

Beyond the Spreadsheet

The busy accountant's all-purpose tool is not the best way to manage assets.

Chloe Harlick explains why

Oh, the spreadsheet: that familiar grid filled with numbers and formulae, so easy to create and expand, so difficult to change; and so impossible to verify. And yet we love to use them. Why?

Part of the answer lies in their familiarity. Spreadsheets have been around since the earliest days of computing. They are 'bundled in' with the standard Microsoft business software, which is often pre-installed on PCs. This gives the impression they are free, and makes them very easy to access, which has led to their extensive use in businesses of all types and sizes. In many environments, they are the favoured software tool for a wide range of financial applications, from budgeting and sales and purchase ledger, to expense accounting, and asset management.

Smaller businesses in particular are very likely to be using spreadsheets for depreciation calculation, inventory control and other asset management tasks — and it isn't hard to see why. Quite apart from their availability, spreadsheets are quick to set up and easy to modify. Simple calculations are easily defined, and spreadsheets are very flexible, both for computation and presentation. Spreadsheets are also very good for 'thinking processes' such as analysing last month's figures, and they're perfect when you need to do 'what if?' projections.

Major drawbacks

With all of these advantages you're probably wondering why anyone would bother to use a specialist asset management system. But spreadsheets, despite all their advantages, have some very major drawbacks. For a start they are extremely error prone: according to research by KPMG, as many as 90 per cent of spreadsheets contain a significant number of undetected errors. Given that the figures on many P&L's and balance sheets, including the fixed assets figure, are derived from spreadsheets, this should be the cause for some considerable concern. One of the key tasks of asset management is calculating depreciation.



Animal magic: the retail chain Pets at Home is using the Assetware system AssetPro to manage its assets and meet its reporting requirements for depreciation control and history, statutory disclosures, disposals and additions, as well as balance sheets For each period and each store

Many organisations use a variety of depreciation policies. Some asset categories, or individual assets, are written off as soon as they are bought; some are subject to straight line depreciation; and others have a reducing balance policy applied. Assets may be depreciated from the date of purchase, or the policy may be to start to depreciate the month after purchase, or not to depreciate until the second year.

A good asset management system will handle the most complex depreciation calculation and policy, and do it easily and intuitively, while using spreadsheets for the task almost guarantees undetected and undetectable errors. It also results in extremely complex spreadsheets which are almost impossible to reliably change—even if you are the originator - because so many spreadsheets are undocumented. Many companies group their assets into categories. For example, desks, chairs, filing cabinets are all 'office furniture', computers, printers, scanners are all 'IT equipment'. These may belong to a number of departments, which are part of one or several cost or profit centres. In addition, the organisation may consist of a number of companies, which can be located across several sites.

This kind of structure is easily built into

a specialist asset management system. Try reflecting it in a spreadsheet system, however, and it will quickly become complex, unwieldy and almost impossible to verify. The dynamic aspects of asset management are also incompatible with the spreadsheet-based approach. Single assets are acquired and disposed of and assets or groups of assets may be transferred across departments or cost centres. From time to time, changes are made to the company structure, particularly in the case of a growing business; departments are merged, or new ones added - and attempts to reflect these changes on a spreadsheet system are almost inevitably doomed to failure.

There are other serious disadvantages to spreadsheet systems. There is no built-in reporting, so even standard statutory reports must be built from scratch, and spreadsheet systems make it very difficult to track and control changes or to produce a clear audit trail. They simply aren't a good tool for effective asset management, as many of our clients can testify (see www.assetware-technology.com/client-case-studies.htm). Isn't it time for you to start looking beyond the spreadsheet? •

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