Welcome to the fixed assets topic.
After completing this topic, you will be able to:

- Explain the process of managing fixed asset items.
- Recognize key terms in the Fixed Assets solution.
- Identify the relevant sub-menu and windows in SAP Business One.
OEC Computers utilizes a small fleet of delivery trucks. Therefore, they own a few trucks.

Bryce, the accountant, wants to have the option to manage and monitor the trucks’ value. You tell him about the Fixed Assets solution in SAP Business One.
Enable the Fixed Assets Solution

Administration → System Initialization → Company Details → Basic Initialization
Check the Enable Fixed Assets box:

New windows and fields will be available for the user:
- Administration → Setup → Financials → Fixed Assets.
- Financials → Fixed Assets.

Let us start by reviewing the sub-menu and windows in SAP Business One.
- To enable the fixed asset solution go to the Basic Initialization tab in Company Details window.
- Select the Enable Fixed Assets checkbox.
- Once the user checks the box, the Fixed Assets functionality will be activated and new windows and fields will be available under Administration → Setup → Financials → Fixed Assets.
- And under Financials → Fixed Assets.
- In this Fixed Assets sub-menu you can find the Asset Master Data window.
- This window is very similar to the Item Master Data window, but with the addition of the Fixed Assets Item Type and the Fixed Assets tab.
- Once the solution is activated, you cannot deactivate it.
- Note that you need to make decisions about legal and industry requirements together with the client accountant.
- Prior to version 9.0, the fixed assets solution was available as an add-on.
- Starting with 9.0, the solution is merged into the core of SAP Business one.
Demo – Fixed Assets’ Windows and Fields
Let us review the life cycle of a fixed asset item in SAP Business One from purchasing through capitalization, then depreciation and until zero net book value.

This is the process at a glance. In the next slides, we will talk more about the different steps.

The first step is set up a fixed asset in the **Fixed Assets Master Data** window. This window allows you to define and manage all Fixed Assets item types. In our example, we will set up a fixed asset record for a new truck that **OEC Computers** purchased at the beginning of the fiscal year.

An Asset Master Data record is activated when the user purchases a fixed asset using an **A/P Invoice**. The **A/P Invoice** automatically generates a **Capitalization** document.

The **Asset Value Date** sets the **Capitalization Date** in the Asset Master Data record.

When a user executes a depreciation run, the system carries out the depreciation planned up to the specified date.

Additional fixed assets documents support the need for adjustments, if necessary, during the life cycle of a Fixed Assets item type: **Fixed Asset Transfers, Revaluation, or Appreciation** of an asset.

In order to decide which of the adjustment documents to use, you need to verify, together with the client accountant, what the legal and industry requirements are.

And finally, the user can retire a fixed asset using an **A/R invoice**. The **A/R Invoice** automatically generates a **Retirement** document.

In order to retire the asset on an **A/R invoice**, the user should mark the Asset Master Data record as a **Sales Item**.
All transactions are registered to the fixed assets sub-ledger and can be followed in the various dedicated reports.
Let us look at the life cycle of an asset master data with reference to standard accounting terminology. The terminology is highlighted in blue in the slide.

In our example, when we define the new truck that OEC Computers purchased, we define the asset’s **Useful Life**. An asset’s useful life is the period during which an asset is expected to be usable for the purpose for which it was acquired. Useful life may, or may not, correspond with the asset's actual physical life, or economic life. Before the end of an asset’s useful life, the asset should be written off completely. We define this truck’s useful life as **3 years**.

The **Asset Master Data** record is activated when the user purchases a fixed asset using an **A/P Invoice**. The **A/P Invoice** automatically generates a **Capitalization** document.

**Capitalization** is the process of recording an acquisition and production cost as a fixed asset. The acquisition value of the truck is **6000**.

The **Asset Value Date** sets the **Capitalization Date** in the **Asset Master Data**.

The asset value date can be different from the posting date and document date, but it must be within the same period as the posting date. For the truck we enter the **1st of January**.

Each period the company calculates the **Depreciation** on the asset. **Depreciation** is the reduction in the book value of an asset over its useful life for both tax and accounting purposes. Depreciation would be included in the company expenses. The truck is planned to reduce its value by **2000** each year.

During the asset’s useful life, the system calculates the item’s **Net Book Value**. The net book is the calculated value of an asset using the historical cost of the asset minus any accumulated depreciation. So in our case, after the first year the truck’s value will be **4000**.

**Retirement** is the removal of an asset or part of an asset from the asset portfolio.

There are two ways to retire a fixed asset: by **A/R invoice** if you are selling the asset or by a **Retirement** document if there is no customer involved and you need to write off the fixed asset. After the asset is retired, its value in the asset balance sheet account, in the **Fixed Assets Sub Ledger**, will be registered as **zero**.
Let us look at our example. We have the new truck that OEC Computers purchased at the beginning of the fiscal year.

First, we define this truck as an Asset Master Data.

Then, we attach a set of definitions relevant to this kind of asset to the asset master data. In our example we use the Heavy Vehicles set of definitions.

The main definition in the Asset Master Data is the Asset Class which includes the association to the other definitions: Depreciation Area, Account Determination and Depreciation Type.

Each fixed asset will be assigned to one asset class. In our example, the Truck belongs to the Heavy Vehicles asset class.

Each asset class includes the default definition of the other settings.

The Depreciation Area is a financial dimension showing the valuation of the asset for a given purpose, for example: book depreciation, tax depreciation, or depreciation for cost accounting.

You need to define one depreciation area as the main area.

In our example, the main area is GAAP that is, Local Generally Accepted Accounting Principles.

The user can define an additional area if necessary. In our example, we define the IFRS as the additional area that is, International Financial Reporting Standards.

The main depreciation area (GAAP in our example) posts transactions to the system.

The additional area (IFRS in our example) can be used for reports.

The Account Determination definition enables the system to automatically select the relevant G/L accounts for assets accounting.

The Depreciation Type classifies the depreciation based on the reason for the value adjustment. Including the option to define the method for the value calculation. In our example we choose the Straight Line method.
Once you attach the Asset Class to the Asset Master Data window all related definitions will apply to the selected asset.

In the example shown, you can see that the Depreciation Areas and the Depreciation Types defined for the Heavy Vehicles Asset Class apply to the Asset Master Data record displayed.

You can follow the process of managing an asset by using the different sub-tabs in the Asset Master Data. Besides the Overview tab, there are tabs for values, depreciation, cost accounting and additional information.
The user can purchase a fixed asset using an A/P Invoice. The A/P Invoice automatically generates the Capitalization document.

The user can choose whether to generate the Capitalization document directly, or to automatically generate it from the A/P Invoice.

In both options the Asset Master Data is activated.

The graphic shows the automatic journal entries created during the process with the associated accounts.

If a vendor is not involved, then the user can generate a Capitalization document directly. In this case, only the Capitalization journal entry will be created and therefore the clearing account will appear as an obligation in the Balance Sheet.

Remember that the accounts are derived from the definition in the Asset Master Data.

Note that the Asset Value Date is set by default to be the same as the A/P Invoice Posting Date. This date can be changed before adding the A/P Invoice to update the Capitalization Asset Value Date.
Depreciation is used to write off the cost of an asset over its useful lifetime. It represents the reduction in the book value of an asset for both tax and accounting purposes. Depreciation would be included within the company expenses. The system predicts the yearly expected depreciation rate according to the Asset Master Data definitions (that is Asset Class, Depreciation Area, Account Determination and Depreciation Type). You can view this information in the Asset Master Data and in the Asset Depreciation Forecast Report.
The user can execute the **Depreciation Run** option to update the asset’s value with the actual depreciation.

Only when you execute a depreciation run does the system carry out all depreciation planned up to a specified date.

In order to trigger the posting of a planned depreciation it is usually sufficient to start one depreciation run for several posting periods. However, it is possible to execute several depreciation runs for the same depreciation period.

A depreciation run can be repeated as often as necessary, provided no depreciation run has been executed for the following periods. A repeat depreciation run may be necessary, if the asset values have changed once again after posting planned depreciation. When repeating a depreciation run, only the value differences to the postings of the last depreciation run are considered.

**Note!**

In the example shown, we use the direct posting method for depreciation. The system posts the depreciation directly to the asset balance sheet account specified for the asset.

In indirect depreciation, the system uses the accumulated depreciation account to post the depreciation. The asset balance sheet account is affected only when the asset is purchased or retired.
There are two ways to retire a fixed asset: by *A/R invoice* if you are selling the asset or by a *Retirement* document if there is no customer involved.

In case the company sells the asset at the end of its useful life (or before), the user can retire the item using an *A/R invoice*.

The *A/R Invoice* automatically generates a *Retirement* document.

A *Retirement* document can be issued directly in case a customer is not involved and you need to write off the fixed asset.

In this case, different accounts will be involved in the journal entry attached to the *Retirement* document.

If you use the *A/R Invoice* option, make sure you define the *Assets Master Data* as a *Sales Item*.

Now, the Net Book Value of the *Asset Master Data* is set to zero.

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>2000</td>
</tr>
<tr>
<td>Revenue Clearing Account</td>
<td>2000</td>
</tr>
</tbody>
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<td>2000</td>
</tr>
<tr>
<td>Asset Balance Sheet Account</td>
<td>2000</td>
</tr>
</tbody>
</table>
Demo – The Life Cycle of an Asset Mater Data
The Asset History Sheet report:

- Can be issued for all fixed assets,
- Displays all posted asset transactions in a fiscal year,
- Presents the assets for each Balance Sheet account.

- The Asset History Sheet is the most important supplement to the balance sheet from the fixed assets point of view.
- The report can be issued for all fixed assets.
- It displays all posted asset transactions in a fiscal year and presents the assets for each Balance Sheet account.
Here are some key points to take away:

- The main definition in the Asset Master Data is the **Asset Class** which includes the association to the other definitions: Depreciation Area, Account Determination and Depreciation Type.

- The asset master data is activated when:
  - The user purchases a fixed asset using an A/P Invoice.
  - The A/P Invoice automatically generates the Capitalization document.
  - The user can generate the Capitalization document directly.

- Depreciation is:
  - Used to write off the cost of an asset over its useful lifetime.
  - Included within the company expenses.

Here are some key points to take away:

- The main definition in the Asset Master Data is the **Asset Class** which includes the association to the other definitions for Depreciation Area, Account Determination and Depreciation Type.

- The asset master data record is activated when a user purchases a fixed asset using an A/P invoice. The A/P invoice automatically generates the Capitalization document. A user also has the option to generate the Capitalization document directly.

- Depreciation is used to write off the cost of an asset over its useful life. Depreciation is included as a company expense.
## Summary

| **The Depreciation Run option:** | **Carries out all depreciation planned up to a specified date.**  
**Updates the asset master data value with the actual depreciation.** |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| **A fixed asset is retired by:** | **An A/R invoice if you are selling the asset, or**  
**By a Retirement document if there is no customer involved.**  
**The A/R Invoice automatically generates a Retirement document.** |
| **After retirement:** | **The Net Book Value of the Asset Master Data is set to zero.** |
| **The Asset History Sheet displays:** | **All posted asset transactions in a fiscal year.**  
**The assets for each Balance Sheet account.** |

- The Depreciation Run option carries out all depreciation planned up to a specified date and updates the asset master data value with the actual depreciation.
- A fixed asset is retired by either an A/R invoice if you are selling the asset or by a Retirement document if there is no customer involved. If an A/R invoice is created, the invoice will automatically generate a Retirement document.
- After retirement, the net book value of the asset is set to zero.
- The Asset History Sheet displays all posted asset transactions in a fiscal year and the assets for each balance sheet account.
Thanks

You have completed the fixed assets topic
Thank you for your time!

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