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Centre for Enterprise Development Inc.

BUSINESS GUIDE NO. 13

Managing Your Fixed Assets

*“Developing the local economy, one
business at a time”*





WHAT ARE FIXED ASSETS?

Fixed Assets are those things which are owned by a business and which would be in productive use to earn revenue for more than one year.

WHY ARE FIXED ASSETS IMPORTANT?

- They account for a significant part of the investment of the business.
- Fixed Assets such as equipment help to improve the quality of your product.
- They help to increase sales.

WHAT SHOULD YOU CONSIDER BEFORE BUYING FIXED ASSETS?

- The product or service that your business makes.
- The cost of having the Fixed Asset:
 - Purchased and operating
 - Maintenance and Depreciation
 - Availability of spare parts and repair services
 - The people who will be using the Fixed Asset.

WHY KEEP RECORDS OF YOUR FIXED ASSETS?

- To determine what the business owns at a particular point in time.
- To show how much has been invested in Fixed Assets and when that money was invested.
- To be able to tell whether the Fixed Assets continue to be productive or if there is need for replacement of assets.

HOW IS A RECORD OF FIXED ASSETS KEPT?

- By entering the information in the One-Book Record.
- By keeping a Fixed Assets file.

WHAT IS A FIXED ASSETS FILE?

The Fixed Assets file is made up of:-

- Assets files
- Fixed Assets summary sheets.

GUIDELINE FOR KEEPING YOUR FIXED ASSETS FILES

- Keep a separate file for each major fixed asset such as land, building and high value equipment and machinery.
- Group fixed assets which are of a lower value together and create one file for these.

WAYS OF CONTROLLING AND PROTECTING FIXED ASSETS

- All decisions about the buying or selling of fixed assets should be made by the entrepreneur.
- Restrict some employees from using certain assets.
- Put in place a programme for the repair and maintenance of the fixed assets.
 - Service assets regularly
 - Always have a supply of spare parts on hand.
- Place certain assets under the supervision of specific employees.
- Insure all Fixed Assets against fire, theft and other perils.
- Put security measures in place to avoid customers or visitors removing assets from your premises.