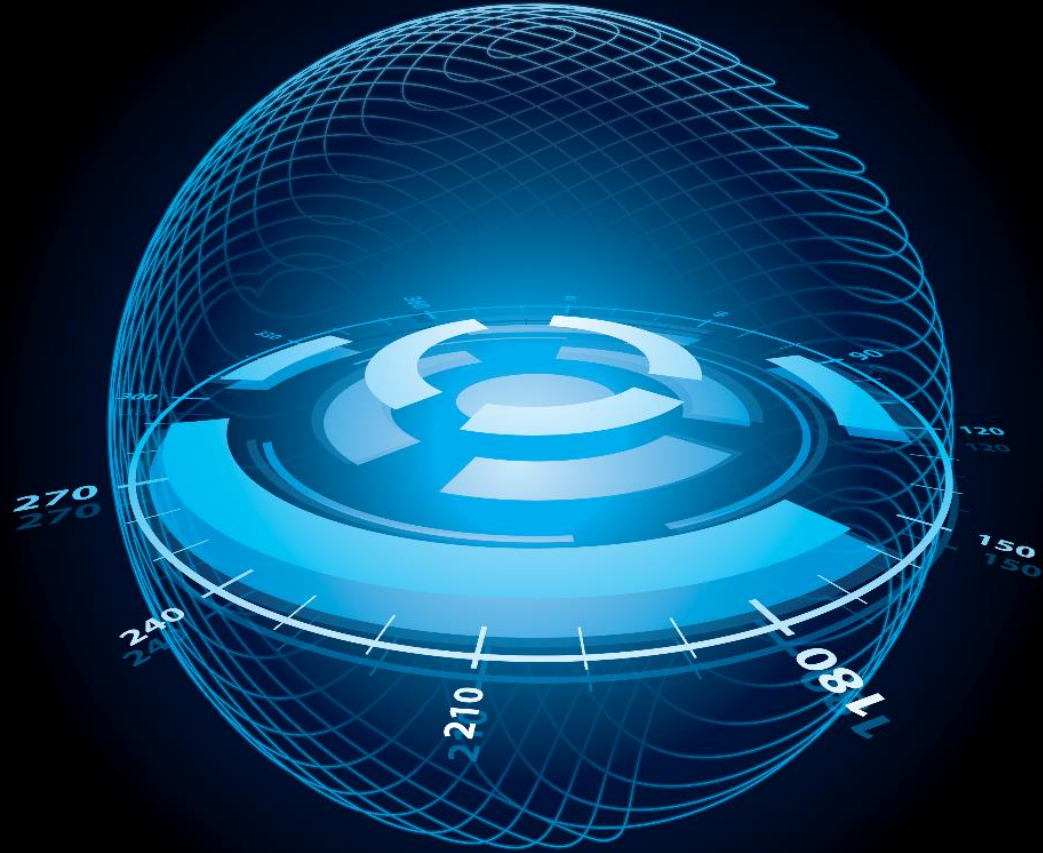


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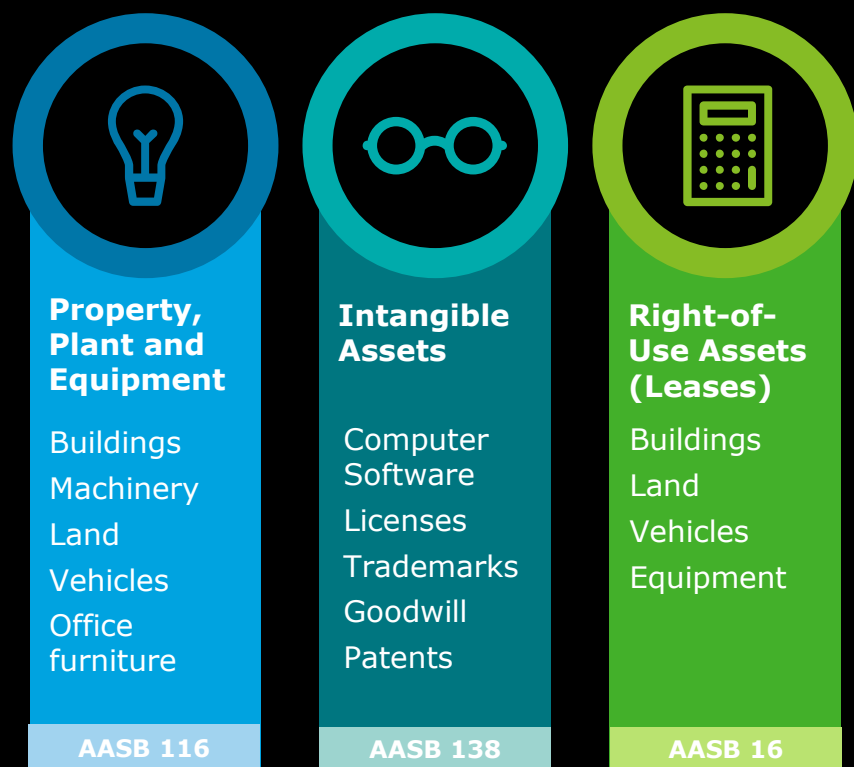


Asset accounting
Optimise your allocation of capital

Optimising your allocation of capital | Asset accounting

In responding to the unprecedented economic conditions resulting from the impact of COVID-19, CFOs are expecting to focus on growth and diversification through **deals**, access further **funding** resulting in higher funded debt levels and invest in suitable **technologies** to enable greater flexibility of their working from home arrangements¹. These areas of focus call for management to consider their organisations' financial positions, balance sheet strengths and capital allocation strategies across their capital assets, including **property, plant and equipment, intangible assets and right-of-use assets**.

Primary asset groups whereby capital is allocated



Factors for management to consider

01 | CURRENT CAPITALISED ASSETS

- Are your current assets financially returning what is expected?
- Do you need to change your investment strategy to enable improved financial outcomes?
- Do you have the right processes in place for valuations and impairment of assets?
- Is your tax and statutory financial reporting of assets compliant?
- Have you assessed what capital work in progress projects may need to be deferred as a result of COVID-19? What impacts will this have?
- Does your invoice to allocation process align with formal policies and procedures?
- Does your data and systems support accurate and timely reporting of assets?
- Does your technology solutions enable desired working from home arrangements?

02 | FUTURE CAPITALISED ASSETS

- What assets should you consider investing in that will result in your desired financial outcomes (e.g. cloud infrastructure)?
- What funding strategy will be required?
- Does your current financial position allow for approval of required funding?
- Have you assessed lease vs buy options?
- What assets does your capitalisation policies allow for?
- Does your capitalisation policies reflect adjustments to asset investment strategies?
- Does your planning and forecasting activities consider changes to asset strategies & lease term?
- Can your current systems and processes support future reporting of newly capitalised assets?

Asset accounting and management

Enablers and target outcomes | Asset accounting

Organisations striving to achieve their target **asset financial outcomes** considering both current and proposed future capitalised assets should assess the effectiveness and suitability of their **enablers**. An organisation's **funding and investment strategy, capitalisation policies and procedures, capital assets data governance and technology in use** all contribute to robust accounting and management of capital assets.

Enablers of capital asset accounting and management

1

Funding & investment strategy

2

Capitalisation policies & processes

3

Data governance

4

Technology solutions

Target outcomes of a robust capital asset and management framework

Standardisation and consistency | The considered asset framework, policies and processes is applied across all asset groups.

Decision making | Ability to make informed and timely decisions required for planning, lease vs buy, acquisitions/disposals, impairment etc.

Compliance | Asset accounting is compliant with policies and relevant Accounting Standards and Tax rules.

Tax and accounting outcomes realised | All available concessions, accelerated rates of depreciation or timing benefits are utilised (within the constructs of the law).

Pricing of commercial arrangements | Granular asset data allows for substantiating or determining the commercial pricing of joint venture service charges, commodity sales, and PRRT.

Flexibility | Technology solutions support future growth of asset portfolio and required level of asset componentisation.

Planning | Improved and consistent forecasting and budgeting for capital projects.

Funding | Capitalised asset position supports desired asset financing or funding initiatives.

Financial performance | Capitalised asset position supports covenants and desired financial outcomes/metrics.

End users of capitalised assets' accounting and reporting information



MANAGEMENT



BOARD



INVESTORS



REGULATORS



FINANCIERS

Our services | Asset accounting

Our team is comprised of talented professionals, with the experience, expertise, capability and commitment to provide capitalised asset support considering your initiatives relating to your asset portfolio. Below is a list of some of our services we can support you with.

Key activities

Funding & Strategy

- Review and provide recommendations for improvement of your asset **risk framework** and associated controls
- Calculate and assess your **Return on Assets** and **Return on Capital** for selected asset classes
- Provide industry **benchmarking** of your Return on Assets and Return on Capital for selected asset classes
- Assist with and provide Impact Assessment of option modelling for potential **financing arrangements**
- Assess current **Capital Management plans** and identify areas for future improvements



Policies & procedures

- Perform accounting assessments against accounting standards and policies to determine **capitalisation requirements** (e.g. Cloud computing, Software vs Lease)
- Perform accounting assessments to determine whether items are **capital or operating expense**
- Assist with option modelling of **leasing vs buying** and providing impact assessment
- Develop or enhance asset accounting and management **policies & procedures**
- Understand current state processes across invoice to capitalisation and reporting to **identify areas of improvement**
- Assist with **lease term assessment** and impact to lease modifications considering business changes



Data

- Perform a **diagnostic** of your **Accounting** Fixed Asset Register data considering compliance with your policies to identify and quantify items for further investigation
- Develop a **data remediation strategy** and perform activities required as an outcome of Fixed Asset Register diagnostic
- Develop a **data readiness strategy and perform** activities for Fixed Asset Register improvements or system migration
- Support with **data transition activities** required for system implementation
- Support with **re-construction** activities relating to your Fixed Asset Register



Reporting

- Assist your team with **impairment considerations** for your assets in relation to accounting standards and business indicators
- Perform **disclosure reporting** gap analysis considering newly acquired asset classes and provide recommendation considering accounting standards
- Provide recommendations for the disclosure reporting of **new or amended Accounting Standards**
- Develop data asset valuation guidance and support your team through their **revaluation process** of assets per your framework



Contact us

Find out more about our offerings by contacting a member of our Accounting & Reporting Advisory team.



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