

THE ROLE OF FIXED ASSETS IN THE DEVELOPMENT OF BUSINESS ACTIVITIES OF THE ORGANIZATION

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Abstract: *Basic business components: working capital, work items and workforce, are entered into the organization and technological process of the organization as the appropriate use value. Spending these components is a requirement for the creation of a new product or service. In the process of spending the assets and the business process of the organization, their use values are spent or completely lost. Consequently, their value is consumed, and the economic character of that spending is reflected in the transfer of value of assets to a new product or service.*

Key words: *Fixed assets, business operations, business cycle, organization, development.*

1. THE ROLE AND METAMORPHOSIS OF THE ASSETS

Each organization must have appropriate assets and assets at its inception. The basic problem in the business and quality of business is the adequate volume and quality of the assets that the organization has at its disposal. Founders - owners, in accordance with legal regulations, provide initial founding assets that become assets of the organization, that are fully available for use. The organization acquires and uses assets as a condition and component of its operation and business.

The function of the organization's assets is in their dedicated use and transformation. It consists of the constant movement and circulation of assets from one stage of business operations in the next, and from one form of assets into another. On this circular path, resources are produced at each stage of the production and business cycle in an altered or partially altered form. [1]

Moving and changing the form of assets at the transition from one phase of the business cycle to another, is called the metamorphosis of assets.

We can differ the assets of the organization according to their role and functions. In this sense, they appear in the form of working capital and work items.

The total amount of assets that an organization has at its disposal is not reproduced in a single cycle of reproduction and business, but in a larger number of cycles whose phases are time-varying and do not match. Therefore, in a given, or at any moment, time interval, the organization's assets exist in all known forms. Thus, total assets do not have a single movement

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in the business cycle, nor have simultaneous metamorphoses in their movement and transformation.

With the help of the workforce, as a necessary component of the work process, work items change the forms and functions in different phases of the organization's reproduction and operation.

As a result of the movement and use of resources, and the help of the workforce in the business and reproduction process, the result of the business operations is created, and different usable values are obtained. In further phases of operations and business cycle, they are transformed into the value, that is, the financial result of the organization's operations in the form of profit or loss. [1]

Without the appropriate type, volume and quality of assets, the organization cannot function in any form, and its assets have purpose only if they are used at the organization's business phases. Assets represent the necessary instrument and component of the operations of each organization as a business entity. In a wider sense, they are also a components of the quality of its business economics.

The assets of the organization are initially in cash form. They change their original form when they switch to a commodity or technological phase of business, transforming into buildings, machines, devices, equipment, land, raw materials, intermediate goods, etc. Therefore, the assets at these stages receive materialized forms, in accordance with the needs of the specific organization and its process of business operations and reproduction.

In the technological (production) phase, assets occur in the form of assets for work and work items. At that stage, their substance, purpose and content are changed.

From the technological process, the products come out in a new, qualitatively altered form: in the form of semi-finished products, finished products or unfinished products (in the case of a manufacturing organization), therefore in a new materialized form, as a specific use value.

In the phase of selling products on the market, the assets of the organization change their form again by turning into cash. With this phase, a cycle of circulation of assets was closed. This

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circle is continuing and renewing, but in varying forms during the life cycle and business operations of the organization.

2. FORMS OF ASSETS

The total amount of assets that an organization has at its disposal is not reproduced in a single business cycle, but in a larger number of cycles whose phases do not coincide in time. Thus each organization has - at the same time - assets in all the forms, in which they can appear in the business process of the organization. The total assets do not have a single movement, nor they suffer the same amount of metamorphosis in that movement. They change partially, through various forms in which they are constantly found.

Circulating in different forms and different amounts at all stages of the business cycle, the assets appear as: [1]

- 1) Free assets,
- 2) Assets related to the business process.

Free assets represent values in cash. In this form, they are not linked to any particular work and business process. They are free, available to use or spend for a particular activity or to perform a particular function in the business of the organization. Although these assets can have their particular purpose, they remain free in terms of their use. This usability of assets is universal until their final purpose is realized and the assets are not used for this particular purpose, or they are not related to a certain stage of business. Free assets are reduced and disappear with the transition from money to material or commodity. In any other form, except in cash, the organization's assets are related to the process of its business. They are engaged in this process in a specific purpose in which their function is realized in the production process.

These assets are blocked or related to their function by specific nature and their own characteristics, which, in fact, are engaged in the business process. However, the act of blocking assets for a particular purpose does not introduce assets into a function. Blocked assets are not yet in the business of the organization. The bonding of assets for the function begins with the change of their appearance, at the moment of transition from money to commodity, purchase of assets, raw materials, intermediate goods and equipment (labor and work items). By changing the appearance of the form, the tools change their use form and quality from the universal to the purpose and function. Assets in the organization remain blocked until the moment when they are not released from the sale of products or services on the market, i.e. until the moment in which they move from commodity to money, which again change their usability.

From a specific purpose and concrete commodity, the assets of the organization then become universally available, free and ready for further use, or transformation. During the time of blocking and engagement in an organization, the assets can be: a) in function, or b) out of function. a) From the point of view of the business economy, it is common and desirable that

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the assets of the organization are in the function of its business process. They are in function when normally, without stopping, they move and turn in the business cycle, according to a certain technological or work process, going from one phase to another. Of course, the speed and degree of this movement are conditioned by the requirements and standards of this technological or work process of the organization. Time hold of assets in one form and one stage does not necessarily mean interrupting the continuity of the flow of their circulation or stalling in that circulation. [1]

The assets for a certain amount of time exist and last in every manifestation, e.g. in stock, finished products, spare parts, and the like. Applying the basic principle of functioning of the economy, which is reflected in the request for maximum results with minimal investments, conditions the shortening of the flow time of their circulation and duration at certain stages, in order to accelerate the cycle of reproduction of the organization's operations. In doing so, there is a technical minimum and an economic optimum of the time that the assets have to spend in each of their manifestations.

b) Certain assets that are in the proper form, at some point in their circular flow, may fall out of their function. This drop can be transient, temporary or permanent. A part of the resources falls out of function whenever there is a standstill in their circular flow (longer than that which is objectively needed and necessary), when there is no activity in the work process. The delay is interrupted and removed after a shorter or longer time, and the assets are returned into function, which prolongs and continues their circular motion, followed by metamorphoses.

Assets can also permanently fall out of function. In the event of a permanent discharge of assets from the function, the assets are decommissioned or unblocked and returned to their cash-generating form. In cash, they again get their universal usability, so they can be reused for some of the organization's business functions. The causes of the discharge of assets from the function are different factors of the organization's economy. They act internally - from its internal structure, and externally - from a macroeconomic, social or market structure. These can also be organizational factors that do not use available caps, stocks of unused materials, and some types of products or goods are too long on stock.

Regardless of the causes of the exclusion of organization assets from their business functions, the consequences of this phenomenon per organization are, in principle, negative and affect its performance. The basic requirement of the organization's economy in relation to assets is their constant use for efficient performance of the function they have in the business process of the organization. The economic criteria for assessing the way in which the assets are used and how they operate are in relation to the size - the volume of assets and the speed of their circulation, or the time of their engagement in certain stages and the achieved results of the organization. This relationship is considered and measured as a coefficient of turnover and engagement of assets. [1]

2.1. Economic forms of assets

The economic function of the assets in the process of work and business starts with their introduction into the organization as certain economic values. This function lasts until the assets are reproduced in their initial, cash form. The transformation of usable qualities is achieved through the process of spending the resources in the process of work, which changes or replaces their former usable forms and qualities. Along with changing, consuming and transforming these products, a new usable value is produced. Part of this new value is the value of the assets

spent on production and whose useful value is canceled or changed in the process of their spending. The value of the spent assets is transferred from the earlier usable value to a new product or service that, as a new use value, arises in the form of business results. By such a process and cycle of spending, the business process closes in a cycle of reproduction of assets in which the use value of the means of production is lost, and it receives a new use value expressed in the finished product.

The value of the spent means for production in the business cycle of the organization is transferred to the value of the new product. Given these characteristics of the means determining the way in which they are reproduced in the organization's cycle, the assets are divided into: working capital, which in one cycle of organizations completely lose their use value, and fixed assets, which in part of the product reproduction cycle partly transfer its value, retaining the use characteristics and functions until the end of its service life and durability.

3. FIXED ASSETS

A fixed asset is a long-term tangible piece of property that a firm owns and uses in its operations to generate income. Fixed assets are not expected to be consumed or converted into cash within a year. [4]

Fixed assets are a durable, material form of organization assets. Fixed assets are part of the total assets of the organization, which are gradually spent in the business process over a longer period of time and through a number of work cycles. The value of these assets is fully reproduced only after their use value has elapsed. During their use in the process of work and business, fixed assets do not change their form. The largest part of the organization's fixed assets is made up of equipment and means of work. However, not all means of working process are fixed assets. Low value and shorter-term assets (less than a year) are not included in the category of fixed assets. Fixed assets are made up of buildings, forests, land and other natural resources. Fixed assets include certain rights of long-term character, concessions, patents, licenses, long-term financial investments, as well as intangible investments. Spending on fixed assets (expressed in cash) is called depreciation. Cash from depreciation is in a special fund and is used to procure new, or reprogramming old, fixed assets of the organization. [1]

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Since the value of assets depreciates as it is utilized, as it ages, or as latest models are presented, it is critical for an organization to enlist and track depreciation from the time of procurement. Fixed assets are incorporated into the asset report at their initial expense, and after that depreciation all through their life until they are sold, supplanted on the accounting report at their residual esteem. [5]

A fixed asset appears in the financial records at its net book value, which is its original cost, minus accumulated depreciation, minus any impairment charges. Because of ongoing depreciation, the net book value of an asset is always declining. However, it is possible under international financial reporting standards to revalue a fixed asset, so that its net book value can increase. [6]

3.1. Types of fixed assets by status (function)

According to the state of the fixed assets in relation to the business process of the organization, they are differentiated in various forms: a) fixed assets in preparation, b) fixed assets in use, c) fixed assets out of use.

a) Fixed assets under preparation - This category of fixed assets consists mostly of ongoing investments intended for the preparation or expansion of the organization's core business. These are: start works on the construction of certain types of fixed assets such as construction facilities and equipment, land preparation by long-term plantations (orchards, plantations), as well as supplies of building materials. The assets in preparation after a certain period of time are included in the process of operation and business of the organization as fixed assets in use. Only in this form these assets are in the function of the business of the organization.

b) Fixed assets in use - Fixed assets used in material form include: land used for valuable purposes, construction objects of economic character and means of work. Land (which serves for economic purposes and needs) includes arable agricultural land, land from which certain products are produced (brick, tile, sand, etc.) and the land on which the organization's premises are operating. Industrial buildings include industrial, agricultural and other business buildings intended for carrying out economic activity, as well as traffic and hydraulic structures, energy transfer facilities, mining windows, deep wells, etc. The means of operation are used on the objects of work, in order to perform valuable activities and obtain certain products. It is possible to divide them into direct means of work - which directly deal with and modify the objects of work, and indirect - which do not directly engage in the processing of the subject of work, but allow the process of production to take place. These assets include, for example, inventory, devices, certain tools, and the like.

c) Fixed assets out of use - These assets are not in the function of the business process of the organization and serve as a reserve for the work process. These include unusable assets, defective assets, and assets that are intended for disposal. Out of use assets can be leased to other companies, sold or given. Those assets are classified as non-used fixed assets.

3.2. Fixed assets according to appearance forms

This division expresses the official legal nomenclature of the division of assets of the organization. According to this classification, assets that are stated as fixed assets of the organization comprise: a) intangible assets (rights), b) tangible assets, c) cash in the form of long-term financial placements. [1]

a) Intangible assets (rights) - This category consists of various long-term investments and placements of organization assets for various purposes: founding investments in diverse forms of companies, investments in development and research, as well as investments in trial production. The second group of non-material investments consists of concessions, patents and licenses. Concessions represent long-term investments or transfers of property and natural resources such as: roads, mines, railways, land, etc. for exploitation and use. The rights of the concession have the character of the organization's assets, as intangible investments. Patents and licenses represent certain documents that protect an invention or disclosure. They are exclusively the right of the inventor, that is the owner of the patent and the license. The invention is also considered as any new solution to a particular technical problem that can be taken into account in the economy, or in the process of business operations of the organization.

The patent is a transferable right in whole or in part. As a basic asset, a patent represents a repurchased right to use a particular invention for a certain period of time or permanently. The license is the right to use another's patent. Under the Patent and Technical Assignments Act, the patent holder may, in whole or in part, grant the right to exploit the invention to another person or to a business entity. Patents and licenses are considered to be fixed assets if their payment (fee for their use) which is made at once - in full amount. If the contract stipulates that the fee for the use of the patent and the license is paid annually, then it is the current operating expenses of the organizations, which are not included in fixed assets.

b) Material form of fixed assets - This group includes a variety of fixed assets that are used for the purpose of performing business activities. One group of these resources is related to natural factors and natural resources. These include: land, forests, perennial plantations, basic herds. These fixed assets have the most significant role in the organizations in the field of agriculture. The second group consists of means of work in the form of: construction objects, equipment and assets in the preparations. The means of work include: devices, plants (facilities), means of transport, tools and inventory. Devices are tools that basically serve to provide technical and other conditions for work and business. They can be energy devices and serve to supply organizations with energy (electricity networks, gas pipelines, oil pipelines, steam pipelines, etc.). [1]

Production devices are used directly in the production process (furnaces, boilers, tanks, casks, chimneys, etc.). Transport devices are used in the internal and external transport of organizations. The plants are various propulsion and working machines, which enable the production process to unfold. Drive plants can be primary (steam engines, turbines, locomotives, diesel motors), and secondary ones, i.e. actuators that convert some already produced type of energy into another (electrical generators, electric motors, etc.) and working machines with which employees work on objects of work, causing certain changes in these objects of work. Transport means appear in the function of internal and external transport. The means of transport are used for the transport of goods and equipment into warehouses and production facilities, as well as for the dispatch of finished products to the warehouses of finished products and on the market.

Tools are part of assets that directly affect the work items. Tools can be machine-made (tools, knives for metals, milling cutters, etc.) and hand-held (hammers, pliers, keys, files, needles, etc.). The tools also include models for shaping the subject of work (patterns, molds, templates) and devices (instruments for measuring properties). The inventory is the means by which it is not possible to carry out the work process. The inventory appears as a propulsion and a business.

The plant inventory is used in the production unit, the plant, and the business inventory in non-productive activities of the organization.

c) Long-term financial investments - This category represents the basic assets of the entity in cash. Long-term placements of the organization include: investments in the capital of the organization in the so-called affiliated companies, which achieve certain business functions or organization goals; participation in the capital of other legal entities, which is the case when the organization buys shares or other securities of other legal entities for co-ownership, or capitalization through dividends; long-term loans, which the organization has placed for certain companies, for example, for the purpose of securing raw materials or for developing long-term cooperative relationships with other organizations, business partners, etc.; long-term securities represent long-term investments of organizations in the form of purchases of government bonds, shares of various companies, records, as well as other securities that are placed on the capital market.

4. CONCLUSION

Engagement and spending of assets are forms of investments in the reproduction and business process of the organization. At the same time, they represent an expression of the quality of the economy and the business of the organization. The goal of spending the assets is the production of new value-added services, and the goal of engaging is to ensure the continuity of the use of the engaged assets.

Values spent in producing a new usable value can be less than or greater than the value of a new product - service. One of the hallmarks of spending is exactly the difference between the produced and consumed values in the reproduction process. On the other hand, the characteristics of the assets engaged do not change, and also the difference between the resources engaged at the beginning and at the end of the engagement process does not occur.

Engaging assets in an organization precedes its spending. The company first acquires the necessary resources to put them into the process of working or spending. In this sense, engagement is a condition for their spending. It is not possible to spend assets that are not provided.

Assets are universally available and can be used for various purposes - at all stages of the work process and parts of the organization. Material assets have engagement cycles that differ in time. Thus, for example, fixed assets are engaged in one cycle at one time, and spend in a larger number of cycles and in a longer period of time. Their main role is to ensure an uninterrupted and continuous performance of the business process.

5. LITERATURE

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