

Fixed Assets Management Practices-Study on Kazi Farms Limited (KFL)

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ARTICLE INFO

Article History:

Received: 28 March 2022

Revised: 10 April 2022

Accepted: 15 April 2022

Published online: 31 July 2022

Keywords:

Fixed assets
Management
Internal Control

ABSTRACT

The aim of this study is to analyze internal control over fixed asset management practices of Kazi Farms Limited (KFL). This study uses both quantitative and qualitative description approaches and purchasing sampling techniques to get data from 100 respondents. To collect data, it has been used both primary and secondary sources. The result shows the company follows the proper internal control to manage its fixed assets and a few problems are over there and provide required suggestions to minimize that. It's believed that the result of the study has different types of consequences. It also provides vital recommendations that would be useful for taking the perfect decisions for fixed asset management of an organization. Moreover, we believe that the issue is yet possibly a research area and it also is used as a reference for more studies. This study would be used as a capacity building in the area of research for a research team.

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1. INTRODUCTION

William (2008) showed that the globally fixed asset management industry has finally returned to growth to attain the goal of the particular organization. Henry (2009) said that the changing immediate growth of plant asset management resolutions and style ensures an organizational shift altogether governmental and personal organization. Tay (2009) indicated that fixed assets management might be a significant accounting process that seeks to trace fixed assets for the aim of monetary accounting, preventing maintenance, and theft deterrence. Singh (2010) also showed that fixed assets don't contain cash or other assets that are responsibly expected to be converted into cash, sold, or consumed by the firms within their operating cycle. Horn (2012) also said that fixed assets with finite useful life will gradually lose their value over time due to age, wear or market conditions. Because of the particular fact to remain up the effective utilization of fixed assets claimed that an honest system of control over the fixed assets will help to detect accidental mistakes which may cause the preparation of inaccurate and misleading financial information. Fixed asset management is full of 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 monetary reporting (3) compliance with applicable laws and regulations. Marshall (2,000) mentioned the activities of cash changers within the temple of Olympia and other sacred places in Greece. As per his statement to lend out money at a higher interest rate and collect deposits at a lower interest may vary due to metallic private money. Sayers R.S.2 3Steles: we'll define a bank as an establishment whose debts (bank deposits) are widely accepted in the settlement of other people's debts to every other. S.B. Gupta A bank is an establishment that accepts deposits of cash from the general public withdrawals by cheque and is used for lending. So it can be said that to make an institution a bank there would be two urgent activities. It also included asset management concepts, current asset management practices, and philosophies of other state departments of transportation (DOTs) so the FHWA and research efforts focused on right-of-way acquisition. The aim of this review was to form sure that tax DOT and thus the research team will get pleasure from state-of-the-art concepts and practices for asset management. The asset management concept is an emerging effort to integrate finance, planning, engineering, personnel, and knowledge management to help agencies in managing assets cost-effectively. Asset management is a systematic way of using an organization's assets in a practical manner over a period of time for providing economic benefits to that

organization. The foremost objective of asset management is to spice up decision-making processes for allocating funds among an agency's assets so that the foremost effective return on investment is obtained. To understand this objective, asset management embraces all of the processes, tools, and data required to manage assets effectively. For this reason, asset management is additionally defined as "a process of resource allocation and utilization" The framework needed to hold out this process effectively encompasses an agency's policy, targets, and purposes, performance evaluations, setting goals, program delivery, and process monitoring and performance outcomes.

2. STATEMENT OF THE PROBLEM

Improper authorization of fixed assets, improper installation, and disposal of fixed assets, and low physical control of fixed assets may additionally end in business failure and hence its visiting hinder the organization's future success. The material effect may happen because of the ineffective utilization of fixed assets. As fixed asset plays an awfully important role within the organization's objectives, these fixed assets aren't convertible over a period of some time. The fixed assets need to utilize properly otherwise it will affect the long-term sustainability of the service delivery to customers. Supporting the preliminary study are found the following problems in the fixed asset management practice on the reviewing and approval by managers before the using of fixed assets, the disposing of plant assets per its legislative framework, the link between functional responsibilities and also the fixed asset management and on the fixed asset maintenance and safeguarding process.

3. OBJECTIVE OF THE STUDY

The aim of this study is to assess the effectiveness of a control system over fixed assets. Besides this, it also aims to gauge the responsibilities of fixed assets managers, whether there's a legislative framework for disposal of plant assets, the systems that put into practice the fundamental elements of fixed asset management, and assess the effectiveness of fixed assets maintenance and safeguarding process.

4. METHODOLOGY RESEARCH DESIGN

The study used a descriptive research method to explain the fixed asset management of Kazi Farms Ltd. because the name implies, that the foremost objective of the descriptive research is to explain the functions and managerial system of the current assets.

4.1 Population and Sampling Size

The target populations of the study were employees of the KFL that job on tasks related to fixed asset management. The research team used a nonprobability sampling approach. Since it absolutely was possible to search out all the target population in one place, the research team used

a judgmental sampling technique. Accordingly, the sample size of the study was 100 employees of Kazi Farms Ltd.

4.2 Types of Data Collected

To collect data, it has been used both primary and secondary sources have. The primary data was collected from employees of the KFL and the manager of the finance department. Secondary data was collected from the annual report of Kazi Farms Ltd, REFERENCES books, the internet, and former research.

4.3 Methods of Data Collection

The research team used close-ended questions and interviews to gather primary data. Employees distributed questionnaires while they were working. The interview was taken at the KFL's finance department. The secondary data was gathered by referring to different textbooks, the internet, and published and unpublished data of the bank; related to the topic matter.

4.5 Methods of Data Analysis

To conduct the study both qualitative and quantitative data have been used. The responses collected from questionnaires were examined using the quantitative method and presented by tabulation and percentage. Responses that are obtained through interviews were narrated qualitatively.

5. REVIEW OF RELATED LITERATURES

Acar et.al. (2012), one important factor in running a good organization is leadership commitment. Therefore, the success of an organization is determined by the commitment of the leader to the organization. Leaders who have a high commitment play a very important role in the organization in achieving its goals. Hastings et.al. (2010), the organization is always driven by employees too. To complete work in the organization, employees who have sufficient competence are required, including in the field of asset management. Asset management requires competencies appropriate to the task, including appropriate knowledge, skills, experience, behavior, attitudes, and traits. Al-Mamary et.al. (2013) the use of application-based information systems is very helpful for local governments in managing regional assets or what is called Regional Property. Managerial decision and management activities are important for any organization that's why it needs information generated from internal data in a summarized and meaningful form. Park et al., (2016) adequate asset management is needed so that the assets owned by an organization can be managed efficiently and effectively so that they can provide optimal benefits for the organization. State-owned or regional assets either have a direct role in increasing the economic growth of a government which has an impact on the welfare of society. Siregar et al., (2004) an asset can be defined as something that may have economic value, commercial value, or exchange value, owned by business entities, institutions, or individuals. Hidayat et al., (2012) assets can

play a supporting role in government service delivery programs to the community since the government assets are one input to the provision of services. All the assets

should be maintained separately or collectively together with all other resources to ensure full advantage of service delivery to the community.

5. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The study used both primary and secondary data. Primary data was obtained by ending a little survey on 100 staff members who are related to the subject and also the data was collected through the judgmental sampling technique.

The sources of secondary data are utilized in this research from the audited budget and fixed asset manual of Kazi Farms Ltd.

Table 1: Description of application of the basic elements of fixed asset management

No	Item	Details	No of respondent	Percentage
1	Do you think KFL have a registration and controlling system of the fixed assets?	Yes	90	90%
		No	10	10%
		Total	100	100%
2	Do you think the fixed asset registration book is complete?	Yes	80	80%
		No	20	20%
		Total	100	100%
3	Do you think there is an application of internal control manual over Fixed assets?	Yes	70	70%
		No	30	30%
		Total	100	100%

Source: Survey Data

As item one of the above tables indicates that 90% of respondents claimed that there is a registration book and controlling system over fixed assets, while the remaining 10% saw the absence of a registration book and controlling system. Simultaneously 80% of the repliers point toward the registration book being complete. Besides this 30% of respondents said it's not. This means that the KFL contains a complete controlling system or book of recording for the

fixed assets. From the application of control over fixed assets point of view, 70% of the worker does a manual and pertain properly. Though, 30% of the employer didn't use it properly. Those respondents list their problems and why they failed to use the manual. This suggests that the manual isn't understandable because of a lack of proper training, the manual of the interior control of the organization isn't matched with other required documents.

Table 2: Description of evaluating the responsibilities of fixed assets managers

No	Item	Details	No of respondent	Percentage
1	Do you think that obtaining of information in order to identify inventory fixed assets?	Yes	80	80%
		No	20	20%
		Total	100	100%
2	Is there a tool of counter checked system that count with the registration book?	Yes	70	70%
		No	30	30%
		Total	100	100%
3	Did you ever face the problem on the calculating of fixed asset?	Yes	60	60%
		No	40	40%
		Total	100	100%
4	Is there a tool to updating the registry of fixed assets?	Yes	90	90%
		No	10	10%
		Total	100	100%

Source: Survey Data

One item of the above table showed that the managerial office is 80% gathering information in order to identify an inventory of fixed assets. This implies that the management of the KFL properly gathered information about the inventory of fixed assets. In item 2 of the above table, 70% of the respondents respond that there is counter checking of inventory assets from the registration book in the KFL. This indicates that the authority evaluates or cross-checks the reliability of the count report. Item 3 of the same table, 60% of the respondents observed the problems while counting fixed assets. This implies that the management of

the KFL didn't perform properly the counting of fixed assets. Here 2 the cross-checking mechanism required to solve this problem. On item 4, 90% of the respondents replied that there is a mechanism in the KFL to updating of the fixed asset register. This implies that there is updated data information about the fixed in the KFL.

Table 3: Description of disposal of plant assets as per legislation

No	Item	Details	No of respondent	Percentage
1	Does the KFL perform properly maintain the process of disposal of fixed assets?	Yes	80	80%
		No	20	20%
		Total	100	100%
2	Does the installation problem considered by the KFL during disposing of fixed assets?	Yes	20	20%
		No	80	80%
		Total	100	100%
3	Does fixed assets scrapped or retire from use only the basis of written authorization of top manager?	Yes	50	50%
		No	50	50%
		Total	100	100%

Source: Survey Data

The above table indicates reveals that 80% of employers said yes the disposal of fixed assets is performed as per legislation. As the number 80% 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 occurred by Fixed assets are not disposed of at the right time. This implies that Kazi Farms Ltd properly disposes of the fixed asset, decisions are made regarding disposal of fixed assets without detailed assessment, and some fixed assets are installed in the proper place.

Table 4: Description for maintenance and safeguarding of plant assets

No	Item	Details	No of respondent	Percentage
1	Does the KFL Maintenance in regarding to fixed assets?	Yes	70	70%
		No	30	30%
		Total	100	100%
2	Is there an adequate safeguard to protect the items of fixed asset from theft and fire?	Yes	40	40%
		No	60	60%
		Total	100	100%

Source: Survey Data

In the above table, 70% of the respondents replay yes to the organization has to repair and maintain its fixed assets and adequate safeguards to protect the fixed asset from fire and theft; while 60% said No, this result shows that the organization has a weakness to protect its fixed asset from theft and fire. The problem indicated here is a lack of

modern fire extinguisher materials, the warehouse, there is no continuous follow-up and inspection of assets, and the misallocation of fixed assets. No safeguard and maintenance system for plan assets is maintained by the company.

Table 5: Evaluation in capitalizing and recording as a fixed asset

No	Item	Details	No of respondent	Percentage
1	When an item is capitalized, it is recorded as aportion of a fixed assets inventory.	Strongly agree	10	10%
		Agree	40	40%
		Neutral	30	30%
		Disagree	20	20%
		Strongly disagree	-	-
		Total	100	100%

Source: Survey Data

The above table 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. 10% of supervisors strongly agree, 40% agree, 30% are neutral, 20% disagree none of the respondents strongly disagrees. When we see the non-supervisor's response; 20% strongly agree, 50% agree, 20% are neutral, the rest 10% disagrees

none of the respondents disagree strongly. In the case of fixed assets management and at the time of recording the company was with few problems. 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 company.

Table 6: The fixed asset management after acquisition

No	Item	Details	No of respondent	Percentage
1	Do you think the fixed asset receiving, issuing, accounting and storing responsibilities properly segregated?	Yes	80	80%
		No	20	20%
		Total	100	100%
2	Do you think that the materials released from storerooms only on the basis of requisitions which are approved by a responsible official of the department?	Yes	80	80%
		No	20	20%
		Total	100	100%
3	Do you think the materials issuances reconciled to general ledger control accounts at reasonable intervals?	Yes	30	30%
		No	70	70%
		Total	100	100%
4	Do you think inventory records adjusted with physical count at aregular interval?	Yes	80	80%
		No	20	20%
		Total	100	100%
5	Are all types of fixed asset items physically calculated?	Yes	90	90%
		No	10	10%
		Total	100	100%
6	Do you believe that the company has a manual which can provide a proper procedure for making fixed asset physical count?	Yes	80	80%
		No	20	20%
		Total	100	10%
7	Does management review the reconciliation of physical fixed asset counts to the fixed asset records?	Yes	40	40%
		No	60	60%
		Total	100	100%

Source: Survey Data

Item one of the above tables, 80% of the respondents show that the fixed asset receiving, issuing, accounting, and storing responsibilities are properly segregated. This implies that the company has had a problem with controlling released raw materials. Item 2 of the table, 80% of the respondents show that the material released from store rooms is not always only on the basis of requisitions that are approved by a responsible official of the department. At the time raw materials were released from the storage company and store personnel didn't properly follow the required procedure. In item 3 of the same table, the majority 30% of the respondents show that the company materials issuances didn't reconcile to general ledger control accounts at reasonable intervals and the rest 70% of them agreed on it. This implies that there are the information materials issuances didn't reconcile to general ledger control accounts. In item 4 of the same table, the

majority 80% of the respondents show that the company inventory records were reconciled with the physical count at a regular interval and the rest 30% of them agreed on it. From this statement, we easily said that the company didn't perform the inventory records reconciled with physical calculation on a regular basis. Similarly, on item 5 of the same table minority of 10% of the respondents respond that all classes of inventory items didn't physically count. As can be seen in item 6 of the table, the minority of the respondents 20% implies that the company didn't have a manual that can provide a proper procedure for making inventory physical count. Similarly, on item 7 of the same table majority of 60% of the respondents respond that management didn't review the reconciliation of physical inventory counts to the inventory records.

6. FINDINGS

In this part of the study the main finding of the analysed data is summarized as there's a lack of provision of training on the fixed assets management manual application and mismatching of the manual of fixed assets registry book and not properly constructed additionally to lack of recent extinguisher materials. In the case of inspection, there is a lack of a continuous follow system. There is a lack of continuous follow-up and inspection for the acquired fixed assets. Decisions are made about the disposal of fixed assets without detailed assessment. Some fixed assets don't seem to be installed in the proper place.

7. CONCLUSIONS

A plant asset could be a bundle of future services the asset will provide. The value of acquiring such an asset may be a

measure of the number of future services at the time of acquisition; cost is additionally an objective measurement of the exchange value of an asset. Because the words reflect the results on the interior system in Kazi Farms Ltd. contains a registration book and good controlling system over fixed assets, during which the registration book is complete. On the opposite hand, there's a weakness in the application of the control manual on plant assets thanks to certain problems like a misunderstanding of the manual of fixed assets thanks to lack of coaching and mismatching of the manual of the organization with the economic development manual. The previous few problems that were observed that there are there was no procedure for the distribution of fixed assets to users. The fixed assets managerial department is functioning hard in its position on gathering information so as to identify inventory fixed assets, counterchecking these recorded assets from the registration book, and updating the registry in step with the

present problems existed. Besides a weak side of the department on the observation of problems while calculating fixed assets, KFL disposes those retired plant assets properly as per legislation and also the organization also includes a good installation for disposal of these retired assets. But scrapped or retired from use because the basis of the written authority of the highest manager is extremely low. This needs special attention thanks to those problems like, the disposal of fixed assets doesn't seem to be computerized rather it's manually processed, decisions are made regarding disposal of fixed assets without detailed assessment. Some fixed assets don't seem to be installed in the proper place. Because of the results obtained from respondents, Kazi Farms Ltd. includes a repair and maintenance department with insufficient safeguarding to guard fixed assets against theft and fire. Those predicaments that expose this case are lack of recent extinguisher materials, the warehouse and stores don't seem to be properly constructed, there's no continuous follow-up and inspection of assets and misallocation of fixed assets.

8. RECOMMENDATIONS

Based on the above Conclusions the recommendations are suggested that the inner system manual of the organization must be similar to economic development manual so as to update through time. On the opposite hand when determining assets for disposal, managers should remember that the useful lifetime of the asset should be determined, the authorized person who wrote it for determining assets for disposal action, and is in charge of all decisions they soak up the disposal process including but not limited to the prices of replacement as a result of disposal activities being taken in to account and fair dealing and openness, special attention assignment should lean. Furthermore, the technical main department should provide on basis of the upkeep performed attached with the annexed performance of the repairing reports and this improvement of the services year and therefore the capacity should run in figure quantified and also the details of the condition or the change should be presented on time. Again, the fabric requirements planning document should provide four basic items of data when to put an order, what proportion to order, who to order from, and when the things have to air hand. Moreover, plan assets aside from land have a limited economic life; consequently, the value of plan assets of the KFL must be allocated as a depreciation expense to the accounting period receiving the benefit of their use. This study will be helpful for the decision and policy makers. The limitation of this study is that it prepared based on only a company and percentage analysis used. In future research may develop model and use various statistical analysis.

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