

Physical Asset Management

Physical asset management is the practice of effectively using the physical assets of the company. Many companies have an in house department taking care of that but in some cases, an outside party is called in to help them out.

For this to work, the team has to know first hand the assets of the company. To prevent duplication, it should point out the depreciation value and the utility in the process of production. This process is better known as cost analysis as this will increase economic life and reduce component failures such as the incidence of theft and mistakes in the procurement of supplies and equipment.

It can also assist management in tax planning and forecasting business solutions which could save the company millions of dollars.

For instance, production suffers if machines break down frequently. This is normal if the machine being used is already old. The company can try to repair it but if the cost is much higher than a brand new one, then perhaps they should try to sell this at a reasonable price then use the money to buy a new one.

The same goes if a company has hundreds of stores and only a few of them are making a profit. Since the unprofitable ones are not really bringing in revenue, perhaps it will be a good idea to close them.

This is something that a lot of companies are doing now due to rising costs of fuel and the economic slowdown. Rather than filing for bankruptcy, they would rather slash a few thousand jobs and close down stores. Some companies that have done so include Starbucks, American airlines, JP Morgan and a lot more. The other option is for some companies to merge just to stay afloat.

The bottom line is that physical asset management gives the company an idea as to what they actually have. This will prevent them from missing out on opportunities which they could have jumped to when this presented itself.

One way of keeping track of the company's assets instead of doing it by hand is by investing in asset management software. This will allow those in management to gain access to it whenever it is needed via the company's intranet.

This can be done by bar coding everything similar to what is done in the supermarket. This will enable the in house team to just scan the item which not only increases accuracy but helps to save time on repeated inventories.

There are four stages which make up the physical asset management cycle.

First is planning and procurement. Here the company sees what is available and then assess what is needed. They will look at various suppliers and then buy the machine that is affordable and efficient.

In the second stage, those who use it have to use the equipment in order to maximize its productivity.

Third, is called financial management. Here, the company will see if it was worth getting the equipment. It also includes ensuring accurate tax, depreciation and other costs.

Fourth is disposal. If the machine is obsolete, it has to be replaced in compliance with environmental regulations.

Companies will be able to practice effective physical asset management by following the life cycle. Sometimes tough decisions have to be made in order for the company to survive.