ASSESSMENT OF FIXED ASSET MANAGEMENT SYSTEM (IN THE CASE STUDY ON WOLKITE UNIVERSITY)

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

A RESEARCH PAPER SUBMITTED TO THE COLLEGE OF BUSINESS AND ECONOMICS, DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR A BACHELOR OF ARTS (BA) DEGREE IN ACCOUNTING AND FINANCE

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ABSTRACT

The research paper attempts to examine and identifies the existing problems of the fixed asset management system and assesses the fixed asset management system at Wolkite University. The major objective of the research was to access fixed asset management at Wolkite University. The researcher would be used primary data and secondary data while conducting the study. Primary data would be collected through questionnaires. The researcher used a census sampling technique. The researcher analyze and examine the data by using tables and percentages that would be collected from the respondent the researcher also unidentified major problems that affect the fixed asset management system and gives possible conclusion and recommendation which the university takes as the measurement.

Contents

CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Fixed assets are long-term relatively permanent in nature owned by business enterprises. Long-lived tangible assets that are permanent in nature used in the operation and not held for sale in the ordinary course of the business are classified in the balance sheet as a plant asset and the business uses a variety of fixed asset sch as equipment furniture tools machinery buildings and land. They are relatively long-lived permanent assets. They are relative assets exist physically. They are used by the business and are not offered for sale as long-lived operations. Others relatively exist those assets are plant property and equipment. The fixed asset of a business can be significant parts of the total asset; (fees, 2005)

Internal control of fixed assets including safeguarding them and having an adequate accounting system. Safeguarding of fixed assets includes assigning responsibility for custody of assets separating the custody of assets from accounting for assets (it is a corner stone of internal control in almost every area) setting up security measures. or instance , armed guards and restricted access to plant assets to prevent assets from theft to protect them from the elements have adequate insurance against fire another regular maintenance schedule. Plant assets are controlled in much the same way that a high-price inventory is controlled with the help of subsidiary records. For plant assets companies used a plant asset ledger. Each plant asset is presented by a record describing the asset and listing its location and employee responsibility for it. The ledger records also show the asset cost useful life and other accounting data (Ibid)

The globally fixed asset management industry has finally returned to growth to achieve the goal of the specific organization; (JanR.william, 2008) The continuing fast growth of fixed asset management solutions and specification confirms a structural shift in all governmental and nongovernmental organic organizations: 2009).

Fixed assets management is an important accounting process that seeks to track fixed assets for financial accounting, preventing maintenance and theft; (Tay, (2009))The council of Ministers financial regulation of Ethiopia, No 17/1997 provides a decidedness a means of assets costing birr 200 or more than it is operational use and that has a useful economic life of more than one year; (MoFED., (2007))

Fixed assets with finite useful life will gradually lose their value over time because of age, wear, or market conditions. Due to the fact to maintain the effective utilization of fixed assets; (Horn, (2012)) Claimed that a good system of internal control over the assets asset will help to detect mistake's that may result in the preparation of inaccurate and misleading financial information.

Fixed asset management is affected by an entity 's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives of the organization in three fundamental categories (1) effectiveness and efficiency of operations (2) reliability of financial reporting (3) compliance with applicable in laws and regulation.

1.2. Statement of the Problem

Fixed assets are long-term and relatively permanent assets. They are tangible assets because they exist physically. They are owned by the organization and business and also are not offered for resale as part of normal operation. They are also called plant, property, and equipment; (fees, 2005)as fixed asset plays an important role in the organization's objectives; these fixed assets are not convertible over some time. If fixed assets are idle and not utilized properly it affects the long long-permeability of the service delivery to customers. Even if there is no preliminary study researcher went to study the following problems on a fixed asset management practice at Wolkite University on the reviewing and approval by managers before the use of fixed assets, on the disposing plant assets according to its legislative framework, on the relationship between functional responsibilities and the university's fixed asset management and the fixed asset maintenance and safeguard process. The management is responsible for safeguarding and protecting the asset of the organization. Any organization needs a strong and gives continuous concentration of plant asset management. So the researcher wants to assess the fixed asset management in Wolkite University the above problems which were not studied by another

researchers Therefore, in the study, the problem will be related to fixed asset management system that the researcher aim ta o give solution. About weak fixed asset management system and employee awareness about fixed asset management system,

Generally, the study intended to answer the following research questions:-

1. How to examine the effectiveness of a fixed asset management system in the university?

2. What are the factors that affect fixed asset management systems?

3. What types of depreciation methods the university used?

4. Is there an effective fixed asset accounting system in the university?

1.3. Objective of the study

1.3.1. General Objective

The general objective of the study was to assess the fixed asset management system in Wolkite University

1.3.2. Specific objectives

In addition to the general objectives of the study, the researcher specifically attempt to attain the following specific objective

- To examine effectiveness of the fixed asset management system in the university.
- To determine the factors that affect fixed asset management system.
- To identify the types of depreciation method the university uses
- To find out the effective fixed asset accounting system in the university.

1.4. Significance of the study

The study would have a crucial role for both the university and for society by identifying the possible solution for particular problems. So the researcher would be tried to achieve the following significance.

- It helps the researcher to get experience and to know how the problem can be solved in The scientific research method.
- To create awareness in society about fixed asset management sys systems
- To provide basic information about fixed asset management systems to the University.
- It serves as a base for research as a reference by providing information.
- The study gives important suggestions that would help the organization with appropriate and practically fixed asset management solutions.
- To indicate that the issue is yet potentially a research area and also use as a reference for further studies
- It is used as a capacity building in the area of research for the researchers.

1.5. Scope of the study

The study would be delimited only in Wolkite University on the assessment of fixed asset management

This study would be focus on the current fixed asset management system (2023)

1.7 Limitations of the Study

Scarcity of raw materials (inputs) needed and facilities like computer access.
Shortage of reference books and sufficient documents

- Some respondents are not voluntary to fill the questionnaire and some of the questionnaire could not be collected.
- Even though the researcher prepared a work schedule the project was also restricted by the limit period allotted for research.
- The collected data may not provide exact fixed asset status and position. It may be varying from time to time and situation to situation.

- The accounting procedure and other accounting principles are limited by the change made by the organization and may vary fixed assets performance
- The study is pointed only to a single governmental organization.

All those the above listed limitations have been a constraint to the researcher to prepare and submit the study with in the required time frame.

1.8. Organization of the paper

The research paper would be organized into five chapters. The first chapter would be deals the introduction part (background of the study, background of the organization, statement of the problem, objective of the study significance of the study and the second chapter would contain a view of lithe tera, the third chapter deals with research design and methodology that would be used by the researchers, the fourth chapter would be deals with data analysis the last chapter deals with conclusion and recommendation.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. Definition of the plant (fixed) asset

Fixed assets are long term relatively permanent assets. They are tangible assets because they exist physically. They are owned by the organization and business and also are not offered for resale as part of normal operation. They are also called plant, property, and equipment; (fees, 2005)

Fixed Capital

Fixed capital is the capital, which is needed for meeting the permanent or long-term purpose of the business concern. Fixed capital is required mainly for meeting capital expenditure of the business concern and it is used over a long period. It is the amount invested in various fixed capital or permanent assets, which are necessary for a business concern.

According to definition of **Hoagland,** "*Fixed capital is comparatively easily defined to include land, building, machinery and other assets having a relatively permanent existence*".

The character of Fixed Capital

- Fixed capital is used to acquire the fixed assets of the business concern.
- Fixed capital meets the capital expenditure of the business concern.
- Fixed capital normally consists of a long period.
- Fixed capital expenditure is nonrecurring.
- Fixed capital can be raised only with the help of long-term sources of finance

The concept of internal control has gradually evolved over the years with the greatest development taking place at the beginning of 1940 as modern businesses increased in sized techniques, the adoption of methods and procedures has become inevitable to increase the efficiency of the business of the purpose of preventing errors and frauds. Furthermore, the regulations of business activities under an efficient system of internal control enable to minimization of detailed work to be undertaken by an independent auditor. Therefore, the need for the development of internal control system has become essential for both management and auditing activities; (Bagardia, 1992)

Different authorities have defined the expression “internal control” in different ways, ;(Bagardia, 1992) has defined internal control as “Internal control comprises the plan of organization and all of the coordinated methods and measures adopted within a business to safeguards its assets, check the accuracy and reliability of its business accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.(Johnson1974) states the “internal control system is one where in the accounting work of the employee is complemented and verified by the work of another employee but both employees are working independently and without duplication of each other’s work.”) Internal control may be defined as the whole system of controls, financial and otherwise, established by the management to carry on the business of a company in an ordinary manner, ensure adherence to management policies, safeguard the assets and secure, as for as possible, the completeness and accuracy of the accounting records (Internal Audit manual of East African Group (ETH) PLC).A recent definition which is given by an organization of top federal government auditors from over 100 nations describes internal control as a management tool used to provide reasonable assurance that management’s objectives are being met; (dffenhofer, 1996)

2.2. Objective of Internal Control System

The system of internal controls is intended not only to maintain an adequate method of processing accounting data but also to safeguard the company against possible financial loss due to fraud or error. The controls which are established should be designed to ensure that:
The company receives and processes in its accounting records, all the income or revenue to which it is entitled.

- All expenditure is properly authorized and payments are only made for goods or service which have or will be received
- All assets are properly recorded and safeguarded
- All liabilities are properly recorded and provision is made for known or expected losses.
- Errors and irregularities in processing accounting information will be disclosed.

2.3 Types of Internal control

Internal control can be classified into two categories accounting and administrative controls. Duttachowd hury (1998) states that, accounting control comprises all methods, procedure, and records that are concerned directly to safe guarding of assets and reliability of the financial records whereas, administrative controls include all the methods and procedures that are concerned with operational efficiency and adherence to managerial policies.

2.4 Function of internal control

Internal controls are designed to perform different functions. Some of them are preventive, detective and corrective controls ;(Sawyer and Diffenhofer, 1996)

2.5. Preventive Controls

Are installed to prevent undesirable results before they happen. Thus, they can avoid errors and greatly reduce the cost of corrections. Preventive controls include worthy and competent people, segregation of duties to prevent international wrong doing's authorization to prevent improper use of organization resources proper record keeping, and physical control over fixed assets to prevent their improper use. (Mark, Better, 1996)

2.5.1. Detective Control

Are designed to identify undesirable results when they do happen these controls are more expensive than preventive controls but they are very important. First, they measure the effectiveness of the preventive controls. Second, some errors cannot be effectively controlled through a system of prevention; they must be detected when they occur detective controls include reviews and comparisons of documents. (Robert,mMeigs1996)

2.5.2. Corrective Controls

Are designed to ensure corrective action is taken to reverse the undesirable outcomes or to check that they don't occur again, detection of errors is valued if the identified error remains uncorrected or can be permitted to recur, therefore, the management must develop systems to correct undesirable conditions and prevent recurrence; (Barth M. .., (1996))

2.5.3. Nature of Plant Assets

The terms plant assets; plant and equipment; property, plant, and equipment; or fixed assets often are used to describe the entire complex of tangible assets used by a business enterprise in its operations active use in operations distinguishes these assets from other tangible assets, which are reported as investments, land held as a prospective building site, for example is an investment, when a building is constructed on the land and is in service, the land is reclassified as a plan asset. A characteristic common to all plant assets is that they yield services over money years. Plan assets other than land have a limited economic life; consequently, the cost of plan assets must be allocated as depreciation expense to the accounting period receiving benefit from their use; (Barth M. a., (2000))

2.6. Accounting for Plant Assets Material Requirements Planning

Material Requirements Planning MRP covers a wide range of activities, which include Time Phased Orders; Requirements sorted by Vendor, Incorporate House and Vendor Lead Times Focus on Time Delivery and reducing Inventory Levels. Material requirements planning or MRP involves getting material on hand when needed for production or sales. The Material requirements planning document should provide four basic items of information when to place order, how much to order whom how to order from, and when the items need to be on hand. While some companies don't use MR, but rely on expediting to accomplish this, other companies use them in-Maxx stock level. Both these methods are costly and often fail to meet production or sales needs that a good Material Requirements Planning process can provide. The only practical way to provide Material Requirements Planning is by using some type of computerized MRP program. Material Requirements Planning can plan, schedule and reschedule materials as far into the future as required (W.hALEY, 2001)

Each company has an overall goal and a strategy for achieving that goal, but within the company, there are groups whose focus may seem to be in contradiction to the Materials Requirements Planning process. The marketing group wants to make sure there are enough inventories on hand to supply all customer requests. The accounting group is charged with keeping cost down, which includes keeping inventory levels; (w, 1996)the middle there is the inventory control group. If the

accounting group is quiet, the marketing group is demanding you to increase inventory. If the marketing group is quiet the accounting group wants to know why you have so many inventories. A good Material Requirements Planning system would help the inventory group balance both requirements, provide product for customer requirements and keep inventory levels low.

The goal of the MRP or Material Requirements Planning document is to supply information that will enable the company to have enough inventory on hand to fulfill demand, (and no more) and available only when needed, (and no sooner) at a quality level that meets specification, (but does not have to exceed it) and at the lowest price. A good MRP or Material Requirements Planning program can provide the basic needs of keeping inventory levels low and fulfilling customer expectations for on time delivery ;(w, 1996)A plant asset is a bundle of future services. The asset will provide the cost of acquiring such as asset is a measure of the amount invested in future services that. At the time of acquisition, cost is also an objective measure of the exchange value of an asset. Accountants use historical cost as the basis or recording and reporting plant assets because it is objective and because it is a measure on of the investment in future services ;(William, (2008); Placeholder1)

2.7. Cost of Plant Assets

The total cost of plant assets is the cash out lay, or its equivalent, made to acquire the asset and place it in operating condition. This is a clear and simple statement of the principle involved; however, problems arise in the application of this principle to practical situations. In essence, these problems rise their questions (1) what is included in the cost of plant assets? (2) How is the cost of plant assets measured? (3) How are costs subsequent to acquisition recorded? Each of these questions is examined in the following sections (Berk: 1990).

2.8. Cost Subsequent Acquisition

Expenditures relating to plant assets formally are made throughout the economic life of such assets, whether these are expenses to be charged against current revenue or whether they should be capitalized often is a difficult question. The general approach for dealing with these expenditures may be stated as follows. Expenditures that for result in additional asset services, more valuable asset services or extension of economic life are capitalized and allocated to future revenue, expenditures to maintain plant assets in good operating condition recorded as expenses of the

accounting period in which they are incurred. This approach is consistent with the principle of matching costs (Berk: 1990)

2.9. Depreciation of plant asset

2.9.1. Meaning and definition

Depreciation may be defined as the gradual and permanent decrease in the value of fixed asset due to wear and tear, abuse or efflux of time. Depreciation as the term is used in accounting is the allocation of the cost of tangible asset as expense kin the period in which service is received from the assets. The journal entry to recorded depreciation expense consists of a debit depreciation expense and credit to accumulated depreciation. The credit portion of the entry removes from the balance sheet that portion of the asset cost estimation to have been used up during the current period. The debit portion of the entry allocates this expired cost of expense. Separate depreciation expense and accumulated depreciation accounts are maintained for different types of depreciable assets. Such as factory buildings, delivery equipment and office equipment. These separate accounts help accountants to measures separately the cost of different business activities such as manufacturing, selling and administration. Depreciation is not as a process of valuation and accounting records do not attempt to show the current market value of plant asset (F. Meigseta'l, 1996).

Depreciation is different from most other expense in that it does not depend on cash payments at or near the time the expense is recorded. For this reason depreciation of this called a non-cash expense. However, that large cash payment may be recorded at the time depreciable assets are purchased (Feigset'al, 1996).

The concept of depreciation is linked closely to the concept of business income. Because part of the service potential of depreciation asset is exhausted in the revenue generating process each accounting period the cost of these services must be deducted from revenue in the measurement of net income, the expired cost must be recovered before a business enterprise is considered "as well as at the beginning of the period. " Depreciation is the measurement of this expired cost (Bernard, 1993).

Book Value: fixed assets shown in the balance sheet at their book values or carrying values. The book values of plant assets are its cost minus the related accumulated depreciation. Accumulated

depreciation is contra asset accounts that represent the portion of the asset cost that has already been allocated to expenses. Thus, book value represents the portion of the assets cost that remains to be allocated to expense in future periods (Feigset'al, 1996).

2.9.2 Cause of Depreciation

The following are the main causes of depreciation:-

Wear and tear: - refers to the decrease of values of an asset on account of constant use

Efflux of time: - certain assets such as patent, lease, copy rights, etc. lose their value with time (even though they not be used).

Obsolescence: - the decrease in the value of existing assets on account of availability of superior technology is known as ''depreciation due to obsolescence''.

Depletion: - refers to the process of estimating and recording periodic changes to operations charges on account of exhaustion of natural resource.

Accidents: - when an asset meets with an accident its value diminishes (decreases).

2.9.3. Objective of providing depreciation

The main objective of providing depreciation is to:-

- Ascertain the true profit.
- Show the true financial position.
- Provide fund for replacement.
- Ascertain the actual cost of production.
- Distribute dividend out profit only.
- Avoid excess payment of income tax.

2.9.4. Factors affecting depreciation

Since, depreciation is an on-cash expenses its actual and exact amount remains unknown. However, it is to be estimated based on the following factors:-

- Cost of the asset

- Estimated useful life
- Estimated scrap value
- Chance of obsolescence
- Legal provision (Chandra Bose, 2010)

The estimate of periodic depreciation depends on the following three variables

1. Economic life this involves choosing the unit in which economic life is to be measured and estimating how many units of service are embodied in each asset.

2. Depreciation base on an asset may be sold by a business enterprise before its service value of completely consumed, the depreciation base is the cost of asset services that will be used; and it usually is less than the original investment in the asset because residual value is subtracted from costs to arrive at the depreciation base.

3. Method of cost allocation the problem here is to determine the amount of services that has expired in each accounting period. A corollary issue is to decide whether all units of service have an equal cost, or whether some units of service have a large or smaller cost than others (Berk: 1990)

2.10 Estimate of Economic Life

The economic life of an asset is the total units of service expected to be derived form that asset. Business managers commonly measure economic life of a plant asset in terms of time units, for example, months or years. Economic life of a plant asset also may be measured in terms of output or activity, expressed in such physical unit as tops, miles, gallons, or machine hours. For example, the estimated economic life of a truck may be described as four year or 20,000 miles, forces that tend to limit the economic life of an asset should be considered in the determination of the type of unity of service to use for a given asset or group of assets. (Brown and Finn, 1980)

The causes of a decrease in economic life may be divided in to two broad closes; physical causes (including casualties), and functional ones.

2.10.1 Depreciation Methods Cost Allocation

When the economic life of an asset has been estimated, and its depreciation base established, there remains the problem of determining the portion of cost that will expire with each unit of economic life.

There are several depreciation methods that attempt to recognize these factors in varying degrees. But there are 4 (four) main or common methods for calculating depreciation.

- **Straight line method (based on expiration of time):-** a method of depreciation whereby equal portions of the amount paid for an asset are shown as an expense during each accounting period of the life of the asset. The straight-line equation is:

Depreciation expense= (Cost-Residual value)/ estimated life

- **Units of production methods: -** a method of depreciation basing expense on several units used or produced by the assets during an accounting period to total estimated units to be used or produced during the life of the assets. The unit of production depreciation equation are:

Depreciation rate per unit= (Cost –Residual value)/life in units

Depreciation Expense =Depreciation rate per unit *units used

- **Sum –of- years Digits (SYD) Methods: -** a method of accelerated depreciation that allocates a larger amount of depreciation as an expense during the earlier years of the life of an asset. This method uses a reducing fraction multiplied by the book value (cost-residual) of the asset to determine the amount of depreciation expense for each operating period.

A, computing the reducing fraction: the numerator begins with the asset's life in years in the first years and decreases by one each subsequent year. The denominator remains constant and represents 100%of its life in fractional elements. The equation to calculate the denominator is:

The constant denominator =n (n+1)/2

Bathe SYD depreciation equation

Depreciation expense = [SYD fraction*(cost –Residual)]

- **Double Declining Balance (DDB) Method:-**is another method of accelerated depreciation that allows a greater amount of depreciation to be expensed in the early years of the life of a depreciable asset. DDB ignores residual value in the calculations. This method uses the DDB percentage multiplied by the book value (cost -accumulated depreciation) to determine the amount of depreciation expense for each operating period.

A. the equation to calculate the DDB percentage is:

DDB % = (100%/life time)*2

B. the DDB depreciation equation is:

Depreciation Expense =DDB % *Book value

Book value =cost –accumulated depreciation

C. The final book value must be greater than or equal to the residual value. In case the final book value for the last period is less than the residual value. The depreciation expense value of the last period will need to be changed to ensure that the final book value is equal to the residual value)

2.11 Management of Asset Disposal

When thinking about asset disposal management, has to originate at the early stage where an organization plan to purchase an asset, as per Ell's arm, (1995) "In addition to the price paid for the item, Total cost of ownership may include such elements as order placement, research and qualification of suppliers, transportation, receiving, inspection rejection replacement, down time caused by failure disposal costs and so on. Asper, Spire (1996) the management of the asset lifecycle starting from acquisition through maintained life to disposal, is a very important issue. This indicates that asset management includes a description of existing assets, maintenance plans, asset disposal strategy and asset management improvement strategy and it is the most important aspect for the success of a company (Avis and Dent 2004) explains the two principal elements of organization's surplus property. "The process which the property is identified and declared surplus

and the second is the procedure for managing such property effectively until disposal finally takes place. When determining assets for disposal, managers should be aware that the useful life of the asset should be determined, authorized person responsible for determining assets for disposal action, and is accountable for all decisions they take in the disposal process including but not limited to the costs of replacement as a result of disposal activities being taken in to account and fair dealing and openness, special attention assignment should be given based on the size and complexity of the company (Zen, 1994).

Some very legitimate reasons for assigning disposal of materials to the purchasing materials management function include; (1) Knowledge of probable prices trend, (2) contact with sales people is a good source of information as to possible users of the material, (3) familiarity with the company's own needs may suggest a possible use for, and transfer of, the material within the organization, and (4) unless a specific department established with in the firm to handle this function purchasing is probable the only logical choice. "The purchasing department is in a better position to know about materials, materials markets and current economic market conditions of disposable assets, and as per (Wasting, 1979).

2.11.1 Disposal Planning

Asset disposal planning involves a detailed assessment of those assets that the asset strategy indicates are no longer effectively meeting their service delivery required at the lows long-term cost. This assists agencies to identify for disposal, those redundant assets that might otherwise reduce efficient and effective service delivery.

All agencies are required to prepare annual disposal plans as part of their total asset management strategic planning. Asset disposal planning involves two separate and distinct elements; the detailed assessment of assets identified as surplus followed by an analysis of the physical disposal of the assets.

Disposal planning links with service delivery by the following five stage process.

1. Assets identified of surplus to service delivery requirements are assessed in detail.
2. The advantages to government, agency and the community in divesting assets are assessed.
3. Opportunities for increasing asset value are identified.
4. Disposal requirements including probity considerations are identified
5. Implementation of the disposal plan and performance monitoring are in place.

2.11.2 Methods of Disposal

Disposal of asset involves identifying whether the asset can be sold or not, based on this we classify disposable assets in to saleable and non-saleable items. There are several possible means of materials disposal, for salable items we have different selling option based on the nature of the item, geographical location, volume and existence of bidders for the item, non-salable items consists of fixed assets retaining no salvage or disposal valve will occasionally be discarded or abandoned as scrap, recyclable items, donation to charities or work creation organizations, destruction dumping or burying hazardous items (Barth and Beaver: 1998).

Selling option; choice of the most appropriate disposal option will normally be influenced by the nature of the goods for disposal and by their location and market value. Goods that are kept in one location could be sold using appropriate method of disposal for such item's auctions preferred and this section explains the various selling options available. It provides information on the benefits and problems of each option, and identifies watch points. Usually when goods are sold the aim is to achieve the best net return or outcome, it is generally true the most cost effective option for selling goods is by public auction "Auction is frequently used as quick and convenient method of disposing of large quantities of equipment." For some classes of goods, however, auctions are not the most suitable option. Some goods are only required by a specific company, the company may be the producer or the agent in this case private dealing is important. (Lese and Dabbler 1971)
Decisions on the disposal option should have regard to the assets in terms of potential market value; other intrinsic value; location, volume, trade-in value, and environmental considerations (including refurbishment, reuse, recycling, and hazardous goods) valuations play an important role in asset disposal and can help managers select the most appropriate selling option. Individuals within a branch that have disposal responsibilities can provide an estimate or arrange professional valuations to ensure that the seller's expectations for sale are realistic (Stanley and Geoffrey, 2009)

2.12 Inventory Reduction

Inventory reduction is about eliminating excess inventory, improving inventory turn rates, increasing inventory turnover, and meeting on-time delivery. Excess inventory ties up money and needs to be reduced to free up cash for investment in revenue-growth activities. One of the major problems with inventory reduction is the mistaken notion that improved inventory control

management is all that is required to improve inventory rates, increase inventory turnover and pro vides an ongoing inventory reduction program. Certainly, lack of control contributes to excessive inventory, but often an organization's negative reaction to material shortages, at the major focus of most material groups is to supply required inventory and not look for ways to improve inventory turns, which is the driving factor in poor performance in inventory reduction. Many companies have achieved inventory reduction and improve time delivery by implementing systems such as Enterprise Resource Planning (ERP), Just in Time (JIT), and other approaches to inventory management, and these systems do reduce inventory and improve inventory turnover, but there is still room for improvement. There are some basic steps that any company can use to improve inventory turnover these are Setting real objectives for inventory levels, identifying those items there than acceptable inventory levels identifying obsolete and defective inventory, making a list of actions to be taken to reduce the inventory, and Devise new procedures to help eliminate e future buildup of inventory. (http://www.invatol.com, Harvard Business view *"Introduction to inventory"/* 19, 12, 2013)

2.13. The Inventory Decision Model

Substantial research has been devoted to determining optimum inventory size, order quantity, usage rate, and similar considerations. In developing an inventory model, we must evaluate the two basic costs associated with inventory: the carrying costs and the ordering costs. Through a careful analysis of both of these variables, we can determine the optimum order size to place to minimize costs. ("Stanley and Geoffrey, 2009)

A. Carrying Costs: carrying costs include interest on funds tied up in inventory and the cost of warehouse space, insurance premiums, and material handling expenses. There is also an implicit cost associated with the dangers of obsolescence and rapid price change. The larger the order we place, the greater the average inventory we will have on hand, and the higher the carrying cost. (Stanley and Geoffrey, 2009)

The question becomes, how do we mathematically determine the minimum total cost amount? We may use the following formula as the first step.EOQ is the economic ordering quantity, the most advantageous amount for the firm to order each time. We will determine this value, translate it into

average inventory size, and determine the minimum total cost amount. (Stanley Block and Geoffrey A. Hart 2009)

B. Safety Stock and Stockouts

In my analysis, we assumed we would use inventory at a constant rate and we would receive new inventory when the old level of inventory reached zero. We have not specifically the problem of being out of stock. A stock out occurs when a firm is out of a specific inventory item and is unable to sell or deliver the product. The risk of losing sales to a competitor may cause a firm to hold safety stock to reduce this risk. Although the company may use the EOQ model to determine the optimum order quantity, management cannot always assume the delivery schedules of suppliers will be constant or assure delivery of new inventory when inventory reaches zero. A safety stock will guard against late deliveries due to weather, production delays, equipment breakdowns, and the many other things that can go wrong between the placement of an order and its delivery (Stanley and Geoffrey, 2009).

The amount of safety stock that a firm carries is likely to be influenced by the predictability of inventory usage and the period necessary to fill inventory orders. The following discussion indicates safety stock may be reduced in the future.

c. Just-in-time Inventory Management

A relatively new concept in inventory management, Just-in-time inventory management (JIT), was designed for Toyota by the Japanese firm Shigeo Shingo and found its way to the United States. Just-in-time inventory management is part of a total production concept that often interfaces with a total quality control program. A JIT program has several basic requirements such as Quality production that continually satisfies customer requirements, close ties between suppliers, manufacturers, and customers; and Minimizing the level of Inventory Usually, suppliers are located near manufacturers and can make orders in small lot sizes because of short delivery times. One side effect that has for manufacturers are reducing their number of suppliers to assure quality as well as to ease the complexity of ordering and delivery. Computerized ordering/inventory tracking systems both on the assembly line and in the supplier's production facility are necessary for JIT to work. (Stanley and Geoffrey, 2009)

It is important to realize that the Just-in-time inventory system is very compatible with the concept of economic ordering quantity. The focus is to balance reduced carrying costs from maintaining

fewer inventories with increased ordering costs. Fortunately, electronic data interchange minimizes the impact of having to place orders more often (Stanley and Geoffrey, 2009).

Be recorded at the same time with the quantity of the items expressed in a single card of fixed assets (Barth and Beaver, 1998).

CHAPTER THREE

3 . RESEARCH METHODOLOGY

3.1. Area of study

The study would be focused on the assessment of the fixed asset management system at Wolkite University.

Wolkite University is higher education institute found in the S/N/N/P region Gurage zone. It is located 190 km from Addis Ababa and 15km far from Wolkite town. Wolkite University was first established in 2004.

3.1. Research Design

The researcher would use a descriptive research method to describe the fixed asset management of Wolkite University. As the name implies, the major objective of descriptive research is to describe the functions and managerial system of fixed assets.

3.2. Target population

.The target populations of the study would be employees of Wolkite University that work on tasks related to fixed asset management. Even though fixed asset management is a responsibility of

every community in the university employees that are working in property administration are close to that fixed asset. So, the researcher takes the target population from the procurement and property administration department. The target population is “6” from the procurement and property administration department.

3.3. Sampling size and sampling techniques

The researcher used census type of techniques. Cense type of techniques are suitable for the study and they Can provide accurate information. It is especially applicable when the target population is low. The researcher take as all 6 employees from the total target population in the n procurement and property administration department. The reason that the researcher selected only of the procurement and property administration department is they can give the required information and expect employees that are hired in the procurement and property administration department.

3.4. Source of data

To conduct the study the researcher used both primary and secondary data while conducting the study work

3.5. Methods of Data Collection

Primary data would be collected through questionnaires and observation. Collecting data by using primary collection methods helps to give the respondent enough time to respond or give an opinion to questionnaires and also it helps to obtain the real information and to take points secondary data would be collected from reference book magazines and the internet.

3.6. Data Analysis

The data would be analyzed in both qualitative and quantitative ways. Quantitatively, the data was collected through questionnaires and analyzed in the form of tables, graphs and percentages. Qualitatively the data would be analyzed in the form of a discussion.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

In this chapter, the researcher present, analyzed and interpreted the data gathered from the respondent through questionnaires about fixed asset management systems. The researcher distributes 6 questionnaires and out of these all of the questionnaires are responded to and returned.

4.1 Data Analysis

The primary data which are collected from employees in procurement and property administration departments were analyzed and described in the form of quantitative and qualitative ways.

4.2 Background of the Respondent

The researcher designed and distributed questionnaires to ‘’6’’ employees and also interviewed the procurement and administration directorate and internal audit directorate. The total questionnaires were distributed to the employees that work in the procurement and property administration department all questionnaires are returned and responded to.

Table 4.1 Personal information of the respondent

1	Sex	Male	4	66.66
		Female	2	33.34
		Total	6	100%
2	Age	Below 30	4	66.66
		Between 31-40	1	16.67
		Between 41-50	0	
		Above 50	1	16.67%
		Total	6	100%
3	Educational level	Certificate	0	
		Diploma	2	**33.34%**
		First-degree holder	4	66.66
		Masters	0	
		Total	6	100%
4	Work experience	Below 2years	2	33.34%
		Between 2-4 years	2	33.34
		Between 5-8 years	0	0
		Above 8 years	2	33.34
		Total	6	100%

Source: Field survey data 2023

In the above tTable4.1 item ‘’one’’ indicated that most of the respondents 4(66.66%) are males and the remaining 2(33.34%) are females. In item ‘’two’ ’the age below 30, between 31-40, and above 50 is 66.66%, 16.67%and 16.67% respectively and there are no respondent’s b/n 41-50. In item ‘’three’ ’the educational level, diploma, and first-degree holders, are, 33.34%, and66.66%, respectively, and no respondents in certificate and master. It indicates the majority of the respondents are first-degree holders. In item’’ four’’ the work experience of the employees is below 2 years, between 2-4 years, and above 8 years is 33.34%, 33.34%, and 33.34%, respectively no respondents between 5-8 work experiences.

4.3 analysis related to fixed asset management system

Table 4.2the respondent’s willingness to express the fixed asset management system

Description	Response	Respondent number	Percentage
Can you express the organization’s fixed asset management system?	Yes	6	100%
	No	-	-
	I don’t know	-	-
	Indifference	-	-
	Total	6	100%

Source: field survey data 2023

As revealed in the above table 100% of the respondents said ‘’yes’’, this indicates all of the respondents could be expressed the fixed asset management system. So according to the respondent, they can express about the organization’s fixed asset management which helps t understand their tasks a in good manner.

Table 4.4 discussion to assess the effectiveness and efficiency of the fixed asset management system

Description	**Response**	**Number of the respondent**	**Percentage**
	Yes	6	100%

Is there any discussion held to assess the effectiveness of the plant (fixed) asset management system?	NO	-	-
	Total	6	100%

Source: Field survey data 2023

The above table 4.4 shows that no respondents replied that always held discussions to assess the effectiveness and efficiency of the fixed asset management system. 100% of the respondents replied that yes. This specifies the majority of the respondents said that discussion is always to assess the effectiveness and efficiency of fixed asset management systems.

Table 4.5 records and reports fixed assets timely

Description	Response	Respondent number	Percentage (%)
Witch frequency assessment method in the organization record and reports of fixed assets timely?	Monthly	6	100%
	Quarterly	-	-
	Semi-annually	-	-
	Annually	-	-
	Indifferent Total	6	100%

Source: field survey data (2021)

The above 4.5 tables revealed that 100% of the respondents said that ‘’monthly’’ there is no respondent said ‘’quarterly’’, and no one said (replied) that annually and semiannually. The majority of the respondents replied that to some extent fixed assets are recorded and reported accurately in the university.

4.4 Analysis related to record and report of fixed asset

Table 4.6 Accurate record and report of fixed asset

Description	Response	Number of respondents	percentage
Do you believe that records and reports of fixed assets are accurate?	Yes	5	83.34%
	No	-	-
	To some extent	1	16.66%
	Indifference	-	-
	I don't know	-	-
	Total	6	100%

Source: Field survey data 2023

The above table 4.6 indicated, 83.34% of the respondents said yes, no one replied no, and 16.66% of the respondents said to some extent. This shows that most of the respondents replied that to some extent fixed assets are recorded and reported accurately in the university. So based on this data recording of fixed assets takes placement accurately which led to good asset management in the sector.

4.5 Analysis related to performance evaluation of fixed asset

Table 4.7properly performance evaluation of fixed asset

Description	Response	Respondent number	Percentage
Do you think that the performance of fixed assets is evaluated properly in the university?	Yes	5	83.34%
	No	1	16.66%
	I don't know	-	-
	Indifferent	-	-
	Total	6	100%

Source: Field survey data 2023

The above table 4.8 dictates that 83.34% of the respondents said ''yes''16.66% of the respondents said that no and no one respondent replied indefinitely don't know this shows the

majority of the respondents replied that the performance of fixed assets is evaluated properly in the university.

4.6 analysis related to depreciation expense of fixed asset system

Tabel4.8 Periodical calculation of depreciation expense

Description	Response	Respondent number	Percentage
Does the organization calculate depreciation expenses periodically?	Yes	1	16.66%
	No	4	66.66%
	To some extent	1	16.66%
	Indifferent	-	-
	Total	6	100%

Source: Field survey data 2023

In the above table, 16.66% of the respondents replied ‘’yes ’’66.66% of the respondents replied ‘’ no, and ’16.66% of the respondents said that the depreciation was calculated to some extent. This specified that the majority of the respondents replied that depreciation of fixed assets could not be calculated periodically in the university. So it has a great impact on fixed asset management.

Table 4.9 Method of calculating depreciation

Description	Response	Respondent number	Percentage (%)
If you say ‘’yes’’ to question number ‘’7’’ which types of depreciation method should be used in the organization?	Straight line	1	16.66%
	The sum of years digit method	1	16.66%
	Double decline balance method	-	
	Unit of production method		
	Total	2	33.34%
Respondent says the company does not		4	66.66%

calculate expenses periodically			
Total		6	100%

Source: Field survey data 2023

The above table shows16.66 % that of the respondents replied that the straight-line method and 16.66% of the respondents are said sum of year digit method .but the reaming4 respondents replied that depreciation of fixed assets could not be calculated in the university or not used any depreciation method or no response. So these two points are contradictory and difficult to analyze.

Table 4.10 Disposal or removal of depreciated fixed asset

Description	Response	Respondent number	Percentage (%)
How to remove (disposed) the depreciated fixed asset in the university?	Sale	2	33.34%
	Exchange	1	16.66%
	Stored	-	
	Donated to others	3	50%
	Total	6	100%

Source: Field survey data 2023

As depicted in Table 4.10 above, 33.34% of the respondents said the depreciated fixed assets were removed (disposed of) by sales in the university, also 16.66% of the respondents said the depreciated fixed asset removed by exchange, no response that depreciated fixed asset is stored and the remaining 50% of the respondents replied that the depreciated fixed asset is disposed of by donated to others. As this indicated the majority of the respondents replied that depreciated fixed asset is disposed of being by donating to others rather than stored, sale exchanged in the university

4.7. Analysis related to maintenance of fixed asset

Table 4.11 Maintenance expense of fixed asset

Description	Response	Respondent number	Percentage (%)
Is there any maintenance of fixed	Yes	4	66.66%
	No	-	-
	To some extent	1	16.66

assets in the university?	I don't know	1	16.66
	Total	6	100%

Source: Field survey data (2021)

As portrayed in Table 4.11 above, 66.66% of the respondents replied ''yes'', 66.66% of respondents replied ''to some extent, 16.66% of respondents replied ''to some extent'' and no one replied no. According to the above table 4.11 the majority of the respondents replied that there is maintenance of fixed assets in the university. The respondents replied that there are good, information communication technologies (ICT), Maintenance warehouse, and fixed asset maintenance.

Table 4.12Treatment of maintenance expense of fixed asset

Description	Response	Respondent	Percentage(5)
How will maintenance expenses be treated in the organization?	As a miscellaneous expense of the period	2	33.34%
	As revenue expenditure	-	-
	As capital expenditure	4	66.66%
	Total Neither nor	-	-
	Total	6	100%

Source: field survey data (2023)

As demonstrated in Table 4.12 above, 33.34% of respondents replied that maintenance expense should be treated as a miscellaneous expense of the period, no one respondent replied that treated as revenue expenditure, and 66.66% of the respondents replied as capital expenditure These show the majority of the respondents replied that the maintenance expense is treated as the capital expense of the period.

Table 4.13responsible for maintenance of fixed asset

Description	Response	Respondents number	Percentage (%)
	Audit department	-	-

Which department is responsible for fixed asset maintenance?	Property administration department	2	33.34%
	Maintenance department	4	66.66%
	Neither nor	-	-
	Total	6	100%

Source: field survey data (2023)

According to above table 4.13, no respondents replied that the responsibility of fixed asset maintenance is to the audit department, 33.34%of the respondents said that the property and administration department is responsible for fixed asset maintenance, the majority(66.66%) of the respondents said that maintenance department has responsible to maintain the fixed asset. This shows that the majority of the respondents believe the maintenance department is responsible to maintain fixed assets in the university.

Table 4.14 Discussion related maintenance department

Description	Response	Number of respondents	Percentage
Does the repair and maintenance department properly functional?	Yes	5	83.34%
	NO	1	16.66%
	Total	6	100%

Source: Field survey data 2023

According to table 4.14, 83.34%of the maintenance department is properly functional and 16.66% of the maintenance department is not functional. so the majority of the maintenance department is properly functional.

4.8 analysis related to safeguarding to protect fixed assets

Table 4.15 Safeguarding to Protect the fixed asset

Description	Response	Number of respondents	Percentage9
Is there adequate safeguarding to protect fixed assets from theft and fire?	Yes	5	83.34%
	NO	1	16.66%
	Total	6	100%

In the above table, 4.15, 83.34 of the respondents replied that there is safeguarding of fixed assets from fire and theft, and 16.66%ofresponde replied no safeguarding of fixed assets from fire and theft.

4.9 Analysis related to factors of fixed asset management system

Table 4.16 Factors that Affect the fixed asset management

Description	Response	Respondents number	Percentage (%)
Which of the following factors do you think mainly affect fixed asset management?	The absence of fixed asset registration	2	33.34%
	Lack of awareness of the employees	1	16.66%
	Lack of warehouse or store	1	16.66%
	The depreciation of asset code not be calculated	2	33.34%
	Total	6	100%

Source: field survey data (2023)

In above table 4.16, 33.34% of the respondents replied about the absence of fixed asset registration, also 16.66% of the respondents said that lack of awareness of the employee, 16.66%

of the respondents replied about lack of warehouse or store, and 33.34% of the respondents said that the depreciation of asset code not be calculated.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusions

In this chapter, the researcher is tried to conclude and give recommendations about the assessment of the fixed asset management system in the university. The finding indicated that most of the employees are males and first degree holder covers the majority percentage.

Based on the finding the researcher concludes that in Wolkite University the fixed asset management system is strong. But discussions are held sometimes to assess the effectiveness and efficiency of fixed asset management system as the majority of respondents said ‘’to some extent’’ effectiveness in managing fixed assets and reporting and recording accurately.

It is also recorded and reported timely. As the finding indicated the performance cassettes cannot evaluate and measured periodically and properly. As well as depreciation expense cannot be calculated periodically. The depreciated (useless) fixed asset of the university is disposed of or removed) by donating to other than selling or exchanging GE with the other new asset. Maintenance exists in the university and this maintenance expense is treated as the capital expense of the period.

The maintenance department is responsible for the main fixed asset in the university and all employees have not aware of fixed asset management but employee sees es aware of fixed asset management. As expressed in the above majority of the respondents believed that there is strong fixed asset management in the university. But the performance of fixed assets could evaluate properly and the depreciation also could not be calculated periodically. So this indicated that the fixed asset management system is weak. The finding also indicates that donated fixed assets are reported at fair market value and also the university used different control activities of fixed assets, such as segregation of duties, tagging of assets, and coordinating with the purchasing department.

5.2. Recommendation

Based on the finding and the conclusions the researcher forward the following possible recommendations, which may contribute to a better and possible solution to the problem.

- The university should be adopted the habit and create awareness among the employees regarding the importance of fixed asset management.
- should be adopted the habit of discussing the effectiveness and efficiency of the fixed asset management system. Because this helps the employees to have a better understanding of the fixed asset management system and to strengthen the fixed asset management system.
- The reporting and recording of the system were performed timely and in extent accurately recorded and reported. So the university should continue the existing timely report recorded of fixed assets. Because it helps to control and safeguard the fixed asset from theft and different disasters manage it.
- The performance of fixed assets could not evaluate periodically and properly. So the university should evaluate the performance of fixed assets periodically and properly.
- The university could not calculate depreciation and prepare statements of the fixed asset rather than recorded in ‘’model 19’’ and ‘’model 22’’ so it was better for the university to prepare financial statements and calculate depreciation. Because it helps to measure and evaluated the performance and to check the physical existence of fixed assets. As we have seen in the literature review maintenance expense should be treated as capital expenditure or revenue expenditure rather than the miscellaneous

expense of the period. It is also advisable the depreciated fixed asset be disposed of in the form of sale and exchange in the other related asset rather than stored and donated to another.

- Generally, as we have seen in the previous chapter, the respondents replied that the fixed asset management system was strong. But the performance of fixed assets could not be evaluated properly, depreciation could not be calculated and all employees have no awareness about fixed assets. This indicated that the management system is weak. So the university should evaluate the performance of the fixed asset, calculate depreciation evaluate its performance periodically.

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APPENDIX

Wolkite University.

College of Business and Economics

Department of Accounting and Finance

Questionnaires to fill by the employees of the property administration audit Department

Dear respondents: these questionnaires are designed to collect information on accessing fixed asset management at Wolkite University. The main aim of this questionnaire is for partial fulfillment of the requirement of a Bachelor of Arts (BA) in accounting and finance.

So, you are kindly requested to complete these questionnaires by honestly and heartedly promising that all the information you provide will be kept confidential and secretly use for academic purposes only.

INSTRUCTION: no need of writing your name and only mark ''√'' for the answer you think

PART ONE: Personal Background

1. Sex: male ☐ female ☐

2. Age: below 30 ☐ tween 31-40 ☐ between 41-50 ☐ above 50 ☐ ☐

3. Educational level of the respondent

Certificate ☐ Diploma ☐ Degree ☐ Masters ☐ if any others please specify……

4. Work Experience: below 2 years ☐ between 2-4 years ☐ between 5-8 years ☐

Above 8 years ☐

PART TWO: Basic questions

1. Do you express the organization's fixed asset management system?

Yes ☐ I don't ☐ in different ☐

2. If your answer to question number '1' is yes how to express a fixed asset management system?
   Very strong ☐ ☐ very weak ☐ weak ☐

3. Is there any discussion held to assess the efficiency and effectiveness of the fixed asset management system?
   Always sometimes never I know if any other

4. If your answer to question no 3 is yes tell us about frequency assessment.

Monthly quarterly semi-annually annually

5. Do you believe that recording and report of fixed assets is accurate?
   Yes No to some extent I don't know indifferent

6. Does the organization evaluate its plant asset periodically?
   Yes No to some extent I don't know

7. Does the organization calculate depreciation expense periodically?
   Yes No to some extent I don't know indifferent

8. If you said ''yes'' in question number ''7'' which types of depreciation method should be used in

   The organization?

   Straight line method Double declining balance method

   Sum Straight line method Unit of production method

9. Is there any maintenance of fixed assets in the university?

   Yes No I don't know to some extent

10. How does maintenance expense treat in the university?

    As miscellaneous expenses as a capital expense

    As revenue expenditure i other please specify……

11. Which department is responsible for fixed asset maintenance?

    Maintenance department audit department

    Property and administration department y other please specify……

12. How to remove the depreciated fixed asset in the university?

    Sales e nge s donated to o

13. Do you think that the performance of fixed assets evaluates properly in the university?

Yes ☐ No I don't know ☐ indifferent ☐ ☐

14. Is there adequate safeguarding to protect fixed assets from theft and fire? ☐

Yes ☐ No ☐

15. Which of the following factors do you think mainly affect fixed asset management?

Lack of warehouse or store the absence of fixed asset registration ☐

Lack of awareness of the employees about depreciation calculation ☐