# ST.MARY'S UNIVERSITY
# FACULTY OF BUSINESS
# DEPARTMENT OF ACCOUNTING


# AN ASSESSMENT OF FIXED ASSET MANAGEMENTIN THE CASE OFADDIS ABABA UNIVERSITY, 6 KILO CAMPUS


**BY**

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**JUNE, 2014**

**SMU**

**ADDIS ABABA**

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**BUSINESS FACULTY**

**ST. MARY'S UNIVERSITY**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF BACHELOR OF ARTS IN ACCOUNTING**

**BY**

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# List of Acronyms

| | |
|---|---|
| AAU | Addis Ababa University |
| CI | Confidence Interval |
| EC | Ethiopian Calendar |
| FAM | Fixed Asset Management |
| ICS | Internal Control System |
| MoFED | Ministry of Finance and Economic Development |
| SMU | St. Mary's University |

# Abstract

The study was conducted in Addis Ababa University, 6 Kilo campus, Addis Ababa, Ethiopia from February 19, 2014 to May 19 to assess the practice of fixed asset management of the organization. Descriptive type of the study method was employees through collection of data by judgmental sampling from the employers of the organization. A total of 14 employers (3 fixed asset managers, 3 store and fixed asset store units, 3 store and supply units, 3 internal audit service unit, and 2 finance officers) were involved in the study as a respondent. From the total of 14 respondents, 10(85.7%) convinced that the university is applying the basic elements of fixed asset management policies. Similarly, out of the total employers who fill the questionnaire, 10(71.4%) respondents reflected that the fixed asset management department is doing its responsibilities. Among the 14 employers, 9(73.5%) respondents indicated that the institute is disposing retired asset as per the legislation. Finally, those 9(64.2%) employers out of the total population clarified that the organization maintenance department is performing its duty. As the result indicated that the practice of fixed assets management in Addis Ababa University, 6 kilo campus is in a good condition even if there are some problems in the department of the fixed assets management. Therefore, series decision are required to observe and identify those problems and appropriate measures should be taken to reduce maintenance cost and extending the retirement time of assets in order to attain the future plan and goal of the organization.



**Key words**:- Addis Ababa University, Fixed Asset Management, 6 Kilo Campus

**DECLARATION**

We, undersigned, declare that this senior essay is our original work, prepared under the guidance of Getahun, G. All sources of materials used for the manuscript have been duly acknowledged.

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# CHAPTER ONE

# INTRODUCTION

## 1.1. Background of the Study

Globally fixed asset management industry has finally returned to a growth to achieve the goal of the specific organization (William: 2008:521). The continuing fast growth of fixed asset management solutions and specification confirms a structural and shift in all governmental and nongovernmental organization (Henry: 2009:9).

Fixed assets management is an important accounting process that seeks to track fixed assets for the purpose of financial accounting, preventing maintenance and theft deterrence (Tay:2009:P1). The council of Ministers financial regulation of Ethiopia, No 17/1997 provides a definition of fixed assets as a means of assets coasting birr 200 or more than it is operational use and that has a useful economic life of more than one year (MoFED: 2007:8). Fixed assets do not contain cash or other assets that are responsibly expected to be converted into cash, sold or consumed by the firms within their operating cycle (Singh: 2010:1).

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: 2012:3) claimed that a good system of internal control over fixed asset will help to detect accidental mistake 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 laws and regulations.

Addis Ababa University was established at 1950 E.C. It is the oldest and largest higher education institute in the country. The Organization has 14 campuses which are found in Addis Ababa. AAU is also one of non-profit making governmental organization having different fixed assets for its day to day routine operation (http//www.aau.edu.et/ 2,11,2013 ). In order to attain the

goal of the organization, fixed asset management has become essential for both management and auditing activities. Having no adequate and appropriate internal control over fixed asset is a major problem to the operation of every organization (Domnisoru and Vinatoru: 2008:8).

Previous studies are conducted in both private and governmental organization regarding to fixed asset management. Our study focused on internal control over fixed asset of Addis Ababa University. The reason for doing this study is to investigate and identify the problem area of internal control over fixed assets, and to know the strength and weakness of AAU in relation with FAM.

## 1.2. Statement of the Problem

At the time of this writing, the number of cases of AAU embezzlement and faithful performance error is on the rise. This results in loss of millions of birr through maintenance of assets. What this causes in common is a serious lack of internal control over fixed assets.

Improper authorization of fixed assets, improper installation and disposal of fixed assets and low physical control of fixed assets may also result in business failure and hence it may hinder the organization's long run success. The ineffective utilization of fixed assets further contributes to the above stated material problems of capital assets.

As fixed asset plays an important role in the organization's objectives, these fixed assets are not convertible over a period of time. If fixed assets are idle and not utilized properly it affects the long term sustainability of the service delivery to customers.

Based on the preliminary study the student researchers have been found the following problems on the fixed asset management practice of the AAU 6 kilo campus; on the reviewing and approval by managers before the using 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 on the fixed asset maintenance and safeguard process.

## 1.3. Research Questions

To address the problem related with fixed asset management, it is important to pose the following questions and the studytried answers these basic questions.

> How does the management system on reviewing and approving the requests?
> How does the performance of the University on the disposing of fixed assets?
> How valuable is the relationship between functional responsibilities and the university's fixed asset financial management?
> How effective is fixed asset maintenance and safeguard process?

## 1.4. Objective of the Study

### 1.4.1. General Objective

The aim of this study is to assess the effectiveness of internal control system over fixed asset

### 1.4.2. Specific Objectives

*S* To evaluate the responsibilities of fixed assets managers
*S* The study is conducted to evaluate whether there is legislative frame work on disposal of plant assets
*S* To evaluate the system that AAU puts into practice the basic elements of fixed asset management.
*S* To assess the effectiveness of fixed assets maintenance and safeguarding process.

## 1.5 Significance of the Study

The research team believed that the outcome of this study have multi-dimensional significance; some of them are;

. This study gives important suggestion that were help the organization for appropriate and practical fixed asset management solution and specialties.

. To indicate that the issue is yet potentially a research area and also use as a reference for further studies
. It used as a capacity building in the area of research for the research team.

## 1.6. Scope of the Study

The study covered the plant asset management drawn from January 2013 to December, 2013 on Addis Ababa University, 6 kilo campus. This project is limited on effectiveness of fixed assets purchasing process, its legislative framework and responsibilities of fixed asset managers and supervisors and other associated personnel.

## 1.7. Research Design and Methodology

### 1.7.1. Research Design

The research team used descriptive research method in order to describe the fixed asset management of Addis Ababa University. As the name implies, the major objective of the descriptive research is to describe the functions and managerial system of current asset.

### 1.7.2. Population and Sampling Size

The target populations of the study were employees of the AAU that work on tasks related with fixed asset management. The research team used non probability sampling approach. Since it was possible to find all the target population at one place, the research team has used judgmental sampling technique. Accordingly the sample size of the study was 14 employees of the university.

### 1.7.3. Types of Data Collected

The research team used both primary and secondary data. The primary data was collected from employees of the university and manager of the finance department. Secondary data was collected from annual report of the AAU, reference books, internet, and previous researches.

### 1.7.4. Methods of Data collection

The research team used close ended question and interview to collect primary data. Questionnaires had been distributed to employees while they were working. Interview was taken personally with the head of the AAU's finance department. The secondary data was gathered through referring different text books, internet, and published and unpublished data of the bank; related with the subject matter.

### 1.7.5. Methods of Data Analysis

The student researcher used both qualitative and quantitative data analysis techniques. The responses that were collected from questionnaires were analyzed using quantitative

approach and presented by tabulation and percentage. Responses that have been obtained through interview were narrated qualitatively.

## 1.8. Limitation of the Study

- The study was limited to internal control over fixed assets.
- The project was also restricted by limited time 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, may vary fixed assets performance
- The study is pointed only in a single governmental organization

## 1.9. Organization of the Study

The paper was organized into four major chapters. The first chapter deals with the general background of the study, statement of the problem, objective and significance of the study with its scope and limitation in accordance with the study design and methodology. The second chapter contains bird eye view of related literatures.

Chapter three addresses presentation and analysis of collected data and analysis of finding of the study The last chapter, chapter four contains summary, conclusion and recommendation part of the study.

# CHAPTER TWO

# REVIEW OF RELATED LITERATURES

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

## Definition of Fixed Capital

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

Financial Management

## 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 long period.
- Fixed capital expenditure is of nonrecurring nature.
- 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 of the beginning of 1940 as modern businesses increased in sized an techniques, the adoption of methods and procedures has become inevitable in order to increase the efficiency of the business of the purpose of preventing errors and frauds. Furthermore, the regulations of business activities under efficient system of internal control enable to minimize detailed work to be undertaken b an independent auditor. Therefore, the need for the development of internal control system has become essential for both the management and auditing activities (Batra and Bagardia, 1992; 127)

Different authorities have defined the expression "internal control" in different ways, BatranaBugardia (1992) have defined internal control as "Internal control comprises the plan of organization and all of the coordinated methods an measures adopted with in 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."

Johnson (1974 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 in order 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 (Sawyer and Diffenhofer 1996; 213).

## 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 process 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 in to two categories accounting and administrative controls.

Duttachowdhury (1998) states that, accounting control comprise 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 Functions of Internal Control

Internal controls are designed to perform different functions. Some of them are preventive, detective and corrective controls (Sawyer and Diffenhofer, 1996; 134)

### 2.4.1 Preventive Controls

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

### 2.4.2 Detective Control

Are designed to identity the 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.

### 2.4.3 Corrective Controls

Are designed to ensure corrective action is taken to reverse the undesirable out comes or to check that they don’t occur again, detection of errors is values if the identified error remains un

corrected or can be permitted to recur, therefore , the management must develop systems to correct undesirable conditions and prevent recurrence(Barth and Clinch: 1998; 312).

## 2.5 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 and Beaver: 1998; 178).

## 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 In House and Vendor Lead Times Focus on Time Delivery and reduce Inventory Levels.
Material requirements planning or MRP involves getting material on hand when needed for production or sales. The Material requirements planning document should providefour basic items of information, when to place order, how much to order, who to order from and when the items need to be on hand. While some companies don't use MRP, but rely on expediting to accomplish this, other companies use the min max 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. Lawrence Distal and Charles W. Haley (1994:70).

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 low. Lawrence Distal and Charles W. Haley 2nd edition (1996:71) in 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 will 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) 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 Lawrence Distal and Charles W. Haley 8th edition (2004:65).

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 andJotten, 1982; 87)

## 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; 142).

## 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; 155)

## 2.9 Depreciation

The concept of depreciation is linked closely to the concept of business in come. 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 enterprises is considered "as well as at the beginning of the period. " Depreciation is the measurement of this expired cost (Bernard, 1993; 155).

Factors in the estimation of periodic depreciation

**The estimate of periodic depreciation dependents 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 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,; 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 if services that has expired in each accounting period. A corollary issue is to decide whether all units of service have and equal cost, or whether some units of service have a large or smaller cost than others (Berk: 1990; 98)

## 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 which 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; 66)

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

### 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 a number of depreciation methods that attempt of recognize these factors in varying degrees. They may be classified as follows.

1. Straight line method (based on expiration of time)
2. Accelerated methods (based on expiration of time )
   a. Fixed-percentage of declining balance
   b. Sum-of the years digits
3. Output (or units of production) method (based on physical service or production)
4. Retirement and replacement methods
5. Interest methods

Depreciation under the straight line and accelerated methods is a function of time rather than use, one the other hand, depreciation under the out method is a function of actual usage rather than the passage of time (Berk: 1990; 204)

### 2.11 Capital Expenditure and Revenue Expenditure

#### 2.11.1 Capital Expenditure

Capital expenditure includes the following

A. Expenditure incurred for acquiring assets that are intended to be used for the purpose of producing or providing foods or services rather than for the purpose of sale in the ordinary course of business. Thus, all costs of acquiring fixed assets and bringing them to their working condition for their intended use will form part of capital expenditure.
   For example, in the case of an item of machinery, besides the price paid for acquiring it, costs incurred for making it ready for use, such as initial delivery and handling cost, installation cost and cost of trial runs, will also form part of capital expenditure.
B. Subsequent expenditure on fixed assets, which increases the future benefits arising from them beyond their previously assessed standard of performance. Thus, the expenditure on fixed assets subsequent to their acquisition, which increase their capacity, efficiency, life span or economy of operations, is capital expenditure. If expenditures incurred merely to maintain an asset in working order at its existing standard of performance, it is a revenue expenditure on repairs and maintenance (Barth and Beaver: 1998; 246).

## 2.11.2 Revenue Expenditure

This refers to the expenditure incurred on carrying on operations during an accounting period, the benefits of which do not extend beyond that period. As per the matching principle, such expenditure is changed against the revenue earned during the relevant period, examples of items of revenue expenditure are raw materials consumed, salaries and wages of the administrative staff, repairs and maintenance, legal expenses, losses due to fire, etc (Barth and Beaver: 1998; 279).

## 2.12 Management of Asset Disposal

When thinking about asset disposal management, it has to originate at the early stage where an organization plan to purchase an asset, as per Ellarm (1995; 4) "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."

As per,Spire (1996; 99) the management of the asset lifecycle starting form 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, 11) explain about the two principal elements in relation to management 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 (Zenz, 1994 ; 521).

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 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, 1979:25).Agency management is responsible for reviewing disposal reports, evaluating causes and trends leading to disposal, and

implementing procedures to manage and control disposal when the dispositions represent problems, inefficiencies, and the occurrence of unnecessary cost.

### 2.12.1 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.

### 2.12.2 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; 190).

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 items 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 (Lese and Dobler 1971; 427) "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 specific company, the company may b the producer or the agent in this case private dealing is important.

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 (Barth and Beaver: 1998; 311).

## 2.13 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 in order to free up cash for investment in revenue-growth activities. One of the major problems to inventory reduction is the mistaken notion that improved inventory control management is all that is required to improve inventory rates, increase inventory turnover and provides an on going inventory reduction program. Certainly, lack of control contributes to excessive inventory, but often an organizations negative reaction to material shortages, and that the major focus of most material groups is to supply required inventory and not look for ways to improve inventory turns, is the driving factor in poor performance in inventory reduction. Many companies have achieved inventory reduction and improved on 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 Set a realistic objective for inventory levels, Identify those items that are in excess of acceptable inventory levels, Identify obsolete and defective inventory, Make a list of actions to be taken to reduce the inventory, and Devise new procedures to help eliminate future build up of inventory. (http://www.invatol.com, Harvard business review *"Introduction to inventory"'/* 19, 12, 2013)

## 2.14. 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, 2009:108)

**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.

**Ordering Costs:** As a second factor, we must consider the cost of ordering and processing inventory in to stock. If we maintain a relatively low average inventory in stock, we must order many times and total ordering cost will be high.Stanley Block and Geoffrey A. Hart (2009:109)

### A. Economic Order Quantity

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. The terms in EOQ formula are defined as follows: Stanley Block and Geoffrey A. Hart (2009:120)

S= Total sales in Units

O= Ordering cost for each order

C= Carrying cost per unit in dollars

### B. Safety Stock and Stock outs

In our analysis we have 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 a 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; 120).

A minimum safety stock will increase the cost of inventory because the carrying cost will rise. This cost should be offset by eliminating lost profits on sales, due to stock outs and also by increased profits from unexpected orders that can now be filled.

The amount of safety stock that a firm carries is likely to be influenced by the predictability of inventory usage and the time 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 (Stanley and Geoffrey,2009:125)

Usually suppliers are located near manufacturers and are able to make orders in small lot sizes because of short delivery times. One side effect that has been for manufacturers are to reduce 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.

In one sense the manufacturer pushes some of the cost of financing on to the supplier. If the supplier also imposes JIT on its suppliers, these efficiencies work their way down the supplier chain to create a leaner production system for the whole economy.

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, 2009:130).

## 2.13. Secondary data Collection

- The organization assumed that assets serve for a period of more than one year having a value of birr 1000 and above that are easily identifiable form other assets are classified as fixed assets.
- To inspect whether the fixed properties of the organization are used and applied properly is one of the duties to be exercised.
- Maintenance of ownership certificates and documents for those assets while need to have such certificates, and taking annual counting of assets to ascertain their existence.
- Where the acquisition cost of a fixed asset is assumed to be very high, such expenditure allowed provided that ask the necessary assessment have been carried out and it is believed that the asset adds values to the efficiency of the organization such assets should be put in to operation following their acquisition.

A fixed asset register card, which shall be used to record every fixed asset separately in compliance with its history and the book of fixed asset registration, shall be handled through the fixed asset management section. This card and registration book shall have to contain, the name of the assets, the group, the code, the date of purchase, its value of the amount of deprecation to be deducted and the form to be used for this purpose is annexed with this. It is possible to record number of items of fixed assets together at once in a case a purchases is or one and are to be used in a great deal ,or they can be recorded at the same time with quantity of the items expressed in a single card of fixed assets (Barth and Beaver, 1998; 218).

**Assigning Codes for Fixed Assets**

To assign the identification number correctly, the assets shall be arranged in order to their section they are in use identified and shall be kept recorded in books and the list registered. This registration book is supposed to be kept with the necessary information it should bear, name of

the assets, the identification code and should indicate under which the worker in use,, this registration book shall have to verify against the reality on ground at the end of the fixed asset counting exercise.To control and use fixed asset properly the organization must assign identification number or code to each types of fixed assets (Barth and Beaver: 1998; 284).

E.g. assigning code for a particular automobile car

| | Public body | Source of budget | Account code | Major category | Place | Directorate code | Identification number |
|---|---|---|---|---|---|---|---|
| Code | MOFED | 101 | 4521 | 01 | HO | FD | 0001 |

Eg. MOFED-101-4521 ---01 -HD---FD—000

**The Cost of Maintenance and Repairing Fixed Assets**

The periodic costs that are incurred for repairing and maintenance of fixed assets should be kept as an asset of capitalization that incurred for repairing could be recorded as a capital when.

- The service year that fixed asset is believed to be prolonged as extended or a result of the repairing of the maintenance or the capacity of production is improved as a result of the sum is approved.
- The expense incurred is equal or more than 25% of the cost of the asset it self
- Cost of expense incurred for maintenance of repairing should capitalized as for as it meets with these requirements.

The content that the maintenance could enhance the service year or improve its capacity; when:

- Per the recommendation, the technical main department shall provide on basis of the maintenance performed attached with annexed performance of the repairing reports and this improvement of the services year and the capacity should be given in figure quantified and the details of the condition or the change should be presented on time.
- Regarding the cost expenses incurred for vehicles, the action shall depend on the reports, the garage department reports just after the repairing or maintenance are done the recommendation be addresses.

In regards with the expenses of the maintenance of office equipment in shall depend on the condition of the reports presented, together with the concerned professionals on the performance of the repairing and the consequence results after then.As maintenance and repair for the organization is handled through the head office, the report on the content of the repairing and maintenance should be presented to the technique, the garage office service of the head office accordingly (Barth and Beaver: 1998; 321).

# CHAPTER THREE

# DATA PRESENTATION, ANALYSIS AND INTERPRETATION

## 3.1. Characteristics of the Study Population

A total of 14 questionnaires have been distributed to Addis Ababa University, 6 kilo campus employers who have a position that is important to this study.The numbers of employees who have responded to the questionnaires are presented below along with their corresponding department.

| *Department* | *No of respondent employee* |
|---|---|
| Fixed asset management (FAM) | 3 |
| Store and supply unit | 3 |
| Fixed asset store unit | 3 |
| Internal audit service unit | 3 |
| Finance officer | 2 |
| Total | 14 |

## 3.1 Background of the Respondents

### Table 1: Number of Respondent Who Filled the Questionnaire

| No | Item | No of respondent | Percentage |
|---|---|---|---|
| 1 | Sex | | |
| | Male | 8 | 51.7% |
| | Female | 6 | 42.9% |
| | Total | 14 | 100 |
| 2 | Age | | |
| | 18-30 | 5 | 35.8% |
| | 31-45 | 9 | 64.2% |
| | Total | 14 | 100 |
| 3 | Educational level | | |
| | Advanced certificate | 2 | 14.2% |
| | Diploma | 4 | 28.5% |
| | Degree | 8 | 57.3% |
| | Total | 14 | |

Source; Questionnaire

as can be seen from item 1 of table 1 which shows the general characteristic of respondents and it is shown that 8(51.7%) of the respondents are male while the rest 6(42.9%) of them are females. As the data indicates that majority 51.7% of the respondents were male.

Item 2 of the same table shows the age category of the respondents which 9(64.2%) of the respondents are in the age range of 31-45 while the rest 5(35.8%) of them are in the age range of 18-30. Based on the data majority of the respondents were under the age of 31- 45.

Item 3 of the same table shows the educational level of the respondents which 8(57.3%) of the respondents are degree holders, 4(28.5%) and 2(14.2%) of the rest are diploma and advanced certificate holders. the majority of the respondents are degree holders as can be seen from the data above.

## 3.2. Analysis of Questions Directly Related with the Study

The study used both primary and secondary data. The primary data was obtained by carrying out a small survey on 14 staff members who are related with the topic and the data was collected through judgmental sampling technique. The source of secondary data have been used in this research from the audited financial statement and fixed asset manual of Addis Ababa University 6 kilo Campus.

**Table 3: Description of Application of the Basic Elements of Fixed Asset Management.**

| No | Description | No of respondents | Percentage |
|---|---|---|---|
| 1 | Does AAU have a registration and controlling system of the fixed assets? | | |
| | Yes | 12 | 85.7 |
| | No | 2 | 14.3 |
| | Total | 14 | 100 |
| 2 | Does the Fixed asset registration book is complete? | | |
| | Yes | 9 | 64.3 |
| | No | 5 | 35.7 |

| | | | |
|---|---|---|---|
| | Total | 14 | 100 |
| 3 | Does the application of internal control manual over Fixed assets?<br>Yes<br>No | 8<br>6 | 57.2<br>42.8 |
| | Total | 14 | 100 |

Source; Questionnaire

As item 1 of table 3 indicates that 12(85.7%) of respondents claimed that there is a registration book and controlling system over fixed assets, while the rest 2(14.3%) pointed out the absence of registration book and controlling system. Simultaneously 64.3% of the repliers point toward the registration book is complete. Beside of this 35.7% of respondents said it is not. This implies that the university has a complete controlling system or book of recording for the fixed assets.

From application of internal control over fixed assets point of view, 57.2% of the employee does a manual and pertain properly. Though, 42.8% of the employer didn't use it properly. Those respondents list their problem why they did not use the manual. This implies that the manual is not understandable due to lack of training, the manual of the internal control of the organization are not matched with the federal finance and economic development manual and no procedure for distribution to users.

## Table 4: Description of Evaluating the Responsibilities of fixed assets managers

| No | Description | No of respondents | Percentage |
|---|---|---|---|
| 1 | Gathering of information in order to identify inventory fixed assets?<br>Yes<br>No | 13<br>1 | 92.8<br>7.2 |

| | | | |
|---|---|---|---|
| | Total | 14 | 100 |
| 2 | Is there a mechanism of counter checked the count with the registration book? | | |
| | Yes | 11 | 78.5 |
| | No | 3 | 21.5 |
| | Total | 14 | 100 |
| 3 | Have you ever seen the problem on the counting of fixed asset? | | |
| | Yes | 4 | 28.6 |
| | No | 10 | 71.4 |
| | Total | 14 | 100 |
| 4 | Is there a mechanism to updating the registry of fixed assets? | | |
| | Yes | 12 | 85.7 |
| | No | 2 | 14.3 |
| | Total | 14 | 100 |

Source; Questionnaire

As can be seen on the item 1 of table 4 showed that the managerial office is 92.8% gathering information in order to identify inventory of fixed assets. This implies that the management of the University properly gathered information about the inventory of fixed asset.

On the item 2 of table 4, 78% of the respondents respond that there is counter checking of inventory assets from the registration book in the University. This implies that the management evaluates or crosschecks the reliability of the count report.

Item 3 of the same table, 71.4% of the respondents observed the problems while counting of fixed assets. This implies that the management of the University didn't perform properly the counting of fixed asset. As it can be indicated on the item 2 the cross checking mechanism required to solve this problem.

On the item 4, 85.7% of the respondents replied that there is a mechanism in the University to updating of the fixed asset registry. This implies that there is updated data information about the fixed in the University.

**Table 5:** Description of Disposal of Plant Assets as Per Legislation.

| No | Description | No of respondents | Percentage |
|---|---|---|---|
| 1 | Does the University perform properly the disposal of fixed assets? | | |
| | Yes | 12 | 85.7 |
| | No | 2 | 14.3 |
| | Total | 14 | 100 |
| 2 | Does the installation problem considered during disposing of fixed assets? | | |
| | Yes | 2 | 14.3 |
| | No | 12 | 85.7 |
| | Total | 14 | 100 |
| 3 | The fixed assets scrapped or retire from use only the basis of written authorization of top manager | | |
| | Yes | 7 | 50 |
| | No | 7 | 50 |
| | Total | 14 | 100 |

Source; Questionnaire

The above table indicates the reveals that 85.7% of employers said yes the disposal of fixed assets are performed as per legislation. As the number 85.7% indicated that the installation of fixed assets disposal is properly done. The proportion of fixed assets scrapped from use on the basis of written authorization of top manager is 50%.and this problem was occurred by Fixed assets are not disposed at the right time. This implies that the University properlydispose the fixed asset, decisions are made regarding disposal of fixed assets without detail assessment and some fixed assets installed in proper place.

## Table 6: Description Table for Maintenance and Safeguarding of Plant Assets.

| No | Item | No of respondents | Percentage |
|---|---|---|---|
| 1 | Maintenance in AAU regarding to fixed assets | | |
| | Yes | 12 | 85.7 |
| | No | 2 | 14.3 |
| | Total | 14 | 100 |
| 2 | Adequate safeguards to protect the items of fixed asset from theft and fire | | |
| | Yes | 6 | 42.8 |
| | No | 8 | 57.2 |
| | Total | 14 | 100 |

Source; Questionnaire

In the above table, 85.7% of the respondents replay yesfor organization has repair and maintain its fixed assets and adequate safeguards to protect fixed asset from fire and theft; while the 57% said No, this result shows that the organization have a weakness to protect its fixed asset from theft and fire. The problem indicated here is lack of modern fire extinguisher materials, the

warehouse, there is no continuous follow up and inspection of assets and misallocation of fixed assets. The organization didn't provide maintenance and safeguarding for those plant assets.

**Table 7 Evaluation in Capitalizing and Recording as a Fixed Asset**

| | | No of respondents | Percentage |
|---|---|---|---|
| 1 | Once an item is capitalized, it is recorded as a part of a fixed assets inventory. | | |
| | Strongly agree | 3 | 20 |
| | Agree | 4 | 28 |
| | Neutral | 5 | 40 |
| | Disagree | 2 | 12 |
| | Strongly disagree | - | - |
| | Total | 14 | 100 |

Source: primary data

Table 6 shows the degree of agreement by the respondents to the statement once an item is capitalized; it is recorded as a part of a fixed assets inventory. (20%) of supervisors strongly agrees, (28%) agrees, (40%) are neutral, (12%) disagrees none of the respondents strongly disagrees. When we see the non-supervisors response; (25%) strongly agrees, (48%) agrees, (24%) are neutral, the rest (3%) disagrees none of the respondents disagrees strongly. This shows that the organization have had a problem on the fixed asset management as well as recording.

Donated furniture and equipment that fall within the organization's capitalization threshold are capitalized at their fair value and depreciated the same way as furniture and equipment that are

purchased by the organization, according to the rules and regulation of the ministry of finance and GAAP.

**Table 8The fixed asset management after acquisition**

| No | Item | Alternatives | Amount | (%) |
|---|---|---|---|---|
| 1 | Do you think the fixed asset receiving, issuing, accounting and storing responsibilities properly segregated? | Yes | 10 | 72.4 |
| | | No | 4 | 28.6 |
| | | Total | 14 | 100 |
| 2 | Are materials released from storerooms only on the basis of requisitions which are approved by a responsible official of the department? | Yes | 2 | 13 |
| | | No | 12 | 87 |
| | | Total | 14 | 100 |
| 3 | Are the materials issuances reconciled to general ledger control accounts at reasonable intervals? | Yes | 5 | 36 |
| | | No | 9 | 64 |
| | | Total | 14 | 100 |
| 4 | Are inventory records reconciled with physical count at a regular interval? | Yes | 5 | 36 |
| | | No | 9 | 64 |
| | | Total | 14 | 100 |
| 5 | Are all classes of fixed asset items physically counted? | Yes | 4 | 28.6 |
| | | No | 10 | 72.4 |

| | | | | |
|---|---|---|---|---|
| | | Total | 14 | 100 |
| 6 | Does your firm have a manual which can provide a proper procedure for making fixed asset physical count? | Yes<br>No | 2<br>12 | 13<br>87 |
| | | Total | 14 | 100 |
| 7 | Does management review the reconciliation of physical fixed asset counts to the fixed asset records? | Yes<br>No | 6<br>8 | 43<br>57 |
| | | Total | 14 | 100 |

Item 1 of the table 8, 72.4 % of the respondent's shows that thematerial released from store rooms not always only on the basis of requisitions which are approved by a responsible official of the department. Based on the data the company store management personnel's didn't properly follow the required procedure when the raw materials released from the store. This implies that the company has had a problem on the controlling of releasedraw materials.

On item 2of the same table, majority 87 % of the respondents show that the company materials issuances didn't reconciled to general ledger control accounts at reasonable intervals and the rest 13% of them agreed on it. This implies that there is the information materials issuances didn't reconciled to general ledger control accounts.

On item 3of the same table, majority 64% of the respondents show that the company inventory records reconciled with physical count at a regular interval and the rest 36 % of them agreed on it. This implies that the company didn't perform the inventory records reconciled with physical count at a regular interval. Similarly on the item 4 of the same table majority 64% of the respondents respond that all classes of inventory items didn't physically counted. This implies that the physical count of the company didn't concern all the inventory items.

As can be seen on item 5 of table 8, majority of the respondents 72.4 % implies that the company didn't have a manual which can provide a proper procedure for making inventory physical count. This implies that the inventory physical count of the company didn't have proper procedure, the efficiency is depends on the assigned person experience. Similarly on the item 6 of the same

table majority 87 % of the respondents respond that management didn't review the reconciliation of physical inventory counts to the inventory records. This implies that the inventory controlling performance exposed the inventories for the theft.

As item 7 of table 8 shows that majority of the respondents which is 57 % of them implies that there are discrepancies between physical counts and perpetual records investigated and resolved. This implies that the problem on the inventory count didn't identify the problem solving and didn't investigate the problem on it.

# CHAPTER FOUR

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 4.1. Summary

Globally fixed asset management industry has finally returned to a growth to achieve the goal of the specific organization. The continuing fast growth of fixed asset management solutions and specification confirms a structural and shift in all governmental and nongovernmental organization. Fixed assets management is an important accounting process that seeks to track fixed assets for the purpose of financial accounting, preventing maintenance and theft deterrence.

Fixed assets are assets coasting birr 200 or more than it is operational use and that has a useful economic life of more than one year. Improper authorization of fixed assets, improper installation and disposal of fixed assets and low physical control of fixed assets may also result in business failure and hence it may hinder the organization's long run dreams. The ineffective

utilization of fixed assets further contributes to the above stated material problems of capital assets.

## 4.1 Summary of the Major Findings

In this part of the study the major finding of the analyzed data are summarized below;

Lack of provision of trainings on the fixed assets management manual application and mismatching of the manual of fixed assets registry book with the federal finance and economic development manual.

There is no procedure for the distribution of fixed assets to employers.

The warehouse and stores are not properly constructed in addition Lack of modern fire extinguisher materials.

There is no continuous follow up and inspection for the acquired fixed assets.

Decisions are made regarding disposal of fixed assets without detail assessment. Some fixed assets are not installed in proper place

Based on the data the company store management personnel's didn't properly follow the required procedure when the raw materials released from the store as indicated by the majority 87.5 % and also majority 62.5% of the respondents show that the company materials issuances didn't reconciled to general ledger control accounts at reasonable intervals.

Majority 62.5% of the respondents show that the company inventory records reconciled with physical count at a regular interval. Similarly, majority 75% of the respondents respond that all classes of inventory items didn't physically counted.

Majority of the respondents 87.5 % implies that the company didn't have a manual which can provide a proper procedure for making inventory physical count.. Similarly, majority 62.5 % of the respondents respond that management didn't review the reconciliation of physical inventory counts to the inventory records.

Majority of the respondents which is 75% of them implies that there are discrepancies between physical counts and perpetual records investigated and resolved.

## 4.2. Conclusions

A plant asset is a bundle of future services the asset will provide. The cost of acquiring such an asset is a measure of the amount of future services that at a time of acquisition; cost is also an objective measurement of the exchange value of an asset. As the words reflects the results on the Internal control system in AAU 6 kilo campus has a registration book and good controlling system over fixed assets , in which the registration book is complete. On the other hand there is a weakness on application of internal control manual on plant assets because of certain problems like misunderstanding of the manual of fixed assets due to lack of training and mismatching of the manual of the organization with the federal financial and economic development manual. The last problem that observed on the ICS is there was no procedure for the distribution of fixed assets to users.

The fixed assets managerial department is working hard in its position on gathering information in order to identify inventory fixed assets, counterchecking of those recorded assets from the registration book and updating the registry according to the current problems existed. Though, there is a weak side of the department on the observation of problems while counting of fixed assets.

AAU disposes those retired plant assets properly as per legislation and the organization also has a good installation for disposal of those retired assets. But scrapped or retired from use as the basis of written authority of the top manager is very low. This requires a special attention due to those problems like, disposal of fixed asset are not computerized rather it is manually processed, decisions are made regarding disposal of fixed assets without detail assessmentSome fixed assets are not installed in proper place.

As the results obtained from respondents, AAU 6 kilo campus has a repair and maintenance department with insufficient safeguarding to protect fixed assets from theft and fire. Those predicaments that expose this situation are lack of modern fire extinguisher materials, the warehouse and stores are not properly constructed, there is no continuous follow up and inspection of assets, misallocation of fixed assets.

## 4.3. Recommendations

Based on the above conclusion the following recommendation are suggested

> The internal control system manual of the organization has to be similar with the federal financial and economic development manual in order to update through time.

> 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.

> The technical main department should provide on basis of the maintenance performed attached with annexed performance of the repairing reports and this improvement of the services year and the capacity should be given in figure quantified and the details of the condition or the change should be presented on time.

> The material requirements planning document should providefour basic items of information, when to place order, how much to order, who to order from and when the items need to be on hand.

> Plan assets other than land have a limited economic life; consequently, the cost of plan assets of the University must be allocated as depreciation expense to the accounting period receiving benefit from their use.

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# APPENDIX

# APPENDIXE 1

# ST. MARY'S UNIVERSITY

# FACULTY OF BUSINESS

# DEPARTMENT OF ACCOUNTING

Dear respondent. We are under graduating students from St Mary's University in the department of accounting. At this time we are conducting a research paper on the title of assessment of fixed assets management practice: the case of Addis Ababa university 6 kilo campus for the fulfillment of BA degree in accounting. So you are kindly requested to answer the provided questions as you can as possible

**I. Please, fill the answers responsibly by means of negligible handwriting on blank spaces or symbol "V"on the box.**

**1. General information**

1.1. Sex Male female

1.2. Age

1.3. Educational background

Advancedcertificate ☐ Diploma ☐ Degree ☐

1.4. Position

**2. Questionnaires for assessing the internal control system of Addis Ababa University 6 kilo campus through the basic elements of fixed assets management**

2.1. Does the organization has a registration book and control system over fixed ssets?

Yes No

2.2. If the answer for 2.1 is "yes", Is the fixed assets registration book is complete?

Yes No

2.3. Does the organization apply internal control manual over fixed assets?

Yes No

2.4. If your response for the question 2.3 is “No”, please state your reason

**3. Questioners for evaluation of responsibilities of fixed asset managerial department**

3.1. Is the management gathers information in order to identify inventory fixed assets?

Yes No

3.2.Is there counterchecking of assets which are recorded on a registration book with a registry?

Yes No

3.3. Does the management observe any problem while counting of fixed assets?

Yes No

3.4. Does the management update the registry of fixed assets?

Yes No

**4. Questioners for assessing disposal of retired assets**

4.1. Does the University dispose retired assets as per legislation?

Yes No

4.2. Rate the installation of fixed assets disposal?

Very good

Good

Fair

Weak

4.3. Is the fixed assets scrapped or retired from use only the basis of written authorization of top managers

Yes No

4.4. If your response for the above question is No, please state your reason

**5. Questioner for reviewing the repair and maintenance of fixed assets in the organization**

5.1. Does repair and maintenance department is properly functional?

Yes No

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

Yes No

5.3. If your response to the question 5.2 is No, please state your opinion