

# ASSET MANAGEMENT PROCEDURE



**THE MICO UNIVERSITY COLLEGE**

**1A Marescaux Road, Kingston 5**

<b>Office of Accountability:</b>	Office of the VP Administration
<b>Office of Administrative Responsibility:</b>	~ Accounts Department ~ Each and Every Department
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## A. Introduction

Assets Management is a system of maintaining, upgrading and operating physical assets. It is also part of Generally Accepted Accounting Principles. The University College therefore shall implement procedures to ensure that it has a fair knowledge of its property and property locations and employ accepted accounting principles to capitalize and depreciate its investment as necessary especially for tax and insurance purposes.

### 1. Purpose

The purpose of this procedure is to ensure that the University College monitors, manages and maintains its assets to provide the best possible service to its users.

### 2. Organisational Scope

These procedures are relevant to all of the University College's property or assets and are applicable to all staff members.

### 3. Definitions

For purposes of this procedure, unless otherwise stated, the following definitions shall apply:

**Book Value:** Is the cost of a plant asset minus the accumulated depreciation since the asset was acquired. This net amount is not an indication of the asset's fair market value.

**Capitalization Threshold:** The value set for capital items that are to be depreciated.

**Cost Model:** Initial cost less accumulated depreciation and any accumulated impairment losses.

**Computing Equipment:** Include servers, printers, scanners, and plotters. *(Note purchasing of small non-networked printers for individual machines is discouraged. Where such printers are required, the IT Department will assess the need in the area, and attempt to install a networked printer which will service the area and which IT Department can support centrally).*

**Desktop Equipment:** Includes all components of a personal computer unit and laptops i.e. the monitor, base unit, mouse, mouse pad, keyboard, speakers, and the standard application/operating software, cables and freight.

**Specified Item:** Is an asset that doesn't meet the capitalisation criteria but is recorded as a fixed asset through the asset register because it is prone to accidental or deliberate loss due to its portability and attractiveness e.g. palm pilots, videos, cameras, televisions and audio equipment.

**Depreciation:** Is a charge on a fixed asset to allocate the cost of the asset over the estimated useful life of the asset. The depreciation charge for each period is recognised as an operating expense and shall be charged to the budget centre that holds the asset.

Fair Value:	Is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where there is no market based evidence of fair value (because of the specialised nature of the asset) depreciated replacement cost may be used.
Repairs and Maintenance:	Include costs incurred in the day-to-day servicing of an asset, including labour, consumables, and the cost of small parts.
Recoverable Amount:	Is the higher of an asset's fair value less costs to sell and its value in use. Value in use would usually be determined as the present value of future cash flow projections.
Residual Value: (Salvage value)	Is the remaining value of an asset after it has been fully depreciated (the value at the end of the useful life of an asset).
Impairment of an asset:	When the book value of an asset falls below its recoverable amount, the asset is considered impaired.
Initial Cost:	Includes the asset's purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.
Useful Life:	Is defined as the period over which an asset is expected to be available for use by the University College. It is determined in relation to an entire asset category, as opposed to an individual asset and after considering the following factors; expected usage, physical wear and tear, technical or commercial obsolescence, legal or other limits.
Disposal of Asset:	Is the removal of an asset no longer needed by means of sale, write-off, trade-in, transfer or donation.

## 4. Procedure Content

### 4.1 Budgeting for Capital Expenditure

- a) All capital expenditure purchases must have an approved budget allocation before purchase can take place (except for emergency purchases and externally funded assets).
- b) The procurement guidelines as outlined in the GoJ's Handbook Public sector Procurement Procedures and The Mico University College Procurement Procedures shall be followed.
- c) For Emergency procurement of Urgent Non-budgeted purchases:
  - Approval shall be sought from the President or VP Administration or their Nominee
  - Procedures as outlined in the GoJ's Handbook Public Sector Procurement Procedures shall be followed.

### 4.2 Recognition

#### 4.2.1 Capitalisation Criteria

Action	Responsible Officer
4.3.1.1. Classify all assets. Any asset classed as a fixed asset and shall be recorded on the University College's Fixed Asset Register when it meets all of the following criteria (Capitalization Threshold): The item - i) Has an initial cost price greater than J\$10,000.00 ii) Is Computing equipment iii) Is Desktop equipment iv) Is an Individual work of art v) Is a piece of furniture and in particular antique furniture vi) Is equipment e.g. Air conditioners vii) Is a "specified" items viii) Has an estimated useful life greater than 1 year ix) Has not been purchased with the intention of resale.	VP Administration / Bursar
4.3.1.2. <u>For existing asset</u> Expenditure shall be capitalised if the expenditure was incurred to improve the asset's functionality e.g. repairs and maintenance.	Bursar
4.3.1.3. Spare parts may be capitalised where they meet the capitalisation threshold and they are expected to be used over more than one year.	Bursar

*Note: Expenditure splitting in order to get below the capitalisation threshold (J\$10,000) is not permitted.*

### 4.3 Measurement after recognition

#### 4.3.1 Details for the Asset Register

Each item on the Asset Register shall be assigned a Number, which shall be alpha-numeric, to incorporate the location of the asset, the type of asset and an assigned numeral.

Action	Responsible Officer
4.3.1.1. Establish an Asset Register : <ul style="list-style-type: none"> <li>i) Record all assets (once it has been established that the asset meets the criteria for recognition) on the University's Fixed Asset Register, using the form at Appendix I</li> <li>ii) Provide the Accounts Department with the list of items identified on the Register, their description, Serial No. Manufacturer, Location, Custodian and Asset Register No.</li> <li>iii) Identify whether or not the item is moveable e.g. classroom chairs.</li> <li>iv) Keep the Asset Register current, by periodic reviews.</li> <li>v) Account for disposal of an asset as is necessary.</li> </ul>	VP Administration
4.3.1.2. Complete the Asset Register by providing information on purchase of the asset, the value, and depreciation.	Bursar
4.3.1.3. Assign an Asset Register Custodian at each location that shall have the responsibility of <ul style="list-style-type: none"> <li>i) Assisting with the formulation of the Asset Register for that location</li> <li>ii) Ensuring the maintenance of the Asset Register at that location</li> </ul>	Head of Faculty / Department / or Appointee
4.3.1.4. Post at each location the Assets Register for that location.	VP Administration
4.3.1.5. Ensure that the Assets Register has the requisite details of each item which shall include but not limited to <ul style="list-style-type: none"> <li>i) Location details and identification number</li> <li>ii) Asset description with serial number, supplier and manufacturer and asset identification number</li> <li>iii) Purchasing details or details of value</li> <li>iv) Cost of asset</li> <li>v) Disposal information where necessary</li> </ul>	VP Administration / Asset Custodian for Location / Bursar
4.3.1.6. <u>For Accounting Purposes</u> Measure items as: <ul style="list-style-type: none"> <li>i) Individual assets; or</li> <li>ii) A collection of related items or components that cannot operate in isolation, whose combined original cost exceeds the threshold (refer capitalisation threshold defined in section 4.2.1; or</li> </ul>	VP Administration / Asset Custodian for Location / Bursar

<p>iii) An accessory which is required for permanent attachment to an existing capitalised asset. The cost of the accessory is to be added to the existing asset if it meets any of the capitalisation threshold; or</p> <p>iv) Pooled assets of a similar type, whose combined cost exceeds the capitalisation threshold. Items whose individual value exceeds the threshold must be separately detailed in the Fixed Asset Register and cannot form part of a pool of assets.</p>	
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4.3.2 Method of measurement

<b>Action</b>		<b>Responsible Officer</b>
4.5.1	After initial recognition the University College shall: <ul style="list-style-type: none"> <li>- Choose the cost model of measurement or revaluation. (The model shall be applied across the entire class of asset and shall not differ among individual assets in a class).</li> </ul>	Bursar
4.5.2	Conduct revaluation of classes of assets frequently to determine if at balance date, the fair value of the asset differs materially from the carrying amount.	Bursar
4.5.3	The approved methods of measurement by class of asset are:	

<b>Asset Class</b>	<b>Model of Measurement</b>	<b>Cycle</b>
Infrastructure Assets	Revaluation	Every 4 years
Computing Equipment		
IT Software Cost		
Furniture & Equipment		
Library Collections		
Musical equipment		
Vehicles Cost		
Works of art, classical antiquities, heritage collection, museum artefacts	Revaluation	Every 10 years

#### 4.4 Depreciation

Action		Responsible Officer
4.4.1	Charge depreciation on an item in each period to the budget centre that holds the asset. (The depreciation amount of an asset is the initial cost or revalued cost less the residual value).	Bursar
4.4.2	Review this estimate at the end of each financial year and note change in the accounts	Bursar
4.4.3	Review the depreciation method and rates annually to ensure they remain appropriate. (The depreciation method used reflects the pattern in which the assets future economic benefits are expected to be consumed by the University College).	Bursar
4.4.4	Depreciate assets purchased solely for specific projects over the life of the project. Where the asset is not depreciated of the life of the project the budget centre owning the project shall bear the residual depreciation).	Bursar
4.4.5	Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.	Bursar
4.4.6	Depreciation methods and rates used by the University College are:	

Asset Class	Cycle
Infrastructure Assets	5 – 40 years (under advice from independent valuer)
Computing Equipment	3 – 5 years
IT Software Cost	3 – 5 years
Furniture & Equipment Cost	3 – 15 years
Library Collections Costs	3 – 10 years
Musical equipment Cost	5 - 13 years
Vehicles Cost	5 years
Works of art, classical antiquities, heritage collection, museum artefacts Cost	Not depreciated due to the heritage nature of the asset.



#### 4.5 Impairment of Assets

Action		Responsible Officer
4.6.1	<u>Non-revalued Assets</u> Recognise any impairment loss immediately in the Financial Statement.	Bursar
4.6.2	<u>Revalued Assets</u> Recognise any impairment loss directly against any revaluation reserve to the extent that the impairment loss does not exceed the amount in the revaluation of that asset.	Bursar
4.6.3	Review the book values of all property, plant and equipment on an annual basis.	Bursar.

#### 4.6 Physical Verification of Assets

The objective of physical verification is to maintain the integrity of the University's Asset Register by:

- i) Ensuring that all the assets held are recorded in the register;
- ii) Verifying that all assets in the register have been physically located and are still functional and in use; and
- iii) Updating the register for unrecorded changes in asset ownership, responsibility or location.

Action		Responsible Officer
4.7.1	Ensure that all items, inclusive of assets and specified items, the property of the Mico University College and especially those itemized on the Asset List remain the property of the University College in the location identified.	All Staff
4.7.2	Undertake verification of all the assets and specified items, before the budget period, to include: <ol style="list-style-type: none"> <li>i) Annual physical verification of assets with net book value/cost over J\$275,000.00;</li> <li>ii) Biannual physical verification of assets with net book value/cost between J\$50,000 and J\$274,999.99;</li> <li>iii) Tri-annual verification of assets with net book value/cost between J\$10,000 and J\$49,999.99;</li> <li>iv) Immaterial asset below J\$10,000 will not be subject to asset verification.</li> </ol>	VP Administration / Asset Custodian for Location / Bursar

#### 4.7 Disposal of Assets

The University College shall be required to obtain the consent of the Ministry of Education to dispose of, or sell assets where the value of those assets exceeds an amount determined by the Ministry of Education.

However, below this threshold items shall be disposed of in the following manner:

	Action	Responsible Officer
4.7.1	a) Determine the method of Disposal of the Asset i.e. <ul style="list-style-type: none"> <li>i) Sale</li> <li>ii) Trade-in</li> <li>iii) Write-off</li> <li>iv) Internal Transfer</li> <li>v) Donation</li> <li>vi) Any other disposal method</li> </ul> b) Make recommendation to the Dean of the Faculty or the Head of Department.	Asset Custodian at Location
4.7.2	a) Determine the reason for the write-off, therefore whether an asset is: <ul style="list-style-type: none"> <li>i) Stolen; or</li> <li>ii) Lost; or</li> <li>iii) Obsolete; or</li> <li>iv) Converted to components; or</li> <li>v) Un-repairable; or</li> <li>vi) Uneconomical to repair; or</li> <li>vii) Any other reason</li> </ul> b) Make recommendation to the Dean of the Faculty or the Head of Department	Asset Custodian at Location
4.7.3	Seek approval from the VP Administration to dispose of an asset by completing the Asset Disposal Form supplying the necessary support documents. Asset Disposal Form (Appendix II)	Dean of Faculties / Heads of Department
4.7.4	i) Grant approval as is necessary ii) Advise the Bursar that the asset should be removed from the Fixed Asset Register, by submitted the requisite approval.	VP Administration
4.7.5	Ensure that the Office of the VP Administration received the asset to be disposed of.	Dean of Faculties / Heads of Department
4.7.6	Undertake and make arrangements for the physical disposal of all assets except computing assets.  Where the asset is specialised or unique in some way ensure that specialist advisers determine the best method of disposal.	VP Administration

4.7.7 Dispose of all computing equipment that is to be disposed of. All software and data stored on computers and servers shall be fully deleted and cleaned before the asset is disposed of.	Head of the IT Department
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## 5. Legislative Compliance

The University College shall comply with all the relevant laws, guidelines, rules, regulations and procedures within a legislative framework, of the Laws of Jamaica.

## 6. References

- a) Financial Administration and Audit Act
- b) GoJ's Handbook of Public Sector Procurement Procedures
- c) The Mico's Procurement Policy
- d) The Mico's Procurement Procedures
- e) The Mico's Investment Policy

## **B. Appendices**

### **Appendix I – Asset Register Form**

**Appendix II – Asset Disposal Form**

**The Mico University College**

**ASSET DISPOSAL FORM**

*Please read instructions overleaf to complete form*



**CONTACT DETAILS**

NAME CONTACT PERSON \_\_\_\_\_  
 DEPARTMENT \_\_\_\_\_ LOCATION ID \_\_\_\_\_  
 Telephone No. \_\_\_\_\_ Email Address \_\_\_\_\_

**DESCRIPTION OF ITEM**

DESCRIPTION and/or TYPE OF ITEM \_\_\_\_\_  
 Asset Register No. \_\_\_\_\_  
 Manufacturer: \_\_\_\_\_ Serial No. \_\_\_\_\_  
 Year of Purchase \_\_\_\_\_ Original Cost \_\_\_\_\_

**DISPOSAL OF ITEM**

**TYPE OF DISPOSAL:**

1.  Sale                      2.  Trade-in                      3.  Write-off                      4.  Donation                      5.  Internal Transfer

Date of Disposal \_\_\_\_\_

1. For Sale: Buyer’s Detail – Name: \_\_\_\_\_  
 Buyer’s Detail - Address: \_\_\_\_\_  
 Sale Value \_\_\_\_\_
2. For Trade-in: Entity’s Detail – Name: \_\_\_\_\_  
 Entity’s Detail - Address: \_\_\_\_\_  
 Appraised Value \_\_\_\_\_  
 Details of New Asset \_\_\_\_\_
3. For Write-offs - Reasons  
 Stolen     Lost     Obsolete     Converted to components     Un-salvageable     Uneconomic to salvage
4. For Donations: Name of Entity \_\_\_\_\_  
 Rationale \_\_\_\_\_
5. For Internal Transfer: Details (Location etc.) \_\_\_\_\_

For Assets Sold or Traded In – Details of Disposal Process (*Advertising, Public auction, Tender etc.*)

For Assets Not Sold (Write-offs) – Details of Disposal Method (*Destroyed etc.*)

Proposed By \_\_\_\_\_ Signature: \_\_\_\_\_ Date \_\_\_\_\_  
*Dean / HOD*

Authorised By \_\_\_\_\_ Signature: \_\_\_\_\_ Date \_\_\_\_\_  
*President / VP Administration*

Asset Register updated in Accounts by \_\_\_\_\_ Signature: \_\_\_\_\_ Date \_\_\_\_\_  
*Bursar*

Insurance Register updated in Accounts by \_\_\_\_\_ Signature: \_\_\_\_\_ Date \_\_\_\_\_  
*Bursar*

## NOTES ON COMPLETION

The purpose of this Form is to provide as much information as possible regarding the asset to be disposed of, for updating the University College's Asset Register and Insurance Records.

Please read the following in its entirety before completing this Form.

1. APPROVALS
  - This Form must be signed by The President of the University College or the VP Administration or their Nominee.
2. YOUR DETAILS
  - All fields must be completed.
3. DESCRIPTION OF ITEM
  - The Asset Register Number and full details of the item, as best known, must be given.
4. DISPOSAL DETAILS
  - A description of the type of disposal proposed.

If "written-off", under what circumstances

If sold or traded-in,

- details of the entity
- the value at which it was sold or traded-in
- details of the new asset
- details of the proceeds of sale and payment processing

If obsolete, manufacturers recommendation.

If donated details of the entity to receive the asset and a rationale as to why that entity was chosen for the donation.

## OTHER INFORMATION

To comply with the requirement for proper disposal, please ensure that all relevant waste electrical and electronic equipment is separated from other wastes and is disposed of following all Health and Safety recommendations.