

# Are you neglecting your property assets?

**G**reat companies always provide excellent service to their customers and take exceptional care of their employees—that is what makes them great. But more often than not, great companies excel in *all* facets of their business, no matter how big or small. Every detail of their business is important to them. All businesses, whether they are great or mediocre, focus on critical assets such as cash, inventory and accounts receivable—these are the assets that allow the company to make payroll. Managing property or fixed-asset inventories is often an afterthought, falling way down on the priority list.



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When searching for ways to improve your bottom line, consider taking a closer look at one of the most overlooked assets of a business. What you find may surprise you.

*By Danny Wilbanks*

**W**hy is it important to manage your property and equipment assets? Over time, mismanagement of these assets goes straight to your bottom line. For example, customers or employees may walk off with a laptop computer, trucks that are not maintained break down during critical deliveries or pickups, delivery personnel buy tools and dollies over and over and over...we have all seen the neglect.

My experience is likely similar to many other dealers. When I started my last business, I used an Excel spreadsheet once a year to keep track of the fixed assets of the business. Sound familiar? As we moved from the first five stores to ultimately 21 stores, my spreadsheet became unwieldy and inefficient. There are many hidden

accountant said, "What do you want it to be?"

As the joke points out, when it comes to valuing fixed assets, one must consider the purpose. For tax purposes, proper records allow you to report the highest deductible value. For property and casualty insurance purposes, you can save significant amounts by ensuring that you do not insure improper values, or that you do not duplicate some coverage. Some policies provide blanket coverage for computer hardware and software, eliminating the need for separate coverage for these items. Other policies may provide separate and specific coverage for signage and customer property in your store. Without good records, the dealer may purchase insurance on these items when they are already covered. Good records

**Go into your store with your spreadsheet—assuming you have one. Select 10 items from the list and find them in your showroom. Then select 10 items in your showroom and find them on your list. If your experience is as I expect, it will be clear to you that a little attention to these assets can save you money.**

costs associated with poor records. One significant cost is the unnecessary and expensive hours paid to your tax accountant to prepare your annual tax returns.

Another reality about fixed assets is that they are not truly fixed. Many times they are transferred from one location to another. Sometimes they "walk out of your stores" with aggressive employees or customers.

Try this simple experiment to determine if your experience is similar to mine. Go into your store with your spreadsheet—assuming you have one. Select 10 items from the list and find them in your showroom. Then select 10 items in your showroom and find them on your list. If your experience is as I expect, it will be clear to you that a little attention to these assets can save you money.

Maintaining good property records is important in several ways and assists you in:

- ▶ Tracking details, such as cost and age of significant assets;
- ▶ Accelerated deductions may be available for federal, state and franchise tax purposes;
- ▶ Some lenders use fixed assets as collateral for their loans;
- ▶ Property insurance costs are a function of the underlying property assets; and
- ▶ Property taxes are based on the assets on hand as of January 1.

An old joke points out another reason for managing these assets: Three applicants for one job were being interviewed—an Aggie, an engineer and an accountant. The employer asked each applicant the question, "What is the sum of 1 + 1?"

The Aggie said "3," the engineer said "2.000" and the

allow your insurance agent to scrutinize your assets and to report the correct values to the carrier.

Similarly, for property tax purposes, your objective is to report the lowest legitimate values to the authorities. There are many opportunities to minimize property tax values with the correct records. All too often, dealers simply turn in the values from their incorrect and unwieldy spreadsheets.

**I**t does not have to be this way. There are many inexpensive, PC-based software programs available today that make managing fixed assets simple. One product I discovered about the time we reached 10 stores is Fixed Asset Keeper. It is simple to use and tracks values for financial reporting purposes and for federal, state and AMT purposes. It has excellent reporting features and automatically provides all necessary year-end reports for your accountants, insurance agent and property tax purposes. This is not the only great fixed-asset software available, but it is a very efficient piece of software. With the abundance of good software available and their ease of use, there is really no longer an excuse for mismanaging your fixed asset inventory. ■

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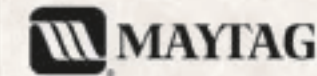
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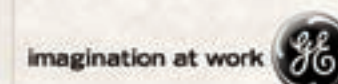
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