



UNIVERSITY OF NAIROBI



FIXED ASSETS MANAGEMENT POLICY

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FOREWORD

The University of Nairobi is the largest and premier institution of higher learning in the country. Within the duration of its existence, the University has acquired a large number of assets, both fixed and movable. In order to ensure optimal utilization of its assets in a prudent and efficient manner, it is important for the University to develop a policy to guide the management of its assets, targeting mainly the fixed assets. In particular, it is important to track the cost of the assets, how they are maintained, the depreciation levels and how they can be disposed.

This assets management policy will guide in recording and capitalization of the assets, the methods of depreciation and impairment of the assets, timing for valuations and revaluations and procedures for retirement, write off and disposal of the same.

Whereas the core business of managing this process and implementing the assets management policy will fall in the Finance and Estates Departments, all units of the University have a responsibility to ensure there is proper management and utilization of the assets under their care. This includes keeping an updated inventory of the assets and their current state.

It is intended to assist the University in implementing and maintaining an effective fixed assets control program. I therefore call upon all Unit heads to familiarize themselves with the contents of this policy and ensure its proper implementation in all the Units across the university.

Peter M. F. Mbithi, PhD, EBS

Vice Chancellor

&

Professor of Veterinary Surgery

ACRONYMS AND ABBREVIATIONS

DADF –Donated Asset Declaration Form

DVD – Digital Versatile Disc or Digital Video Disc

FADF- Fixed Asset Disposal Form

FATF –Fixed Asset Transfer Form

GRN – Goods Received Note

IAS – International Accounting Standards

IFRS – International Financial Reporting Standards

PC – Personal Computer

ROI – Return on Investment

WIP – Work-In-Progress

Definition of Terms

- a) **Asset:** this is an economic resource owned by an entity that generates benefits or service which will flow to the entity and whose costs of fair value can be measured reliably
- b) **Fixed Asset/Capital Asset:** All assets which cannot easily be converted into cash and which are usually held for a long period of time, including land, buildings, equipment and furniture
- c) **Coding:** is generating and assigning a number to an asset for identification and classification.
- d) **Tagging:** is the process of numbering and labeling fixed assets and allow the tracking of their movement from location to location.
- e) **Asset Impairment:** is an abrupt decrease of the fair value of an asset due to physical damage, significant changes in economic, market or legal environment, obsolescence, or idleness of the asset.
- f) **Capitalization:** is the recognition of expenditure of an Asset in the Financial Asset Register
- g) **Depreciation:** this is a non-cash expense that reduces the value of an asset as a result of wear and tear, age or obsolescence
- h) **Disposal:** It is the sale, transfer of ownership or destruction of surplus or obsolete assets
- i) **Revaluation:** the upward or downward adjustment of the net book value of a fixed asset to account for major changes in the fair market value of the asset.

1.0 Introduction

In order to ensure optimal utilization of its assets in a prudent and efficient manner, as well as to promote accountability in the use of its assets it is important for the University to develop a policy to guide the management of its fixed assets. This policy defines the guidelines, regulations and procedures governing the control and reporting of fixed assets. This includes tracking the cost of the assets, how they are maintained, the depreciation levels and their disposal.

2.0 Scope and Application of Policy

2.1 Scope

This policy covers asset categorization, asset coding, recording and capitalization of the assets, the methods of depreciation and impairment of the assets, timing for valuations and revaluations and procedures for retirement, write off and disposal of the same.

2.2 Application

a) This policy shall apply to fixed assets acquired with funding originating from the University, the government or other external sources, and by gift or loan.

b) This policy shall apply only in respect of management of the University's fixed assets specifically land, buildings, plant, equipment, furniture, software, goodwill and other assets of an enduring nature which are owned and controlled by the University;

c) Where the term asset is used in this policy, it refers to fixed asset whose economic benefit to the University exceeds one year.

3.0 Goal and Objectives

3.1 Goal

The goal of this policy is to provide a framework for the management of the fixed assets of the University.

3.2 Objectives

The objectives of this policy are to:

- a) Establish procedures for recording and capitalization of fixed assets
- b) Establish methods of depreciation, impairment, diminution and amortization of fixed assets
- c) Determine timings for revaluations and accounting in respect of the fixed assets and ensure their documentation
- d) Establish procedures for write off and disposal of fixed assets
- e) Ensure that the University assets are accounted for in compliance with international Financial Standards.

4.0 Legal and Policy Framework

This policy will be guided by the relevant laws and policies including but not limited to the following:

- a) Constitution of Kenya, 2010
- b) Land Act
- c) Public Finance Act
- d) Public Audit Act
- e) Public Procurement and Disposal Act and Regulations
- f) International Financial Standard

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5.0 Classification of Fixed Assets and Codes

5.1 Assets Categorization

Fixed assets shall be classified as follows:

NO	CATEGORY		SUB CATEGORY		ITEM ID
	CODE	ITEM	SUB-CODE	SUB-ITEM	
1	001	Land	010	Lease Hold	001-010
			020	Free Hold	001-020
2	002	Buildings	010	Office Blocks	002-010
			020	Lecture Theatres	002-020
			030	Laboratories	002-030
			040	Workshops	002-040
			050	Hostels	002-050
			060	Residential Houses	002-060
			070	Others	002-070
3	003	Furniture & Fittings	010	Chairs	003-010
			020	Sofa Sets	003-020
			030	Tables	003-030
			040	Desks	003-040
			050	Beds	003-050
			060	Mattresses	003-060
			070	Cabinets/Bookshelves	003-070
			080	Counters	003-080
			090	Others	003-090

NO	CATEGORY		SUB CATEGORY		ITEM ID
	CODE	ITEM	SUB-CODE	SUB-ITEM	
4	004	Plant & Equipment	010	Fixed Machines	004-010
			020	Movable Machines	004-020
			030	Trailers	004-030
			040	Safes	004-040
			050	Fridges/ Freezers	004-050
			060	Water Dispensers	004-060
			070	Cold Rooms	004-070
			080	Water Pumps	004-080
			090	Air Conditioners	004-090
			100	Irrigation Equipment	004-100
			110	Water Tanks	004-110
			120	Cookers	004-120
			130	Telephone Equipment	004-130
			140	Others	004-140
5	005	Motor Vehicles	010	Buses	005-010
			020	Lorries	005-020
			030	Pick-Ups	005-030
			040	Tractors	005-040
			050	Motor Boats	005-050
			060	Ambulances	005-060
			070	Vans	005-070
			080	Cars	005-080
			090	Motor Cycles	005-090
			100	Water Bowsers	005-100
			110	Others	005-110
6	006	Computers and ICT Infrastructure	010	Desktop Computers	006-010
			020	Laptops	006-020
			030	Servers	006-030
			040	Printers	006-040
			050	Scanners	006-050
			060	Copiers	006-060
			070	Projectors	006-070
			080	Network Cabling	006-080
			090	TVS	006-090
			100	Others	006-100
7	007	Academic Attire	010	Gowns	007-010

NO	CATEGORY		SUB CATEGORY		ITEM ID
	CODE	ITEM	SUB-CODE	SUB-ITEM	
			020	Hoods	007-020
			030	Caps	007-030
8	008	Intangible Assets	010	ICT Software / Databases	008-010
			020	Patents	008-020
			030	Copy Rights	008-030
			040	Trademarks	008-040
			050	Licenses	008-050

5.2 Asset Coding

The code/tag shall be segmented as follows:

- a) Segment 1- Shall take 3 characters identifying the institution i.e UON
- b) Segment 2- Shall take 7 characters as follows:
 - i. 2 Characters to identify the College/Central administration/ SWA.
 - ii. 3 Characters to identify Central departments/ faculty/ school / institute / centre.
 - iii. 2 Characters to identify unit/ teaching departments/ section.
- c) Segment 3- Shall take 3 characters identifying the cost centre.
- d) Segments 4- Shall take 6 characters
 - i. 3 characters for main category
 - ii. 3 characters for sub-category
- e) Segment 5- shall take 4 characters identifying the item.

Example:

A printer in FIMS Office Finance department shall be coded and tagged as follows:

CODE: UON/07-010-30/020/006-040/0554

TAG: UON/CAD-FIN-FIMS/006-040/0554

Where 0554 is the printer number, which is auto generated.

6.0 Capitalization Guiding Principles

- i) Land, buildings and motor vehicles shall be capitalized regardless of the cost.
- ii) Asset additions, enhancement, repair, replacement or expansion expenditures that enhance or extend the useful economic life of the assets shall be capitalized.
- iii) Work in progress costs shall be closed out and capitalized into the appropriate assets classification when a project is complete, acceptable and placed into use.
- iv) Expenditure incurred in acquiring Information Technology equipment e.g. laptops, notebooks, desktop computers, servers, printers shall be capitalized. Where there is additional expenditure to improve/upgrade existing equipment, the expenditure shall be capitalized.
- v) Furniture and equipment acquired with a value of more than KSh. 10,000.00 and expected lifespan of five years shall be capitalized. However equipment of a household nature e.g. microwaves, fridges, hotplates, utensils acquired for use in administrative offices will not be capitalized
- vi) Assets whose value is below KSh.10,000 are expensed in the fiscal year of purchase and are not capitalized.
- vii) When assets are capitalized, the University shall assign an asset number and arrange for the asset to be tagged with the asset number for control purposes.
- viii) Costs incurred to keep a fixed asset in its normal operating condition that does not extend the original useful life of the asset or increase the asset's future service potential are not capitalized. These costs are expensed as repairs or maintenance.

7.0 Asset Valuation and Revaluation

7.1 Valuation of Assets

- a) Using the concept of current cost, land will be valued at market value.

- b) The valuation basis most appropriate to ~~any improvements~~any improvements on the land will be replacement cost.
- c) Land improvements when considered to have an unlimited life will be valued as part of the land rather than as a separate component as the two items may be difficult to separate.
- d) For building structures, determination of current cost will generally be established by engineers or licensed Valuers.
- e) Furniture and equipment motor vehicles and academic gowns will be valued at cost.

7.2 Revaluation of Assets

- a) Revaluation shall be conducted after every 5 years for land and buildings.
- b) The asset register shall be maintained using the historical data and original cost for regulatory purposes. The valuation report will be used as evidence to update the value of assets in the financial statements.

8.0 Donated Assets

All donated assets shall be recorded in the fixed assets register.

9.0 Capital Budget

- a) Departments and units shall prepare their estimates for the various capital expenditure as appropriate
- b) The budget items shall be consolidated at the central finance office and rationalized by the University Budget Committee before approval by the University Council.

11.0 Asset Tagging

- a) Tagging shall be done to identify assets belonging to the University. The importance of tagging is to:
- b) The asset tag will be issued by the Finance Officer to the assignee..

12.0 Depreciation

Depreciation shall be charged on a straight line basis calculated at cost or valuation of an asset over its useful economic life.

12.1 Depreciation Rates

The annual rates of depreciation for each class of assets are as follows:

NO	CLASS	RATE
1	Land	NIL
2	Buildings	2%
3	Furniture & Equipments	10%
4	Motor vehicles	20%
5	Computers & ICT Infrastructures	20%
6	Academic gowns	5%

12.2 Posting of Depreciation

- a) Depreciation shall be calculated monthly and charged to the income statement.
- b) The depreciation shall be effective from 1st day of the subsequent month, following the date of capitalization.

13.0 Inventory of Fixed Assets

- a) A register of fixed assets shall be maintained by the Finance Officer.
- b) Title deeds, leases and contracts relating to land and buildings shall be maintained by the Vice-Chancellor.
- c) The University will conduct an annual inventory of all fixed assets.

14.0 Movement of Fixed Assets between the Units

Movement of Assets between Departments shall be recorded in the fixed assets register.

15.0 Disposal of Fixed Assets

15.1 Asset Impairment

- a) For the purposes of financial statements and in compliance with International Financial Standards, Impairment of assets shall be recognized at the end of the Financial Year.

15.2 Asset Disposal

- a) The University shall dispose fixed assets that are in surplus, not in working condition, obsolete or dismantled.
- b) All disposals shall be done through the University Disposal Committee.

16.0 Accountability

The Vice Chancellor as the Chief Executive Officer of the University will be directly responsible for implementation of this policy.

17.0 Funding

The University will fund the implementation of this policy.

18.0 Policy Review

This policy will be reviewed every five (5) years or as may be required.