

## Calculating ROI for a Fixed Asset Software Package

By Matthew P. Kennedy

**About the Author:**

*Matthew Kennedy* has analyzed, developed and tested software applications for over 20 years. Matthew has worked with clients in every industry and ranging in size from Fortune 100 to small emerging companies.

Fixed Asset Software sometimes does not get the attention it deserves. Some companies will utilize spreadsheets to track fixed assets and perform depreciation calculations. While spreadsheet can certainly perform complex calculations, they are prone to formula errors and are not the best solution for asset management. A better approach is to select fixed asset and depreciation software that is specifically built for this complicated accounting function. For additional information, read my white paper “Evaluating Fixed Asset Management Software.”

When you have decided to convert from spreadsheets or upgrade your existing fixed asset software, you can choose from a number of asset management solutions. First, you will need to get an approval for the software purchase from your management team. The best approach for justifying the cost is to make a solid business case by calculating Return On Investment (ROI). The purpose of this document is to help you determine the current costs associated with managing your asset and then project potential savings and benefits of an improved solution.

In order to calculate ROI, there are four basic steps involved (see Diagram below). **First**, perform a need assessment. This can layout any problems with the spreadsheets or your current system. This is also a good place to establish potential benefits of a new fixed asset software package. **Second**, establish benchmarks of the current monthly and annual processing of fixed assets. **Third**, define what technology, operational and economic value can be found in a new system. **Fourth** and finally, present your findings to management with projected savings and intangible benefits that show purchasing new fixed asset software will easily return the cost of purchase in a short period of time.



## Performing A Need Assessment

The first step in calculating ROI is to perform a need assessment. This is a critical step since it establishes the root of the problem. Management is not likely to approve a project if they do not see a real business need. With the recent introduction of Sarbanes-Oxley (Sarbox), proper tracking of your fixed assets and accurate calculations are more important than ever before.

Utilizing spreadsheet or older fixed asset software can be:

- ✱ Time consuming
- ✱ Prone to error
- ✱ Based on many complicated calculation formulas
- ✱ Limited in generating necessary reporting
- ✱ Difficult to manage as the number of acquisitions increases

SPREADSHEET/  
OLDER SOFTWARE

**VS.**

UPGRADED  
FIXED ASSET  
SOFTWARE

Upgraded Fixed Asset Software has:

- ✱ Efficient data entry
- ✱ Built in data validation
- ✱ Accurate calculations based on IRS regulations
- ✱ Advanced reporting & export features
- ✱ The ability to easily manage hundreds of thousands of asset in a RDMS (Relational Database Management System)

## Establish Benchmarks

Next establish some benchmarks of the current monthly and annual processing of fixed asset data. This will highlight current inefficiencies and help management see how the accounting staff could save significant man hours that could be used on other projects.

Review your current procedures and document all the steps that are involved. It is a good idea to have solid backup detail to support the cost calculations. This time is well spent since the detail documentation can then be applied during the implementation of new fixed asset software.

On the next page, you will find a worksheet to help determine your current costs. The worksheet is based on hours, but you can break down tasks into smaller amounts (.25 for a quarter hour) if needed. Enter the hours for any tasks that apply to your corporation and then easily calculate the consolidated costs.

Example:

If an accountant only worked on fixed assets 1 hour a day that would result in about 20 hours per month. In addition, you may have an additional 50 hours of time throughout the year for annual processing of Tax and Financial Book information for various management and reporting procedures.

Assume one salaried employee making \$45k plus approximately \$15k for overhead resulting in \$60k per year. Divide the annual pay by 2,000 hours yields and hourly rate of \$30. The below numbers show the rough costs:

<b>Monthly Processing</b>	20 hours x 12 months =	240
<b>(+) Annual Processing</b>	50 hours	= 50
<b>(=) Total Hours</b>		= 290
<b>(x) Cost \$/ Hour</b>		= \$30
<b>(=) Total Cost</b>		= \$8700

## CALCULATE ROI

### MONTHLY PROCESSING

### HOURS

Data Entry of New Assets	
Maintain Existing Assets	
Error-Checking Methods & Conventions	
Apply Depreciation Formulas	
Track Luxury Automobiles	
Calculate Bonus Depreciation	
Preparing Reports	
Query & Exporting Data	
Process Transfers	
Process Disposals	
Find Associated Invoice or P.O info	
Month End Close	
Formatting G/L Interface Files	
Getting Help from Technical Support	
<b>MONTHLY TOTAL(a)</b>	

### ANNUAL PROCESSING

### HOURS

Year End Close	
Prepare Reports	
Generate Data for IRS Forms	
Respond to Auditor Inquiries	
Physical Inventory	
<b>ANNUAL TOTAL(b)</b>	

### OVERALL RESULT

Total Hours for Monthly Processing(a)	<input type="text"/>	x12 months	<input type="text"/>
(+)Total Hours for Annual Processing (b)			<input type="text"/>
(=)Total Hours Per Year			<input type="text"/>
(x)Estimated Cost Per Hour			<input type="text"/>
(=)Total Cost			<input type="text"/>

## Define Technology, Operational & Economic Value

The value of any new system goes beyond just dollars. Many times new fixed asset software will allow you to do things that were not previously possible. A new system may have advanced features to improve asset tracking and processing.

After President Bush signed the Sarbox bill in 2002, compliance became a key priority for most organizations. However, response to Sarbox varies widely, depending on corporate culture, perceived risk, and existing operations. If you are currently using spreadsheets or older fixed asset software, your company is probably not in compliance.

There are three value categories to look for in fixed asset software. Compare your current fixed asset processing with the potential improvements of a new fixed asset system to better justify the investment.

The **technology value** of fixed asset software can be found in the many available features:

- ✱ Built-in support of standard depreciation methods and first year conventions
- ✱ Complete and partial asset transfers and disposals
- ✱ Many standard reports and custom report writer
- ✱ Built-in system security

The **operational value** of fixed asset software will be realized in several positive changes to the businesses processes:

- ✱ Faster data entry with greater accuracy
- ✱ Reduced processing time to produce reports and export data
- ✱ Improved management of your business assets and better control of costs

The **economic value** of fixed asset software is found in improved productivity and reduced operating costs. The time saved can then be applied to other projects or to proactively manage assets to:

- ✱ Find every possible tax deduction
- ✱ Maximize tax savings
- ✱ Sarbox compliance

## Presenting Your Findings

You are now armed with the information you will need to present your findings to upper management. Use the benchmark calculations as a starting point. Review these numbers and determine how much time and money will be saved with an improved fixed asset management system.

In addition, you need to present the other “value” improvements. While it is difficult to put a dollar amount on some of the intangible benefits, they can have a powerful impact on gaining management approval.

### Why Choose the Bassets Fixed Asset System?

**Bassets Fixed Asset Software is an easy to use Asset Management and depreciation software program that features superior performance and functionality. Bassets will allow you to calculate depreciation and generate fixed asset reports in less time.**

**Over the last decade, Bassets has become a leader in the stand-alone fixed asset software market. We deliver superior products based upon the comments and needs of our customers combined with the latest programming technology and our close attention to detail.**

**Bassets’ expertise lies in delivering the highest value, integrated software solutions for accounting professionals in every industry. Our goal is to create powerful solutions that are simple to use. We offer our software at a reasonable price and backed by our outstanding customer service.**

**See for yourself by joining the growing number of Bassets users. Try a free evaluation copy today at [www.bassets.net](http://www.bassets.net) and see how you can simplify your asset management.**



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