

WHY FIXED ASSETS TRACKING

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WHY FIXED ASSETS TRACKING & STUDY

Sixty-eight percent (68%) of today's business leaders are feeling more financial pressure than they did two years ago, but most are unaware of legitimate money-saving options available to them.

Tax incentives are an easy way for companies to save money in today's economy, and by taking advantage of these incentives, companies can legally reduce their tax obligations.

One such opportunity available to qualified companies is the Fixed Asset Study. Studies such as these are beneficial to companies looking for immediate cash flow creating a win-win situation for all.

By implementing a Fixed Asset Study, businesses immediately generate additional depreciation deductions that can reduce or eliminate taxable income and thus produce increased current cash flow.

Many businesses are unaware that their assets are eligible to be reclassified into shorter asset lives. The results of a Fixed Asset Study can reveal the opportunities that are not currently being utilized.

Why Perform a Fixed Asset Study?

Every business is comprised of unique assets, however, many businesses do not realize that many of their assets are eligible to be reclassified into shorter "tax lives." A Fixed Asset Study can typically reallocate between 25 and 40 percent of a company's depreciable asset base to shorter tax lives.

Shorter tax lives translate into increased depreciation deductions, which can generate an increase in cash flow through current tax savings. For example, an Rs.5, 00, 00,000 asset being reclassified from a 39 year life to a five year life, will generate over 1300 percent more depreciation deductions in the first two years.

The use of a Fixed Asset Study to reduce an entity's income tax liability became more viable as a tax strategy since 2002. By this Revenue Procedure, Tax rules allow taxpayers to "catch-up" on deductions in the current year related to deductions that could have been taken in prior years.

Accounting Procedures now provide for an automatic change in accounting that permits taxpayers to identify asset costs that were not properly classified and to reclassify them to their proper life.

A Fixed Asset Study provides a detailed analysis of the capital assets placed in service. Assets are classified based on recent favorable case law that permits assets to be reclassified to a shorter tax life, thereby triggering larger depreciation deductions.

An added benefit is that the Fixed Asset Study requires little time of company personnel. These Studies can generate tens of millions of additional depreciation deductions for small and large clients.

Benefits of a Fixed Asset Study

The benefits of obtaining fixed asset management expertise include:

- ▶ Additional current year deductions, which reduce taxable income and can immediately increase cash flow
- ▶ Development of an implementation process for capitalizing future asset additions
- ▶ Detailed account listing of a company assets

All of this with only a minimal disturbance to company personnel and time.

Which Business Qualify?

A prime candidate for a Fixed Asset Study is a company with a general asset cost basis of Rs.5Crores or more, placed in service after January 1, 1987, with tax lives greater than 15 years. A Fixed Asset Study provides the greatest benefit to a profitable business that has, or is expecting, to pay Central and state taxes.

When a business decides to move forward with a Fixed Asset Study, it is important to choose a qualified FIXED ASSETS SOLUTIONS PROVIDING firm that has the practical experience and a proven track record in Fixed Asset Studies. This will ensure effective identification and classification of your company's assets and in turn help you drive down costs and maximize savings.

Additionally, as with any favorable tax incentive, the IT department will verify that the additional deductions are both proper and fully documented. Thus anyone who wants to pursue a Fixed Asset Study needs to approach the study with the viewpoint that proper documentation that is included in a professional study is necessary to support the deduction.

Foundation for Internal Control:

The Fixed Asset Inventory

An accurate inventory of fixed assets is the core of solid financial reporting of corporate assets. Without it, all downstream internal controls can do nothing to resolve inaccuracies created when assets which have been lost, stolen or taken out of services continue to be depreciation and reported.

In order to establish an accurate physical inventory of all fixed assets, a company must ensure that the inventory is conducted using the same method at all locations.

Further, it is necessary to have solid procedures in place for reconciling the inventory data against your existing fixed asset records. Many fixed asset managers who conduct inventories spend tedious hours surveying corporate assets with a clipboard, followed by re-keying the data into a spreadsheet.

Many companies find that bar-coding each fixed asset as it is placed in service greatly reduces errors in ensuing physical inventories of assets. Inventories can be conducted quickly and efficiently using bar-code scanners, freeing employees to do what their core competencies are, saving valuable money in the process.