

Addendum

The Asset Manager

Revelation for Windows

by Glen Pearce

1st Edition: 30th September 2009
2nd Edition: 28th October 2009
3rd Edition: 31st January 2010
4rd Edition: 11th July 2010

Copyright (c) 1988-2010 by Revelation Accounting Software. All Rights Reserved.

LICENCE

The Revelation Asset Manager Package (herein after referred to as "the Package") is protected by both South African Copyright law and International Treaty Provisions. Revelation Accounting Software authorises you to make backup copies of the Package for the sole purpose of protecting your investment.

The Package may be used by any number of people and may be freely moved from one computer location to another, provided there is no possibility of it being used by two different people in two different places at the same time (unless on the same Local Area Network) as this will constitute a violation of the Copyright Licence.

WARRANTY

With respect to the physical diskette and physical documentation enclosed herein, Revelation Accounting Software warrants the same to be free of defects in materials and workmanship for a period of 60 days from the date of purchase. In the event of notification within the warranty period of defects in material or workmanship, Revelation Accounting Software will replace the defective diskette or documentation. The remedy for breach of this warranty shall be limited to replacement and shall not encompass any other damages, including but not limited to loss of profit, and special, incidental, consequential, or other claims.

DISCLAIMER

Revelation Accounting Software specifically disclaims all other warranties, expressed or implied, including, but not limited to, implied warranties of merchantability and fitness for a particular purpose with respect to defects in the diskette and documentation, and the program license granted herein in particular, and without limiting operation of the program license with respect to any particular application, use, or purpose. In no event shall Revelation Accounting Software be liable for any loss of profit or any other commercial damage, including, but not limited to, special, incidental, consequential or other damages which may be incurred while using the Package. The Package is only sold on this understanding. Your purchase of this package implies your acceptance of this clause. If you do NOT accept this disclaimer, return this package to your Dealer within 60 days of purchase for a full refund.

All rights are reserved by Revelation Accounting Software. No part of this publication may be reproduced., transmitted, transcribed, stored in a retrieval system or translated into any language, in any form or by any means, electronic, mechanical, magnetic, chemical, manual or otherwise without prior written permission from Revelation Accounting Software.

Revelation Accounting Software reserves the right to revise this publication and to make changes to the Package from time to time without obligation of Revelation Accounting Software to notify any person of such revision or changes.

TRADEMARKS

IBM is a trademark of International Business Machines.

MsDos, Windows, Excel and Visual Basic are trademarks of Microsoft.

Novell and Netware are trademarks of Novell, Inc.

Revelation Asset Manager Overview

The Asset Manager is an AddOn module for use with the Revelation Accounting Software package.

It allows you to maintain a list of your Assets (vehicles, furniture, computers, etc) and track the value and depreciation of your assets at any given moment in time.

It is fully integrated with the Revelation Accounting packages so you actually buy and sell assets using the standard Goods Receiving and Sales Invoice modules in Revelation. You can even include Asset items on Revelation Purchase Orders, Sales Orders and Sales Quotes.

When you purchase an Asset, you simply create the Asset record in the Asset Manager as described below and then, in Revelation, process a GRN (Goods Received Note) against the Supplier (Creditor in Revelation) to book the Asset in. The GRN module will detect that it is an Asset and will prompt you to confirm this before booking it in as an asset.

Selling an Asset is just as simple. Go to the Revelation Sales Invoice module, call up the client's account (Debtor) and, when prompted for a Stockcode, input the Asset's Item code. Once again, you are prompted to confirm that it is an Asset that you are selling. You are prompted to input the exclusive Selling Price that you are selling the asset for. All the necessary accounting journals are posted automatically in the General ledger.

All the necessary Asset reports are provided under the [Reports] dropdown as well as a facility to print barcode labels to stick on your assets.

UNDERSTANDING ASSETS AND DEPRECIATION

Depreciation is the accounting of the deterioration of the physical and functional utility of a fixed asset due to usage and time. **Depreciation** can be explained in **economic** or **accounting** terms. While economic depreciation is useful in understanding the concept of depreciation, we will be focusing primarily on accounting depreciation. Our objective for studying accounting depreciation is to learn how to amortize the cost of fixed assets. Accounting depreciation is a way of writing off the investment on fixed assets by prorating over a certain period.

There are two types of accounting depreciation: book and tax depreciation. **Book depreciation** is done for the use of the company to report its financial status to its stockholders and other related people. **Tax depreciation** is done for the purpose of calculating taxes. Both methods are based on the principle of **matching concept**, which requires that a fraction of the cost of the asset in an accounting period, commensurate with its use in that period, is charged as an expense.

The Revelation Asset Manager caters for two Depreciation Methods:

Straight Line Depreciation method

Straight-line depreciation is the most common method of depreciating assets. To compute the amount of annual depreciation expense using the straight-line method requires two numbers: the initial cost of the asset and its estimated useful life. For example, you purchase a car for 160,000 and expect it to have use in your business for four years. Using the straight-line method for determining depreciation, you would

divide the initial cost of the car by its useful life. The 160,000 becomes a depreciation expense that is reported on your income statement under operation expenses at the end of each year. The Straight Line method is generally used for BOOK depreciation.

Reducing Balance Depreciation method

Slightly more complicated than the straight-line method, the reducing balance assumes that an asset loses more value during the earlier years of its life. Consequently, a depreciation rate (%) for reducing value is used, resulting in less value being lost each year. This method is generally used for TAX Depreciation.

Using the same example as before, a car is purchased at 160,000, with a residual value of 40,000 to be used for four years.

If you are unsure of the asset lifetime (in years), then the following formula can be ignored. Instead, you would have to estimate a reasonable depreciation rate that compliments the particular asset.

Reducing Balance Formula

$$r = 1 - \sqrt[n]{\frac{S}{C}}$$

r=%rate S=Residual value, C=Initial Purchase Price, n=Number of Years

Therefore, the depreciation can now be worked out as follows:

Year	Depreciation	Net Book Value
0	0	160,000
1	46,400 (160,000 x 29%)	113,600
2	32,944 (113,600 x 29%)	80,656
3	23,390 (80,656 x 29%)	57,266
4	16,607 (57,266 x 29%)	40,659

The residual value of 40,659 is not exactly the 40,000 that was suggested. The calculations would have arrived at this figure in the fourth year if we used the exact depreciation rate, in this case - 29.2893% and not 29%.

How the Asset Manager handles Depreciation

The Asset Manager allows you to handle the processing of Depreciation in the Revelation General ledger in one of three ways. You have 2 automatic options and a manual option. The Manual option leaves you to either post the Depreciation journals manually using either the ‘Monthly’ or ‘Yearly’ option. The **monthly** option scans all asset records and posts the monthly portion of each asset’s Depreciation as journals (between the Depreciation Expense a/c and the Accumulated Depreciation a/c) – this is normally be run just before running the Revelation MonthEnd Update. The **yearly** option does the same except you run it once a year in the last period of the financial year. It posts each asset’s full year’s depreciation.

The two automatic Depreciation options are run as part of the Revelation Month End Update process. The Monthly option processes Depreciation Journals every month whereas the Yearly option processes the full year’s Depreciation journals as part of the LAST Month End Update of the year (the Year End Update).

INSTALLATION

Revelation must already be installed before installing this Add-on module.

Insert the Revelation Asset Manager CD into the CD Drive and wait until it runs the Install program automatically. Click on [Install]. As prompted, select the Revelation package that you use and click [Install].

You can also download the latest version of the Asset Manager from the Revelation website. Go to www.revelation.co.za and select the [Downloads] page. Click the "Download Utilities for Revelation..." under the "Updates – MS-Windows" heading. Locate and click on the "Asset.zip" file in the displayed list. In the popup window, click the [Save] button and save the file into a Temporary folder. Unpack this compressed file by double-clicking on it and selecting the [Extract] option. Finally, go to the folder where it was extracted and double-click on the [Setup.exe] file that it contained.

To access the "Asset Manager" in Revelation, select [Additional Options] on the Quick Access menu.

You are allowed 99 accesses to the Asset Manager in Evaluation/Demo mode. Thereafter, you will have to purchase it and contact Revelation on 086 111 5533 to register the Asset Manager package on your system.

Note that, if you use the Revelation Empire Builder package, the Asset manager is included and does NOT need to be registered as above.

SETUP

When you first access the Asset Manager, you are prompted to setup the different Asset TYPES (or categories) that you have. Whenever you capture an Asset, you are prompted to select what Asset TYPE it belongs to. These would usually be Vehicles, Furniture, Computers, etc. You can input up to 15 Asset Types in this startup phase (you can add more later under the [Setup] option). The Asset Manager will automatically create these Type categories for you (and open the necessary Asset, Accumulated Depreciation, Depreciation and Asset Disposal accounts in the Revelation General ledger).

You are then prompted to input up to 30 Asset LOCATIONS as well. This allows you to categorise your assets based on where they are located (eg: accounting office, workshop, reception, etc). You can also add more locations later under the [Setup] option.

Finally, you are prompted to capture additional COST CENTRES that your Assets can be linked to. These are the same "Cost-Centres" (or Departments) that you may have created in the Nominal Master File Updates section of your Revelation package. Whenever you create an Asset record, you will be prompted to link it to a Cost Centre. If you do not wish to use Cost Centres with your Assets, simply leave the Cost Centre field blank. You can always add Cost Centres later under the [Setup] option.

OPERATING PROCEDURE

To capture an Asset record, click the [Edit] dropdown menu and select [Add...].

CAPTURING EXISTING ASSETS

If you are capturing an EXISTING Asset (one that you already own), tick the “Is this an existing Asset” box. This allows you to input all the pertinent data about the asset (Purchase Date, Purchase Price, Quantity, etc). Revelation will automatically calculate the Depreciation values based on this data and post past period Asset Value and Depreciation Journals to the appropriate Nominal ledger a/c’s based on which Asset TYPE the asset belongs to. **If you do NOT want Revelation to process these journals, tick the “Do NOT process the Nominal Journals for this Asset” box.**

CAPTURING NEW ASSETS (as you buy them)

When capturing a NEW Asset that you have just purchased, do NOT tick the “Is this an existing Asset” box. You will then only be prompted to input the basic info about the asset (Description, Asset Type, Location, etc). You would then go to the normal GRN (Goods Receiving) module in Revelation to book the asset in via a Supplier’s (Creditor) invoice (just the same as if you were booking stock into your stock file).

Note that, you may also capture “old assets” that have been fully depreciated by using the “Capture fully depreciated Assets” option on the [Edit] dropdown menu. You would usually input a residual value of 1.00 and a “Prior Depreciation” of the Purchase price minus 1.00 (eg: if the Purchase Price was 8000.00 and the Residual value is 1.00, you would input a Prior Depreciation of 7999.00).

Each asset record caters for a Book Depreciation and a Tax Depreciation so you can maintain an ‘internal’ record of depreciation as well as one that is acceptable to SARS. You can set both the Book and Tax depreciation METHODS independently to either ‘Straight Line’ or ‘Reducing Balance’.

The Residual value is what the value of the Asset item will be when it has been fully depreciated.

You can order Asset items from a Supplier (Creditor) via the Purchase Order module, but, you can only place Purchase Orders for NEW Asset items (ie: Quantity is Zero). Also, you can only GRN Asset items that have a Quantity of Zero. So, you cannot go back later and GRN more of the same Asset item – once it’s GRN’d, that Asset item is cast in concrete (apart from Selling it or scrapping it). This prevents problems with the Depreciation calculation. If you purchase more of the same Asset item, you would create a New Asset record with a slightly different Asset item code.

NOTE: ALL Asset records are automatically flagged as NON-Saleable items. This prevents them being sold “accidentally” (along with other stock items) on invoices, sales orders, etc. Asset records with this “flag” is set, do NOT appear on the stock item browse list in invoices and sales orders. To clear an Asset item’s Non-Saleable flag, select to Edit that Asset record, click the [Control] tab at the top of the displayed record and UNTick the “This is a NON-Saleable item” box and the click [Save].

SELLING ASSETS

Selling an Asset is quite simple. First select to Edit the selected Asset record and clear the tick in the “This is a NON-Saleable item” box on the [Control] page and click [Save].

Then, go to the Revelation Sales Invoice module, call up the client's account (Debtor) or a Cash Sale and, when prompted for a Stockcode, input the Asset's Item code. You are prompted to confirm that it is an Asset that you are selling. You are prompted to input the exclusive Selling Price that you are selling the asset for. All the necessary accounting journals are posted automatically in the General ledger.

If you have an Asset item (eg: desks) that have a Quantity greater than 1 and you decide to Sell part of that Quantity (eg: you have 10 and you sell 4), the Asset Manager handles it like this...

Let's assume that the Asset Code (Stockcode) is OFFICEDESK. You now call up that item in a normal Revelation Invoice. Revelation warns you that it is an Asset and asks for the Selling Price. When the Invoice is processed, Revelation reduces the Quantity in the OFFICEDESK item to 6 and then creates a NEW Asset item with the same AssetCode + 1 alpha character – in this case, OFFICEDESKA. This "ghost" item shows a Quantity of Zero, but retains the Depreciation details for the 4 sold items up to the date of sale (so you can print out past depreciation reports that will give realistic valuations of the sold items prior to their sale). If you sell more of that Asset item, Revelation will create more ghost items in the same manner (OFFICEDESKB, OFFICEDESKC, etc).

When the sale of an Asset goes through the Revelation Invoice module, a number of General ledger journals are processed to update the Asset, Accumulated Depreciation and Asset Disposal accounts (depending whether you made a Profit or Loss based on the current value of the asset at the time of sale).

HOW TO PROCESS DEPRECIATION JOURNALS

The Asset manager allows you to handle the processing of Depreciation journals (in the Revelation General ledger) in one of three ways. Click [Setup] at the top of the Asset Manager screen and select "Setup Depreciation".

MANUAL METHOD

With this method selected, you will notice that a [Depreciation] option appears at the top of the Asset manager screen. This has Monthly and Yearly options.

To process the Depreciation journals monthly, at the end of each month (just before running the Month End Update in Revelation), you would select the "Monthly" Depreciation option. All your asset records are scanned and the monthly Depreciation Journals would be processed (between the Depreciation Expense a/c and the Accumulated Depreciation a/c).

If preferred, you may rather use the Yearly Depreciation option just before running the LAST Month End Update (and Year End Update) in Revelation. This would process the Depreciation Journals for the entire year.

AUTOMATIC MONTHLY METHOD

When you run the Month End Update at the end of each month (in Revelation), the Asset records are scanned and Depreciation journals are posted for the monthly portion of each asset's Depreciation (between the Depreciation Expense a/c and the Accumulated Depreciation a/c).

AUTOMATIC YEARLY METHOD

The **Yearly** option is the same as the Monthly method except you run it once a year in the last period of the financial year. It posts each asset's full year's depreciation.

The monthly option is preferred.

IMPORTING ASSET RECORDS FROM AN EXCEL SPREADHEET

Click the [Import] dropdown to import Assets into the Asset Manager from an Excel spreadsheet.

You will be prompted to locate the Asset spreadsheet file and specify the Column format within the spreadsheet for the import process to work correctly.

To assist you, a Demo Excel spreadsheet has been included that you can examine and then import into the Demo Company 77 that was supplied with your Revelation package. The demo spreadsheet is named "AssetDem.xls" and it is installed as part of the Asset Manager installation.

NOTE 1: When importing the spreadsheet, you are prompted to input the spreadsheet PAGE title. This is the page name on the tab at the bottom-left of the spreadsheet page. In the case of the Demo spreadsheet, this name is "Assets".

NOTE 2: The Asset TYPE Codes that you input into the spreadsheet for each Asset must already be present in the Asset Manager database (go to [Setup] to add new Asset Types).

Revelation will post Past Period Nominal Journals (Asset Value and Depreciation) for the imported Assets. By default, the Asset value journals are contra'd to the Retained Income/Loss (YearEnd Appropriation) a/c. You can amend this default by selecting the "Setup contra a/c for Asset journals" option on the [Setup] dropdown.

If you do NOT want Revelation to process any Journals for the imported Assets, click the [NoNominal] button to do the import instead of the [Import] button.

Use the spreadsheet for your own assets by simply deleting all the Demo Asset items and just leave the column Headings as a guide.

