

Difference Between Monetary and Nonmonetary Assets

www.differencebetween.com

Key Difference - Monetary vs Nonmonetary Assets

An [asset](#) is a resource with economic value that is owned or controlled by a company. Monetary and nonmonetary assets are one important classification of assets. The key difference between monetary and nonmonetary assets is that **monetary assets can be readily converted into a fixed amount of money** whereas **nonmonetary assets cannot be readily converted into a fixed amount of money in the immediate short term**. Both monetary and nonmonetary assets are vital for an organization due to the wider benefits they bring.

What are Monetary Assets?

Monetary assets are assets that can be readily converted into a fixed amount of money. These assets have a high [liquidity](#); liquidity is a term that describes how fast an asset can be converted into money. A number of tangible and [current assets](#) fall into the category of monetary assets.

Cash and Cash Equivalents

These are cash and other short-term investments and securities such as bank deposits and investment accounts.

Accounts Receivable

Accounts receivable arises when a company has conducted credit sales and the customers are yet to settle the amounts.

Notes Receivable

Notes receivable is an asset that holds a written promissory note from another party to make a payment to the company in return for goods or services provided.

Monetary assets can be easily managed according to the cash position in the organization i.e. to manage cash surpluses (positive cash balances) and cash

deficits (negative cash balances) due to their liquid nature. When there is a cash surplus, short-term investments can be considered to earn extra income. When there is a cash deficit, borrowing extra funds can be considered to continue operations in a smooth manner.

Inventory

Inventory is the raw materials and work-in-progress products that are being processed to be ready for sale and finished goods that are ready for sale. However, the liquidity of inventory is relatively low compared to above mentioned monetary assets. As a result, some categorize inventory as a nonmonetary asset.



Figure 01: Cash and cash equivalents

What are Nonmonetary Assets?

Nonmonetary assets are referred to as assets that cannot be readily converted into a fixed amount of money in the immediate short term. The monetary value of such assets fluctuates and changes frequently over time, and is illiquid in nature. Many intangible assets and non-current assets are nonmonetary in nature.

Intangible Assets

Goodwill

The well-established reputation of a business for a particular good or service due to a unique selling point is called goodwill.

Copyrights and Patents

[Copyrights and patents](#) are used to protect the original works of authorship for specific categories such as drama, music, poetry, and movies in order to prevent sale and distribution without obtaining permission from the creator.

Non-current Assets (Property, Plant, and Equipment)

This section includes all long-term and noncurrent assets such as land, buildings, machinery, vehicles, furniture and fixtures, and office equipment.

Even though they are included in the balance sheet with intangible assets, it is difficult to assign an accurate value to them as the worth of such assets is subjective in nature. The value of non-current assets is exposed to regular changes in line with prevailing market values. Companies can adopt revaluation of non-current assets to bring them on par with current market values.



Figure 02: Buildings are non-current assets.

What is the difference between Monetary and Nonmonetary Assets?

Monetary vs Nonmonetary Assets	
Monetary assets are assets that can be readily converted into a fixed amount of money.	Nonmonetary assets are assets that cannot be readily converted into a fixed amount of money in the immediate short term.
Liquidity	
Liquidity of monetary assets is high.	Non-monetary assets are illiquid in nature.
Types	
Cash and cash equivalents, accounts receivables, notes receivables and inventory are types of monetary assets.	Goodwill, copyrights, patents, and property, plant and equipment are types of nonmonetary assets.

Summary - Monetary vs Nonmonetary Assets

The difference between monetary and nonmonetary assets can be identified through the liquid or illiquid nature of assets. Monetary assets have high liquidity while nonmonetary assets are characterized by low liquidity. Intangible assets also form an important part of nonmonetary assets. Inability to accurately measure the value is a major drawback of intangible assets. Furthermore, intangible assets also take significant time to develop. Effective management of monetary assets results in lucrative investment options in the short term.

References:

1. "Monetary asset definition | Dictionary | AccountingCoach." AccountingCoach.com. N.p., n.d. Web. [Available here](#). 13 June 2017.
2. "Nonmonetary Assets." Investopedia. N.p., 18 Apr. 2016. Web. [Available here](#). 13 June 2017.
3. "Intangible Asset." Investing Answers Building and Protecting Your Wealth through Education Publisher of The Next Banks That Could Fail. N.p., n.d. Web. [Available here](#). 13 June 2017.

Image Courtesy:

1. "Euro Currency Money Cash And Cash Equivalents" (CC0) via [Max Pixel](#)
2. "Building Architecture Blue City Business" (CC0) via [Max Pixel](#)

How to Cite this Article?

APA: Difference Between Monetary and Nonmonetary Assets. (2017, June 19). Retrieved (date), from <http://www.differencebetween.com/difference-between-monetary-and-vs-nonmonetary-assets/>

MLA: "Difference Between Monetary and Nonmonetary Assets." Difference Between.Com. 19 June 2017. Web.

Chicago: " Difference Between Monetary and Nonmonetary Assets." Difference Between.Com. <http://www.differencebetween.com/difference-between-monetary-and-vs-nonmonetary-assets/> (accessed [date]).



Copyright © 2010-2017 Difference Between. All rights reserved.