**Leasehold Improvements: Depreciation, Reconciliations, Reports and Centralized Functions**

# Description

1. Depreciation is the measure of wearing out, consumption or other loss of value of a fixed asset whether arising from use, the passage of time or obsolescence. This policy specifies requirements on recording and reporting on depreciation reconciliations for leasehold improvements.

1. Depreciation is the measure of wearing out, consumption or other loss of value of a fixed asset whether arising from use, the passage of time or obsolescence. Depreciation spreads the cost of a tangible asset over its useful life, rather than expending the full cost of a fixed asset upon purchase or acquisition. Depreciation is calculated and recorded automatically in the Asset Management System. To do so, it determines the depreciable amount of an asset, which is then charged to the respective COA against which the asset is recorded over the predetermined useful life of the asset class.

# Asset Class

3. An asset class is a group of assets that have the same functional characteristics for example Leasehold Improvements, Vehicles, Furniture and Fittings etc. (refer to furniture and equipment POPP for more details on asset classes).

# Depreciable Amount

4. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Residual value of an asset is the estimated amount that would currently be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The useful life of an asset is the period over which an asset is expected to be available for use by an entity.

# Reconciliation

5. Reconciliation is the accounting process used to compare two sets of records to ensure the figures are in agreement and are accurate. Given that the leasehold improvements will be initiated in one Quantum module (P-2-P) and ultimately recorded in the Quantum Asset Module as well as the General Ledger Account, there will be a need to reconcile the data and information in the three modules in Quantum. In addition to reconciliations of accounting data, there will also be a requirement to reconcile the physical verification exercise results with leasehold improvement records.

# Reports

6. Due to the need to verify the accuracy of records through Reconciliations and for purposes of preparing accurate asset information for the financial statement, there will be various reports designed to assist the users to perform the functions of reconciliation and review of asset records.

# Centralized Functions

7. Centralized functions are those functions that will be restricted to be performed by GSSC and UNDP NYHQ through Accounts Division, OIMT or General Operations/BMS.

# Depreciation

8. Leasehold Improvements will be depreciated by UNDP over 10 years. After the lease is terminated, by either party, the right of UNDP to use the depreciated value of the improvements is void and the remaining depreciation is fully absorbed. Note that the depreciation expenses do not impact on resources. Only the initial cost of the LHI will be budget-checked and thus impact on the budget resources .

# Reconciliations Reports and Centralized Functions

9. Refer to the policy on Furniture and Equipment to see the list of Reports and Reconciliations that may be of use. Since LHI will almost always be added to Quantum asset module by GSSC who will play a key role in the recording of LHI in the asset module on behalf of Country Offices.

**Responsibilities and Accountability**

# Business Units

1. Identifying what qualifies as leasehold improvements; Individual Offices are required to use the right project and tasks when when recording the transactions
2. Demander à GSSC d'enregistrer les LHI par le biais de UNall une fois le projet d'amélioration terminé.

# Global Shared Service -Centre

1. GSSC will add/merge eligible CIP expenses to the asset and post it.
2. Capitalise the asset ID to the right asset class, once the LHI CIP costs are final
3. Any non-CIP related costs are marked as expenses and moved to non-Cap book

# General Operations, Office of Sourcing and Operations, Bureau for Management Services

1. Preparing financial statement note on LHI
2. Reviewing bi-annual/or annual physical verification certifications
3. Providing policy advice relating to LHI