bookkeeper.
13. The bookkeeper is to ensure that all tags were placed on an asset or returned to him/her. They do this by reviewing the numbers on all unused tags and all tag numbers noted on the fixed asset inventory and input forms.
14. The input forms are then ready for the bookkeeper to start assigning values to the assets.

15. Assigning Values

Once you complete the physical inventory, the next step is to assign values and lives to the fixed assets. This step can be the most difficult part of establishing a fixed asset accounting and reporting subsystem. To conform with GAAP, parishes should record fixed assets at actual or estimated historical cost, or for contributed assets, at fair market value on the acquisition date.

You can find or estimate historical cost data from a number of sources: vendor invoices, purchase orders, cancelled checks, vouchers, contracts, ledgers, inventory cards, maintenance records, annual and capital budgets, offering circulars, insurance policies, price lists, and independent appraisers. To develop the aggregate total fixed assets costs, you should prepare formal reconciliations between any existing fixed asset cost records and related cost data summaries.

If after all these efforts, you still lack historical cost information for some fixed assets, you can estimate original cost by relating current replacement costs to relevant price levels at the acquisition dates. Assume, for example, that historical cost information is unavailable for a nine year old building with a \$1,000,000 current replacement cost. By referring to appraisal manuals, which show indexes of price changes by asset class; e.g., 2.135 is the increase for a nine-year-old building, one can estimate (back trend) the building's original cost ($\$1,000,000 - 2.135 = \$468,384$ estimated historical cost).

As fixed assets are retired in the future, you will reduce any differences between the total actual and estimated costs. Your parish should also obtain replacement cost information for insurance values and capital budgeting. This information is available from current vendors' price lists independent appraisers, and published price-trend data for various asset classes.

16. Processing and Reporting Fixed Asset Information

To be useful, fixed asset information should in most cases be processed, updated, and reported -- preferably by mechanized equipment or computers. The first step is to establish a data base that will meet reporting requirements. GAAP suggests maintaining subsidiary records with the following information for individual general fixed assets:

- A. major asset class,
- B. function and activity,
- C. reference to acquisition source document,
- D. acquisition date,
- E. names and address of vendor,
- F. short description of asset,
- G. organization or department unit charged with custody,
- H. location,
- I. method of acquisition,
- J. date, method, and authorization of disposal.

To establish a data base you need to adopt a coding system to gather, measure and disseminate information. The information -- gathering forms and other documents -- should be based on this coding system. Exhibit A illustrates an inventory form that B-24 includes

a coding structure for data processing input requirements. The information is ready for data processing when the inventory takers have entered the information, others have completed the form; e.g., added valuation data, and reviewers have approved it. Well-designed documentation ensures that all information will be available to process transactions. It should incorporate appropriate approvals, controls, and audit trails.

In addition to the fixed asset inventory and input form, you need standardized forms or documentation for:

1. information on new acquisitions,
2. additions or adjustments to a previously recorded fixed asset,
3. transfer of an asset from one department to another,
4. all retirements.

Your data processing capability should then be able to generate useful reports from the data base. The content, format, and frequency of fixed asset reports should satisfy each department's information needs and your parish's reporting requirements. These reports may include:

1. fixed asset inventory classified in a variety of ways; e.g., organization, location, asset type, and age,
2. additions,
3. retirements,
4. adjustments,
5. transfers,
6. construction in progress,
7. excess property.

17. Maintaining the Subsystem

The final step in establishing a fixed asset accounting and reporting subsystem is to establish procedures that will keep it current. All previous efforts will quickly become useless unless you can update the information. After developing procedures and forms to process and report all acquisitions, adjustments, transfers, and retirements, you should integrate these changes into the accounting system. For example, when recording fixed asset expenditures in the appropriate plant funds, the system should also update the fixed assets subsystem's detailed records of plant fixed assets.

Current cost information for determining insurable and replacement values should be updated by applying a price-level index or other price-adjustment factor to previously determined values.

You should establish procedures to take periodic physical inventories of fixed assets, especially machinery and equipment. By establishing cycles for inventorying a portion of fixed assets each year, you can inventory all fixed assets over a planned period; e.g., three years. Physical inventories help you to ensure control over both the fixed asset records and the assets themselves.

Most importantly, your parish needs to prepare a detailed and comprehensive fixed asset accounting manual that documents the entire subsystem. It should include specifications and

illustrations of all fixed asset accounting policies, information flows, codes, forms, reports, and processing instructions. This manual, which should also describe the proper procedures for all transactions, is essential for a useful, current, and efficient subsystem.