



Driving value through effective fixed asset management



KPMG Ghana

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Introduction

“ Fixed assets are the backbone of businesses across the globe, serving as critical resources for operations, production, and service delivery. In Ghana, the significance of fixed assets is evident in the financial statements of companies listed on the Ghana Stock Exchange (GSE). Collectively, these companies report total assets valued at approximately GHS 1.79 billion, with fixed assets accounting for GHS 456 million, representing 25% of total assets. This emphasises how essential fixed assets are in driving business operations and contributing to value creation. ”

When analysed by industry, the reliance on fixed assets varies significantly. Manufacturing leads with a fixed asset-to-total-assets ratio of 85%, reflecting its asset-intensive nature, followed by Pharmaceuticals (60%) and Mining (53%).

Telecommunication, Real Estate, and Oil & Gas also exhibit substantial reliance, with ratios of 47%, 46%, and 36% respectively.

In contrast, Banking and Insurance demonstrate a lower ratio of 5%, indicative of their capital allocation to financial instruments rather than physical assets. Despite the significant role fixed assets play in organisational success, many businesses struggle to manage them effectively.

For Ghanaian businesses specifically, the challenges of fixed asset management can be categorised into four key areas:

- A Inefficient Asset Management Frameworks
- B Operational Inefficiency & Data Inaccuracy
- C Absence of Asset Management Systems
- D Financial and Compliance issues

This article delves into these challenges, offering insights and strategies to help organisations optimise their fixed asset management practices, unlock value and ensure sustainable success.

A

Inefficient Asset Management Frameworks

Absence of an established Asset Management (AM) framework

In the absence of a clear AM framework, companies often operate without a strategic direction for managing their assets. This leads to a misalignment between the organisation's goals and how assets are managed which creates inefficiencies in decision-making, resource allocation, and long-term asset planning.

Weak Operational Procedures

Inadequate procedures for acquiring, tracking, maintaining, and disposing of fixed assets expose businesses to operational lapses. This results in inefficiencies, such as delays in asset acquisition, inaccurate asset tracking, and inconsistent maintenance schedules.

These gaps not only hinder efficiency but also limit the ability to optimise asset performance throughout their lifecycle.

Undefined roles and responsibilities for fixed asset management;

When roles and responsibilities for fixed asset management are unclear, accountability is diluted. This often results in neglected assets, poor maintenance and disposal, and a lack of alignment between operational goals and asset strategies.

Solutions

Integrate ISO 55000 for Effective Asset Management:

ISO 55000 provides a globally recognized framework for effective asset management,

offering a structured and strategic approach to managing fixed assets. It focuses on aligning asset management practices with organisational objectives, enhancing decision-making, and driving long-term performance and value creation. Adopting ISO 55000 enables organisations to optimize asset utilization while advancing their broader business goals.

Develop Asset Management (AM) strategy;

To effectively manage fixed assets, companies must create an asset management strategy that aligns with their overall business objectives. This strategy should provide clear direction on how assets will be acquired, utilized, maintained, and retired in a way that maximizes their value while supporting the organisation's long-term goals.



Develop AM policies and procedures:

Establishing clear policies and procedures is essential for standardizing asset management practices across the organisation. These should be developed with specific objectives and key performance indicators (KPIs) in mind, ensuring that asset management activities are measurable and tied to business performance.

B

Operational Inefficiency & Data Inaccuracy

● Inaccurate data on fixed assets

Incomplete or outdated data on fixed assets undermines decision-making and operational efficiency. Without accurate information on the condition of assets, their remaining useful life, and maintenance history, companies are unable to make informed capital expenditure (capex) decisions. This often leads to poor planning, where assets are either prematurely replaced or not replaced in time, resulting in increased operational costs, unexpected downtime, and reduced operational efficiency.

● Inadequate visibility over high value and geographically dispersed assets

For companies with assets spread across various locations, maintaining control and visibility over these assets is a significant challenge. Without proper monitoring systems, companies face difficulties in tracking asset performance, location, and utilization. Poor visibility can lead to inefficient use of high-value assets, increased risks of asset theft or loss, and missed opportunities for optimizing maintenance and operational planning.



Solutions

● Perform periodic asset verification, tagging and review of fixed assets register:

To ensure efficient management of fixed assets, entities perform detailed review and correction of the fixed assets register to ensure all data is accurate and up to date. This is followed by creating, reconciling, verifying, and tagging assets, which helps build a strong system for tracking their condition, location and performance. Technology plays a critical role in this effort, with asset management software and Internet of things enabled tools simplifying data collection, reducing errors, and providing real-time updates.

Custom reports and key metrics can then be developed to provide management with real-time information, supporting better decisions on asset maintenance and replacement. For companies with fixed assets spread across multiple locations, this approach improves visibility and control. Whether offered as a service or through full outsourcing of the asset lifecycle, this solution reduces risks, lowers costs, and improves asset efficiency.

C

Absence of Asset Management Systems

● Reliance on manual processes

organisations often rely on manual processes for managing fixed assets, such as using spreadsheets for tracking asset data, paper-based records for asset maintenance schedules, and physical audits to verify asset existence and condition. These processes are inefficient, time-consuming, and prone to human error, making it difficult to keep accurate records of asset location, condition, and maintenance history. As a result, companies face operational delays, data inconsistencies, and increased administrative burdens. Manual processes are also harder to scale as asset portfolios grow, leading to even greater inefficiencies and making it challenging to track high-value or widely dispersed assets effectively.

● Limited visibility and reporting

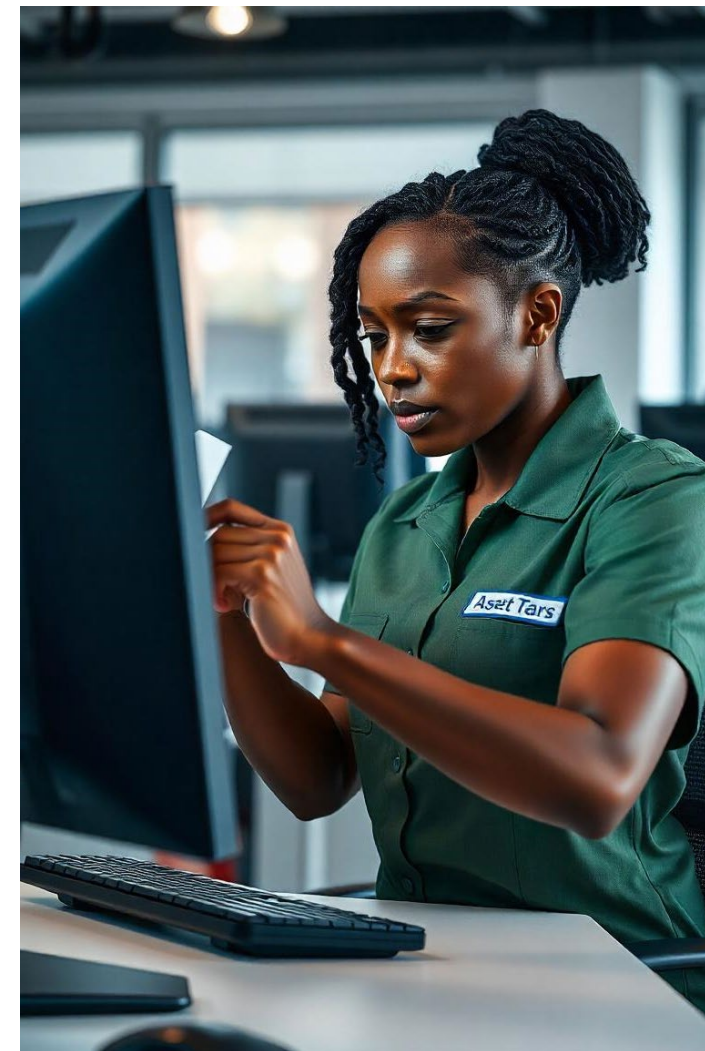
Without an automated asset management system, organisations struggle to access real-time data on asset performance and status. This lack of visibility makes it difficult for managers to make informed decisions, as they may not have timely information on the condition, usage, or financial impact of assets. The inability to quickly generate accurate reports leads to inefficient use of assets, poor maintenance planning, and challenges in forecasting future investments. As a result, companies risk underutilizing their assets and making suboptimal investment decisions.

Solutions

● Optimize Asset Management Efficiency through Automated Solutions:

Implement automated solutions that leverage asset lifecycle management software to streamline asset management processes and reduce the reliance on manual tasks. This approach ensures accurate tracking, maintenance, and performance monitoring throughout the asset's lifecycle. When asset management software is part of an integrated ERP system, the need for separate ongoing managed services becomes less relevant, as the ERP platform can inherently support asset tracking and management.

This integration provides a comprehensive view of asset performance, maintenance requirements, and financial implications, enabling more informed decision-making. It also improves resource allocation and maximizes asset utilization by aligning operational and financial insights in one system.





Financial and Compliance Issues

● Non-compliance with accounting standards;

Companies grappling with fixed asset management often struggle to adhere to accounting standards, leading to several significant issues such as the failure to recognize asset impairment, causing assets to be overvalued on the balance sheet and presenting a misleading healthy financial picture. Another identified issue is the misclassification of assets, where expenses might be incorrectly listed as fixed assets, distorts financial statements and impacts profit margins and tax liabilities. Additionally, inadequate or incorrect disclosures about assets is also a significant issue that hides potential risks from investors and regulators, compromising transparency in financial reporting. Lastly, inaccurate depreciation calculations is also a noticeable issue among companies which causes misstatement of asset values and earnings.

Solutions

● Perform periodic reviews of fixed assets

Companies are encouraged to regularly review fixed assets to ensure accurate depreciation, assess potential impairments, and maintain compliance with accounting standards. This helps identify changes in asset value or condition, allowing for timely adjustments and appropriate recognition of impairments.

● Partner with Accounting & Tax Advisors:

Collaborate with accounting and tax advisors to ensure compliance with tax regulations related to asset depreciation and disposal, ensuring adherence to relevant accounting standards while optimizing tax benefits.



“How can robust Asset Management practices add value to your organisation?”



01

Empowered Decisions & Transparency

Gain a single source of truth for asset data, leading to better decision-making, improved operational efficiency, and stronger regulatory compliance.

02

Reduced Costs & Enhanced Services

Minimise breakdowns, optimise asset utilisation, and extend asset lifespan, all leading to lower Operational Expenditure (OPEX) and Capital Expenditure (CAPEX)

03

Data-Driven Investment & Reduced Downtime

Utilise data to optimise spending on assets, prevent breakdowns, and minimise lost productivity, resulting in maximised return on investment (ROI).

04

Strategic Alignment & Control

Optimise resource allocation across departments, standardise asset management practices, and ensure accountability for effective asset control.

05

Enhanced Risk Management & Reliability

Proactively identify potential failures, reduce the risk of accidents, and improve asset reliability for safer and more reliable operations.

06

Sustainable Asset Governance

Showcase responsible asset management and financial stewardship, fostering trust with owners and investors, and potentially improving access to capital



Stephen Berchie

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In conclusion

“ By embracing effective asset management, Ghanaian businesses can unlock the true potential of their fixed assets, propelling them towards sustainable growth and solidifying their position within the nation's dynamic economic landscape. ”

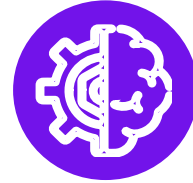
The Ghanaian business environment presents unique challenges for fixed asset management. The absence of robust asset management practices acts as a hidden barrier, hindering growth and profitability. To overcome these challenges, a fundamental shift is needed. By implementing effective asset management practices, Ghanaian businesses can turn these obstacles into opportunities for success.

Effective asset management involves more than just keeping records; it creates a culture of transparency and accountability. This approach ensures that all aspects of fixed assets are clearly visible, empowering managers to make informed decisions. As a result, organisations can optimize resource allocation, streamline maintenance practices, and ultimately reduce operational expenditure (OPEX) and capital expenditure (CAPEX).



How KPMG can help ?

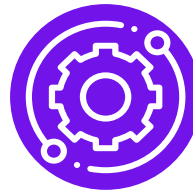
KPMG understands the power of effective asset management in transforming businesses. Our experienced Advisory professionals can assist you to unlock value through two broad themes;



Strategy

Our experienced Advisory professionals can assist you in developing asset management (AM) strategies tailored to your organisation's needs. We identify asset optimization opportunities, define policies and procedures, and conduct fixed asset gap assessments and remediation.

Leveraging our expertise in ISO 55000 standards, we ensure that your asset management practices align with industry best practices.



Operational

Our experienced Advisory professionals offer support in data integration, validation, and cleaning/remediation, including the creation of a comprehensive fixed assets register. We also provide services for the physical verification and tagging of assets, ensuring accurate tracking and accountability.

Additionally, we offer advisory services for accounting and tax compliance, helping you navigate the complexities of asset management within the Ghanaian regulatory environment.

Contact us



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