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# SAP Fixed Assets Accounting (FI-AA)

- ▶ Processes and Functions in SAP ERP Financials
- ▶ Posting Examples and Integration to General Ledger Accounting
- ▶ Validation and Reporting for IFRS
- ▶ Periodic Activities Explained

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## 2 Inventory and Physical Inventory

**Objects that no longer exist have no value. Therefore, the existence of fixed assets must be checked by means of an annual physical inventory. The individual objects in fixed assets must therefore be recorded such that they are identifiable.**

In Chapter 1, we referred to the inventory—the record (directory) of the individual asset objects. This directory must report the asset objects present on a specified date. These objects must be determined by a physical check, also known as a physical inventory. The word “inventory” is derived from the Latin “invenire”, meaning to find something. In this chapter we will explain what you have to list in the fixed assets inventory and how to perform the physical check.

### 2.1 Basics

Our national tax and accounting laws regulate what information the inventory directory must contain. These laws also regulate how and at what time intervals a physical inventory must take place.

The verification that the individual assets listed in the inventory directory are actually present can be provided by a physical inventory, meaning that the assets should be viewed and counted individually—which can be a very time-consuming measure.

Accountants are often accused of being bean counters. Quite apart from the fact that this statement is not a compliment, it is also incorrect. The administrative effort involved in checking and reporting the value of fixed assets can and must be kept within reasonable limits. The principle of proportionality is also applicable here.

## 2.2 Quantity Management in Fixed Assets

Indeed, you can manage identical capital goods in the inventory as one single item, with specification of the quantity. In the sense of valuation, *identical* means the following:

- ▶ Identical date of acquisition
- ▶ Identical acquisition and production costs
- ▶ Identical depreciation method

For example, 50 personal computers could be managed under one asset number. However, this variant for the master asset (unfortunately frequently used) will certainly lead to considerably more effort later in the maintenance of asset balances: for example, these 50 personal computers will not leave the company all at the same time, meaning that time-consuming partial retirements are necessary; they will also not be used permanently in one cost center, thus requiring extensive partial repostings instead of simple cost center changes.

This type of inventory management causes the greatest problems for a physical asset inventory. How can you determine whether all 50 computers of this asset are still present? The individual PCs cannot be identified via asset accounting. However, annual evidence by means of a physical inventory is still required. This evidence

would require additional individual inventory management outside or in addition to asset accounting. Thus the company still has the administrative effort and there is therefore no benefit.

We therefore strongly advise against this type of inventory management. SAP Asset Accounting offers very convenient functions for creating and posting this type of mass acquisition with the initial purchase. We will address these in Chapter 3, “Hierarchy of Asset Master Records.”

Quantity details are however still useful for certain capital goods, for example, for low-value assets that are presented as flat-rate assets. Figure 2.1 shows an asset with a quantity of 57 items; Figure 2.2 shows the movements for this asset.

Asset: 300000000000 0 office chair  
 Class: 5001 LVA (collect. mgmt.) Company Code: FICO

General | Time-dependent | Allocations | Origin | Net Worth Tax | Deprec. Areas

General data

Description: office chair

Acct determination: 50000 Low-value assets

Serial number:

Inventory number:

Quantity: 57 PC piece(s)

Manage historically

Figure 2.1: Asset with quantity

| Transactions  |        |       |                            |      |              |             |
|---------------|--------|-------|----------------------------|------|--------------|-------------|
| Asst/Val date | Amount | TType | Transaction type name      | Crcy | Asset        | Document... |
| 01.01.2012    | 500,00 | 100   | External asset acquisition | USD  | 300000000000 | 5           |
| 05.01.2012    | 70,00  | 100   | External asset acquisition | USD  | 300000000000 | 6           |
|               |        |       |                            | USD  |              |             |

Figure 2.2: Movements for this asset

For real estate, we recommend specifying the number of square meters, as shown in Figure 2.3.

The screenshot shows a software window with several tabs: General, Time-dependent, Allocations, Origin, Net Worth Tax, and Deprec. Areas. The 'General data' section contains the following fields:

- Description: Grounds of Parkway Hall
- Asset main no. text: Grounds of Parkway Hall
- Acct determination: 10000 Real estate and similar rights
- Serial number: (empty)
- Quantity: 1.297,00 M2 Square meter
- Manage historically

A white arrow points to the 'Square meter' text next to the quantity field.

Figure 2.3: Asset with square meters

The evidence of ownership for real estate is not provided by means of a physical inventory but by the entry in the register of deeds of the corresponding plot of land number.

## 2.3 Fixed Value Assets

Individual verification of some objects in fixed assets can involve a great deal of effort—effort that is usually out of proportion. Typical examples are scaffolding and casing parts in the construction industry, or tableware and bed linen in the hotel industry. Beverage and transport boxes and gas bottles also come under this category. These objects are generally subject to only few quantity-based and value-based changes. As defective objects are regularly replaced, their stock level generally remains constant. What all of these goods have in common is that an annual physical check would be very time-consuming. This effort cannot be justified due to the low number of value fluctuations mentioned.



In fixed assets, these objects can be presented as one individual asset with fixed acquisition and production costs—a *fixed value asset*. There is no depreciation for fixed value assets. Figure 2.4 shows the selection of the depreciation method NO DEPRECIATION AND NO INTEREST. Figure 2.5 shows that over the years, no depreciation has been applied.

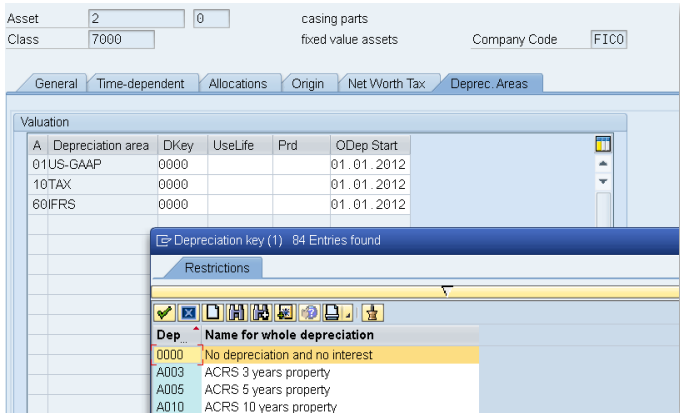


Figure 2.4: Asset with "No depreciation and no interest"

The screenshot shows the SAP Asset History Sheet for asset 'casing parts' as of 31.12.2013. The report was created on 02.10.2012. The table below shows the asset's history, including acquisition and depreciation values for 2012, and the current value of 570,000.00.

| Asset          | SNo | Cap date      | Asset description | Acquisition   | Retirement    | Transfer  | Post-capital  | Invest support | Current APC |
|----------------|-----|---------------|-------------------|---------------|---------------|-----------|---------------|----------------|-------------|
| Dep. FY start  |     | Dep. for year | Dep. retr.        | Dep. transfer | Dep. post-cap | Write-ups | Accumul. dep. |                |             |
| Bk.val FY strt |     |               |                   |               |               |           | Curr.bk.val   |                |             |
| 2              | 0   | 01.01.2012    | casing parts      |               |               |           | USD           |                |             |
|                |     |               |                   | 570 000,00    | 0,00          | 0,00      | 0,00          | 0,00           | 570 000,00  |
|                |     |               |                   | 0,00          | 0,00          | 0,00      | 0,00          | 0,00           | 0,00        |
|                |     |               |                   | 570 000,00    |               |           |               |                | 570 000,00  |

Figure 2.5: Asset History Sheet 2013

However, a regular physical inventory is also mandatory for these fixed value assets, although not on an annual basis.

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