



# **Financial Business Setup**

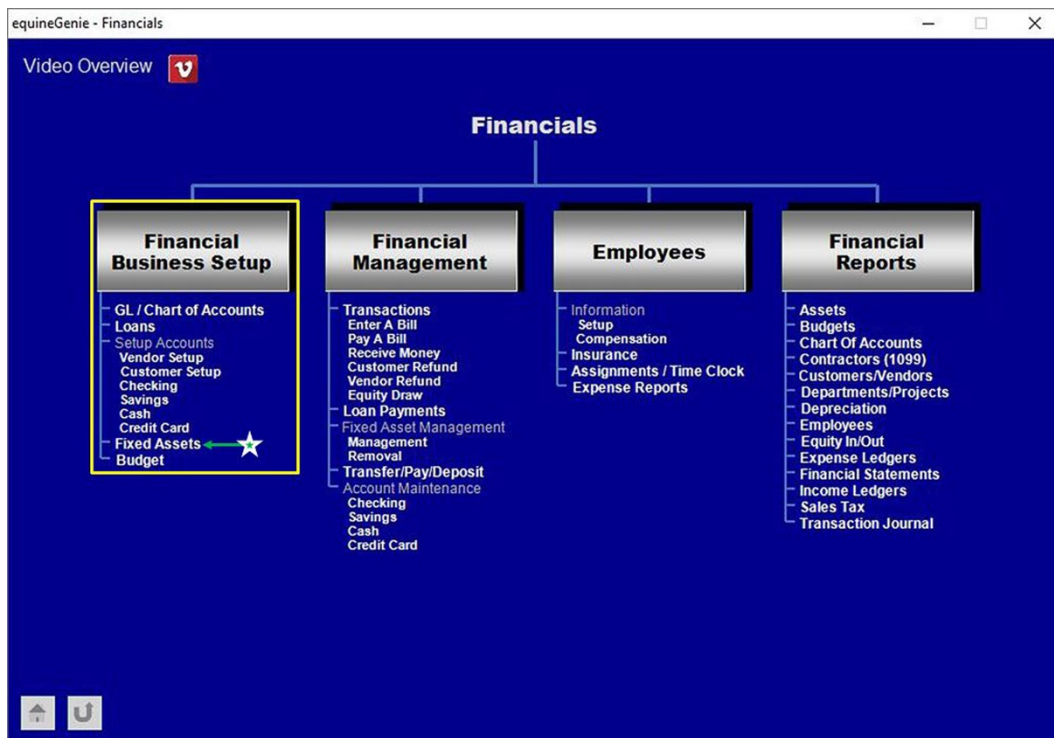
## **Fixed Asset Setup**

## Financial Set Up – Fixed Assets

### Table of Content

Fixed Assets Introduction.....	3
Depreciation.....	3
The Accounting Equation Fixed Asset Depreciation Illustrations .....	4
Financial Setup – Fixed Assets .....	5

Mouse Over and Click on a content subject to go to that subject



## Fixed Assets Introduction

Assets are resources owned by a company that have future economic value and can be measured, and expressed in a country's currency in equineGenie. Examples include cash, investments, accounts receivable, inventory, supplies, land, buildings, equipment, and vehicles. Assets are used in a business's operations and are reported on the balance sheet usually at cost or lower. Assets are also part of the accounting equation:  $\text{Assets} = \text{Liabilities} + \text{Owner's (Stockholders') Equity}$ . *Fixed Asset* indicates that these assets will not be used up, consumed, or sold in the current accounting year.

In equineGenie, a company's *Fixed Assets* are reported in the asset section of the balance sheet and in the asset reports in equineGenie's financial section. All *Fixed Assets*, except for land, are depreciated. *Fixed Asset* accumulated depreciation is reported on the balance sheet. *Fixed Asset* depreciation expense is reported in the non-operating expense section on the income statement. To display the selection of *Fixed Asset Account Categories* in equineGenie, select the *1500 – 1899 Fixed Assets* account category on the *GL / Chart of Accounts Setup* screen and display the *Select An Account* dropdown.

*Some valuable assets that cannot be measured and expressed in a currency include the company's outstanding reputation, its customer base, the value of successful consumer brands, and its management team. Unfortunately, these items are not reported among the assets appearing on the balance sheet, but are extremely important to a business's success.*

## Depreciation

There are two types of depreciation. The two types are *Accumulated Depreciation* and *Depreciation Expense*. They are related and offsetting. *Accumulated Depreciation* is the total amount of an asset's cost that is *allocated to Depreciation Expense* since the asset was put into service. *Accumulated Depreciation* and *Depreciation Expense* are associated with *Fixed Assets* such as buildings, machinery, office equipment, furniture, fixtures, vehicles, farm equipment, etc.

*Depreciation Expense* is the portion of a *Fixed Asset's* cost that is being used up during an accounting period and accounted for as non-operating expense on the income statement. The income statement account *Depreciation Expense* is a temporary account. Therefore, at the end of each year, its balance is closed and the account *Depreciation Expense* will begin the next year with a zero balance.

*Depreciation Expense is a noncash expense* because the recurring monthly depreciation does not involve a cash payment - the cash was spent when acquiring the *Fixed Asset*. Methods for computing depreciation expense, other than straight-line, include double-declining balance, sum-of-the-years digits, and units of production or activity.

For example, if a horse business purchases a \$60,000 tractor that is expected to be used for 5 years, the business will have a straight-line depreciation expense of \$12,000 in each of the five years. The depreciation amounts can vary depending on the depreciation method and other business assumptions. The monthly depreciation entered on the *Fixed Asset* screen in equineGenie can be adjusted to accommodate many depreciation methods or business assumptions.

In our tractor example, each year there will be an adjusting entry with a debit to *Depreciation Expense* for \$12,000 and a credit to *Accumulated Depreciation* for \$12,000. Since the adjusting entries do not involve cash, *Depreciation Expense is a noncash expense* as explained above. That is why it is a non-operating expense on the Income Statement,

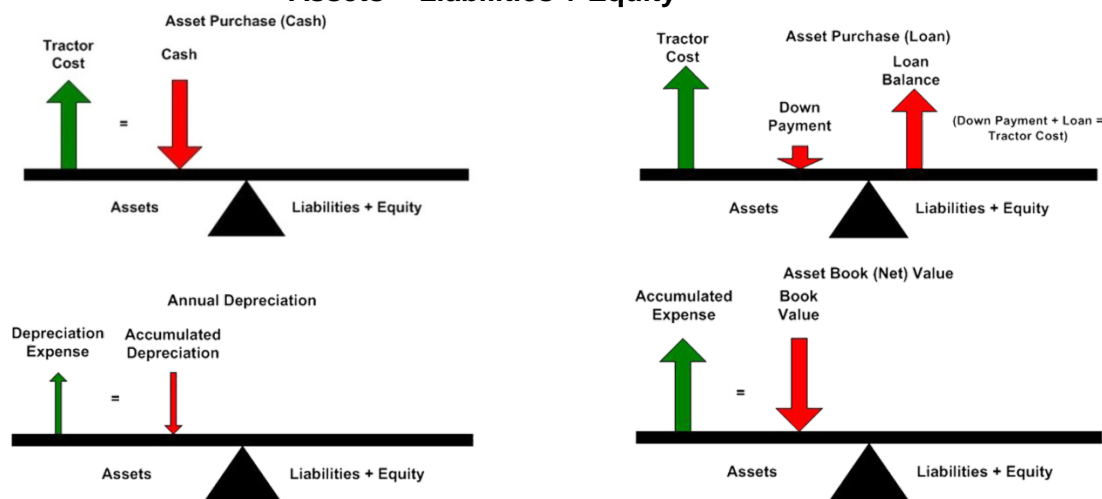
A *Fixed Asset's Accumulated Depreciation* is the amount of depreciation that has been accumulated from the time an asset was acquired, or put in service, until the date it is reported. The cost of a *Fixed Asset* minus its *Accumulated Depreciation* is the asset's book or net value. The account *Accumulated Depreciation* is a balance sheet account and therefore its balance is *not* closed at the end of the year. *Accumulated Depreciation* is a contra asset account whose credit balance will get larger every year. However, its credit balance cannot exceed the cost of the asset being depreciated.

Since depreciation is an *allocation* of a *Fixed Asset's* cost based on its estimated useful life, you should not assume that the depreciation is an indicator of what's occurring to the asset's market value. For example, a depreciated horse that wins multiple championships may be increasing in value even though it is being depreciation. The present market value might be many times the original cost and yet, when an asset is fully depreciated, the *Accumulated Depreciation* will equal the asset's cost—meaning its book (net) value is \$0.

The purpose of depreciation is to match the cost of a productive *Fixed Asset* that has a useful life of more than a year to the revenues earned from using the *Fixed Asset*. Since it is hard to see a direct link to revenues, the asset's cost is usually spread over the years in which the asset is used. Depreciation systematically allocates or moves the *Fixed Asset's* cost from the balance sheet to non-operating expense on the income statement over the *Fixed Asset's* useful life. In other words, depreciation is an allocation process in order to achieve the matching principle; it is *not* a technique for determining the fair market value of the asset.

## The Accounting Equation Fixed Asset Depreciation Illustrations

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$



[Return to the Table of Content](#)

## Financial Setup – Fixed Assets

Path: Home: Financials: Financial Business Setup: Fixed Assets

*There is a prerequisite setup required before a fixed asset can be entered. The fixed asset accounts and any subaccounts (optional) need to be identified on your chart of accounts before a fixed asset can be entered. (Path – Home: Financial Business Setup: GL / Chart of Accounts)*

*Think/Plan before entering a fixed asset! The fixed Asset screen is used to enter the business's fixed assets. For example: fixed assets are horse purchases, business vehicles and equipment purchased, business buildings and building improvements, etc.*

**\*Important:** The fixed asset screen can be display two ways. It can be displayed by selecting the fixed asset menu item from the financial business setup section, or it is display when a fixed asset purchase is made and the 'Go To Add The Fixed Asset' button is selected on the purchases screen. If the button is selected on the purchases screen, the fixed asset item's name, the purchase cost and the purchase date are transferred to the fixed asset screen. (Path – Home: Business Operations: Supplies Purchases: Purchases)

- ① If a fixed asset is entered on the fixed asset screen, select [New Asset] from the Enter Fixed Asset dropdown and enter the name of the fixed asset. If you are recalling a previously entered fixed asset, select the fixed asset from the Enter Fixed Asset dropdown.

**Important:** If the fixed asset screen is display from selecting the 'Go To Add The Fixed Asset' button on the purchases screen, the name of the fixed asset, will be automatically transferred



from the purchases screen to the *Enter Fixed Asset* dropdown. *Path: Home: Business Operations: Supplies Purchases: Purchases*

- ② **Select the fixed asset account** from the *Select Fixed Asset Account* dropdown.

**Important:** A (1500 – 1899 Fixed Assets) account needs to be identified on your chart of accounts before a fixed asset can be setup. *Path: Home: Financials: Financial Business setup: GL / Chart Of Accounts*

- ③ **Select a subaccount**, if a subaccount has been setup, from the *Select Subaccount* dropdown. *Path: Home: Financials: Financial Business setup: GL / Chart Of Accounts (General Ledger Subaccount Setup)*

**Note 1:** a subaccount is a good way to add detail or clarify the difference between similar fixed assets.

- ④ **Enter the fixed asset's capitalization and depreciation information:**

**Enter the assets identification identifier** in the *Enter Asset ID #* box.

**Note 2:** an assets identifier is helpful in identifying and keeping track of a fixed asset that is located in a different location or similar to other fixed assets.

**Enter the fixed asset's cost** in the *Asset Cost* box.

**Important:** If the fixed asset screen is display from selecting the 'Go To Add The Fixed Asset' button on the purchases screen, the fixed asset purchased cost will be automatically transferred from the purchases screen to the *Asset Cost* box. *Path: Home: Business Operations: Supplies Purchases: Purchases*

**Enter when the fixed asset was put into service** in the *In Service Date* dropdown. The in service date can be entered by selecting the date from the calendar icon, or by 'clicking' in the *In Service Date* dropdown and entering the date in the format set in your windows operating system. (mm/dd/yyyy or dd/mm/yyyy).

**Important:** If the fixed asset screen is display from selecting the 'Go To Add The Fixed Asset' button on the purchases screen, the fixed asset purchased date will be automatically transferred from the purchases screen to the *In Service Date* dropdown. *Path: Home: Business Operations: Supplies Purchases: Purchases*. *If you need to change the transferred in service date, you can mouse over the transferred date and enter the new in service date in the format set in your windows operating system. (mm/dd/yyyy or dd/mm/yyyy).*

**Calculate and enter the fixed assets monthly depreciation** in the *Monthly Depreciation* box.

**Important:** The monthly depreciation is calculated by dividing the fixed asset's cost by the IRS depreciation scheduled for the kind of fixed asset being capitalized and depreciated (Fixed Asset Cost / Months of useful life); Months of useful life is determined by the IRS (Google it).

**For Example:** The IRS schedule for the useful life of a vehicle is 60 months.

- ⑤ **Enter or select the fixed asset's location** in the *Asset Location* dropdown. Enter a new location by 'clicking' in the *Asset Location* dropdown and entering the location. equineGenie will remember the asset location entered for future selection.

- ⑥ **A picture of the fixed asset can be added** to equineGenie by selecting the *Locate* button to locate the fixed asset's picture file. Opening the fixed asset's picture file will automatically add it to equineGenie. Selecting the *View* button allows you to view the

fixed asset's picture. Selecting the Clear button will remove the fixed asset's picture. The fixed asset's picture will appear on the selected fixed asset's reports.

**Note 2:** A fixed asset's picture needs to have a 3:2 aspect ratio. This means the picture needs to be a 3 x 2, 6 x 4 or any other size as long as the aspect ratio is 3:2.

**Suggestion:** A picture of a fixed asset is always good for tracking, locating and insurance purposes.

- ⑦ **If you need to remove a fixed asset entry**, it can be removed by displaying the fixed asset's information and selecting the *Remove Selected Fixed Asset Entry* **Red** button. When the button is selected a **Delete Item** popup will be displayed to make sure you want to remove the fixed asset entry.



After selecting **OK** on the **Delete Item** popup you need to select the **Enter** button ⑧.

**Note:** Read the '**RED**' Genie Note beside the *Remove Selected Fixed Asset Entry* button. The '**RED**' Genie Note will explain what conditions must be met to remove the selected fixed asset entry. Selecting remove will completely remove the selected fixed asset entry from equineGenie.

- ⑧ **Enter** any comments or notes associated with the selected fixed asset's entry information.
- ⑨ **Select** enter before leaving the *Financial Setup – Fixed Assets* screen.
- ① **Selection** of the '*Fixed Asset*' button will enable the selected fixed asset's capitalization and depreciation information to be viewed, exported and/or printed.
- ② **Selection** of the '*All Fixed Assets*' button will enable all fixed asset's capitalization and depreciation information to be viewed, exported and/or printed.

**Information:** Additional asset reports are available in the *Financial Reports – Assets* screen.  
*Path - Home: Financials: Financial Reports: Assets*

[Return to the Table of Content](#)