

Fixed Assets Management Policy of Intec Capital Limited



<i>Policy / Process Note Information</i>	
<i>Policy Name</i>	<i>Fixed Assets Management Policy of Intec Capital Limited</i>
<i>Approved by Board of Directors, if any</i>	<i>Approved by Board of 10th June 2021</i>
<i>Effective Date</i>	<i>10th June 2021</i>

Introduction

This document is provided to assist management and employees of Intec Capital Limited with implementing and maintaining consistent, effective and efficient asset management principles.

This manual supersedes all Fixed Asset management policy instructions that have previously been issued.

Responsibility

The responsibility of fixed asset management lies with the HOD Administration and the HOD Finance. The performance of this function has to be delegated to the Admin executive. This however, does not alleviate the responsibility of the HOD Administration and the HOD Finance. The HOD Administration and the HOD Finance will need to ensure that all the fixed assets are adequately insured against loss, theft and damage of any nature.

No amendments, deletions or additions to the fixed asset register shall be made other than by the HOD Finance or by an official acting under the instruction of the HOD Finance.

Objectives

The objective of this document is:

- ☐ To safeguard the fixed assets of Intec Capital Limited and to ensure the effective use of the existing resources
- ☐ To emphasize a culture of accountability over fixed assets
- ☐ To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation

Definition of Fixed Asset

Consistent definitions are essential to ensure good asset management and reporting.

A fixed asset is an asset with a useful life of more than one year and is used in the business of the Company. Characteristics of a depreciable fixed asset are the following:

☐ be used for more than one financial period;

- ☐ It has a limited useful life;
- ☐ It is used in a process of delivering services;
- ☐ The resource should provide future economic benefits;
- ☐ The future economic benefits should accrue to the Company;

- ☐ It should be possible to determine the cost of the asset reliably.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Capitalization and Valuation of Assets

Assets whose cost or reasonable value is less than 10000(Ten thousand rupees) must be expensed in the month of purchase.

Every head of department shall, however, ensure that any item with a value in excess of Rs 10000, and with an estimated useful life of more than one year, shall be capitalized in the asset register.

Guideline procedures for additions to fixed assets

On purchase of any fixed assets, ,the assets officer must ensure that the asset is recorded in the fixed assets register. It is the responsibility of the purchasing officer to report all assets purchased on arrival to the assets officer.

The following should be updated in the fixed asset register:

- ☐ Cost of asset in question
- ☐ Expected useful life
- ☐ Depreciation method and rate
- ☐ Method of payment and financing source
- ☐ Cheque or transfer number; and
- ☐ All relevant asset information e.g. number, type etc.

Capitalization vs. Expenditure

Subsequent expenditure relating to an asset should be capitalized to the net book value when it is determined that the asset has been enhanced.

Asset enhancements

Only expenses incurred in the enhancement of fixed or in the material extension of the useful life of a fixed asset shall be capitalized.

Guidelines for asset enhancements:

The following test must be where subsequent expenditure is incurred on assets already capitalized:

Subsequent expenditure relating to an asset should be capitalized to the net book value when –

- ☐ It is probable that further economic benefits in excess of the original assessment will accrue to the Company; and
- ☐ The expenditure will improve the condition of the fixed asset beyond its original assessed standard of performance.

The test ensures that if the expenditure is an enhancement, it is added to the net book value of the fixed asset whereas if the expenditure is on a repair it is expensed.

Disposal of assets

Authorization for disposal should be as per the department's recommendation. Authorized Assets Disposal (ADR) and Proof of payment should be obtained before the asset is transferred to the new owner.

If the proceeds on disposal are less than the carrying value recorded in the fixed asset register, such difference shall be recognized as a loss on disposal in the income statement of the department concerned/company. If the proceeds of the disposal are more than the carrying value of the fixed asset concerned, the difference shall be recognized as profit/gain on disposal in the income statement of the department concerned/company.

Guideline procedures for disposal of fixed assets

Concerned Department shall prepare an **Asset Disposal Requisition** (ADR) and submit to HOD Administration for their approval. Once it is authorized/approved by HOD Administration, it must be handed to Assets Officer for updating the same in the Fixed Assets Register.

The following information should be updated in the fixed asset register:

- ☐ Department requesting disposal
- ☐ Cost and book value of the asset in question
- ☐ Date of sale
- ☐ Method of payment
- ☐ Receipt number
- ☐ The entire relevant asset information e.g. number, type etc.

The Accounting records should be updated with information regarding the sale. The profit or loss should be recognized in the financial records of the department.

Other write-offs of fixed assets

A fixed asset shall be written off only on the recommendation of the head of the department controlling or using the asset concerned, the department shall report to the HOD Finance .The HOD Finance shall consolidate all such reports, and shall promptly submit a recommendation to the M.D on the fixed assets to be written off.

Verification

Verification of fixed assets consists of examination of related records and physical verification. The auditor should normally verify the records with reference to the documentary evidence and by evaluation of internal controls. Physical verification of fixed assets is primarily the responsibility of the management.

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