

PURCHASE AND ACCOUNTING OF CONSUMABLES AND FIXED ASSETS. PRESENTED BY RACHEL KAIRU.

WHAT ARE CONSUMABLES?

- Consumables are goods which are used up and not returned once issued from stores.eg stationery.
- or
- Goods which are incorporated into other goods and lose their identity e.g. the reagents used in the laboratories.

WHY A PROPER RECORD FOR CONSUMABLES?

- The main purpose of maintaining proper records or accounting for consumables is to leave a trail on the usage in case a case to follow up arises.
- -This trail is known as an Audit trail where by an auditor traces the goods from requisition point to the usage

Procurement of consumables.

- Consumables are procured through the normal procurement process.
- In the university set up the user seeks authority to purchase from the DVC A&F or College Principal in the college.
- At this point the user is required to give the specs and seek approval for single sourcing in case the item can be sourced from a specific supplier.

Procurement of consumables cont,

- Procurement section then requests the user to fill an authority to incur expenditure and commit the funds.
- They source for quotations, do an analysis which is presented to the college/central procurement committee for approval.
- Once approved the process of requisition, and LPO (local purchase order) commences which after auditing and approval the LPO is released to the supplier for the supply of goods.

- The supplier should supply the goods as specified in the LPO and as per the specs.
- All this together with the quality and quantity is what the inspection and acceptance committee checks before handing over the goods to the user.
- The user is required to enter the goods in a store and fill the stores received note which should be checked by the supervisor.

Receiving of goods..cont,

- The total units received are entered in a bin card which is signed by every user who receives the goods until the last unit is issued.
- The balances on the bin card are recorded on a reducing balance method.
- Once in a while the supervisor should randomly check the bin card balances against the physical especially for high value items.

Accounting for assets

Assets are goods which have a useful life and don't get used up quickly. They have a material value or reasonable cost. They are intended to be used by an organization for more than one year to generate income or to render a service.

We have two categories of assets current and fixed.

Accounting for assets.. Cont,

Current assets are the ones which can be converted easily into cash e.g. debtors inventories, investments, cash and bank balances etc.

Fixed assets are assets which are fixed like land and building and other moveable ones like motor vehicles, fixtures and fittings and computers.

Procuring fixed assets

The grant holder should. Provide a procurement plan for acquisition of assets which must be within the approved budgets, within a reasonable time.

Plan for asset replacement, maintenance and operating costs in his/her budget to avoid inconveniences in the course of the research.

After the approval to procure is given, the procurement manager recommends any of the following means to tender committee for approval.

Procuring fixed assets.. Cont,

- The process of procuring fixed assets is the same as for consumables except the value of fixed assets in most cases is higher and requires another level of approval known as tender committee.
- The Central/College procurement committee has a mandate to approve up to ksh 500,000= Anything above that is approved by the tender committee.
- The procurement manager then recommends the following three methods to the tender committee.

Procuring fixed assets.. Cont,

- Open method where the advert is put in the newspaper for any interested person to tender.
- Quotation method where quotations are sought from different suppliers.
- Restricted suppliers method where quotations are sought from specific suppliers who supply specific items e.g. MFI for computers.

Procuring Fixed Assets.. Cont,

- All the three methods require a committee comprised of Finance, Audit and Procurement to open the tender/quotations.
- However in an open tender the suppliers are allowed to send their representatives in the tender opening.
- The analysis and minutes of the tender opening committee are sent to procurement manager who recommends names of experts to technically evaluate the item to be bought ,to the vice chancellor who appoints them.

Procuring Fixed Assets.. Cont,

- The report and recommendation of the technical evaluation committee is handed over to procurement manager who tables them back to the tender committee for approval.
- once approved the letters are issued to the successful supplier.

Receiving and Accounting for Fixed Assets

- The asset is then supplied and is inspected and once accepted the asset is handed over to the user. There must be an expert in the inspection committee e.g. ICT staff for computers and its accessories.
- At the point of payment Finance section is required to enter the assets in a fixed asset register and that is where accountability starts.

Receiving and Accounting for Fixed Assets

- The information captured at this point include,
 - Asset tag number.
 - Asset serial number
 - Asset physical location
 - Name of the supplier
 - For motor vehicle ,registration number, engine and chassis number.
 - Insurance value of the asset
 - The status of the asset whether new or second hand.

Accounting of Fixed Assets

- On a regular basis a physical verification of all assets is necessary, Both Finance and Audit can assist in this.
- At a glance the grant holder can verify the departmental record to ensure they are in line with the physical assets.
- Asset use and condition should always be reported to the grant holder.

Accounting of Fixed Assets.. cont,

- Hold the custodian of such assets responsible in case of misuse or malicious damage.
- In case the custodian leaves employment ensure he/she hands over the assets and their records.

Accounting for Fixed Assets cont,

- As a user all assets have different roles and each category requires an account on its usage.
- For example a motor vehicle should be subjected to the normal university procedures of having a work ticket which is issued by Audit or Transport departments.

Accounting for Fixed Assets.. cont,

- All fuel and oils consumed should be recorded in it and all journeys should be approved by a responsible officer and in this case the grant holder.
- The driver should record the total mileage covered at the end of every journey or at the close of the day.

Accounting for Fixed Assets cont,

- He /she should indicate mechanical problems if any at the back of the work ticket.
- This helps in the reconciliation in case for example the vehicle is consuming too much fuel than it requires.
- The blame can be the mechanical problem it is having, but can be interpreted as misuse. It helps to resolve such conflicts.

Accounting for Fixed Assets cont,

- Any mechanical problems should be rectified within reasonable time, they should be cost effective.
- The repairs and service should be documented and this forms the basis of the history of the vehicle in case of disposal and basis of identifying whether the maintenance costs exceeds its value.

Accounting for Fixed Assets cont,

- This information helps to make decision as to whether procuring a new one is more appropriate than repairing.
- The general care, security, spare parts, toolbox and general cleanliness are all areas of concern for a motor vehicle.

Computers.

- These are assets which assist us in the day to day running of an office.
- They should be handled as per the guidelines or instructions from the manufacturer.
- they should be accounted beginning with entering them in the fixed asset register.
- They should be coded and tagged to know which department /section they belong.

Computers.

- There should be a register in the department with records showing which office they are in.
- There should have a control on usage/access e.g. use of password.
- Proper record as to where about of such asset, be it a printer or computer which has been taken by ICT for repairs or borrowed by another office.
- In case of theft or damage the relevant sections ,security ,finance among others should be informed within reasonable time.

WHO OWNS THE ASSETS AT THE END OF THE PROJECT?

- The few known cases indicates any of the following but not limited,
- The asset are to be inherited by the institution at the end of the project period.
- Assets are valued at the end of project sold and money remitted to the donor.
- Assets are donated to charitable organizations.
- **The grant holders can tell us more.**

Disposal of Fixed assets.

- Before any decision to dispose is agreed upon it must be clear whether the agreement between the donor and grant holder stipulated transfer, sale or donation.
- In a case where the institution inherits the asset then the need for disposal can be any of the following.
- The user can declare whether it is obsolete or it is of no more use but can be transferred to another section or department where it can be of value.

Disposal of Fixed Assets.cont

- In case of transfer the receiving section is responsible for transfer, duty and installation costs.
- The asset register also requires changes of location, condition and custodian.
- All documentation for the transfer must be signed and retained by both parties.

Disposal cont,,

In the case of selling at market value and handing the funds to the donor,

- Procurement manager may recommend on the method of disposal in line with public procurement and disposal act (2005) and public procurement and disposal regulations (2006).
- Procurement together with the grant holder can discuss and agree on the method of disposal by donating to charitable organizations in accordance with what the regulations stipulates.

THE END

THANK YOU.