



EMPOWERING DREAMS

FIXED ASSET MANAGEMENT POLICY

SEEDS FINCAP PRIVATE LIMITED



APPROVED IN THE BOARD MEETING HELD ON 30TH APRIL 2024



### **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 Rs 5000.00 (Five thousand rupees) must be expensed in the month of purchase under the instruction of Head Finance and Accounts depending upon the nature of assets.

Every head of department shall, however, ensure that any item with a value in excess of Rs.5000.00 (Five thousand rupees), and with an estimated useful life of more than one year, shall be capitalized in the asset register.

### **Procurement of assets (Replacement Norms)**

All assets must be procured in such a way that:

- A proper need for the asset was identified; and
- Proper and approved procurement procedures are adhered to.

Authorization for procurement should be as per the departments' delegation of authority and payment for assets should be in accordance with financial policies and regulations of the Company.

### **Guideline procedures for additions to fixed assets**

The Admin department should inform the HOD Finance & Accounts of the disposal of significant assets, and the relevant particulars of the transaction have to be submitted to the M.D or any other designated official for approval.

On purchase of any fixed assets, via the normal procurement procedures (as per the annexure 1), Accounts team 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
- All relevant asset information e.g. number, type, invoice no.,, location 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 carried out 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**

Assets must be disposed in such a way that –

- In financial terms, such disposal is always to the benefit of the Company and
- During the consideration and acceptance of tenders/quotations or any bid for such assets, the image of the Company is not impaired.

Authorization for disposal should be as per the department's recommendation. 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**

The requesting department should recommend the disposal.

For assets with an initial cost of over Rs 5000.00, the Finance and Accounts department must authorize all disposals of fixed assets.

The assets officer must update his asset listing on receipt of disposal request.

The assets officer must update the fixed assets register, by detailing the date the assets were transferred for auction or sale on the 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
- 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 promptly submit a recommendation to the Managing Director or any other designated official on the fixed assets to be written off.

#### **Guideline procedures for scrapping of fixed assets**

If any employee wants to scrap an asset, the employee must submit a motivation, an Asset Scrapping Requisition (ASR) in duplicate and the asset, where possible, to the assets officer.

The assets officer must physically inspect and recommend, by signature, the assets to be scrapped and submit the recommendation to the HOD Finance & Accounts.

The HOD Finance & Accounts must recommend the scrapping and submit the motivation to the M.D after consultation with the Departmental IT Committee, for all electronic equipment, and the assets officer for other assets.

The assets officer must update his asset listing on receipt of the authorized ASR and file the ASR with the monthly register, and submit it to the accountant for approval.

On receipt of the authorized ASR the assets officer must update the fixed asset register, by detailing the scrapping date on the register, and file the ASR in date order.

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

- Reason for disposal
- Information relating to the buyer
- Individual requesting disposal
- Cost, book value and proposed selling price of asset in question

- Date of sale
- Method of payment
- The entire relevant asset information e.g. number, type etc.

### **Transfers**

When fixed assets are transferred between the different branches, a document with specific authorization (by branch head/IT Officer/ Admin Officer) should be attached to the asset being transferred. The document should also include full details of the asset being transferred which should include:

- Asset description
- Cost of the asset
- Date of acquisition
- Unique number
- Effective date of transfer
- Quantity

After completion of transfer, the branch head of the recipient branch should acknowledge the receipt of the asset and send the same to Account department.

### **Change in the valuation of assets: Revaluation of fixed assets**

All land and buildings recorded in the Company fixed asset register shall be re-valued with the adoption by the effective circle rates applicable to the municipal area.

The Asset Officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed assets as recorded in the valuation roll.

The Asset Officer shall also, where applicable, create a revaluation reserve for each such fixed asset equal to the difference between the value as recorded in the valuation roll and the carrying value of the fixed asset before the adjustment in question.

### **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.

#### **Verification of Records**

- The opening balances of the existing fixed assets should be verified from records such as the schedule of fixed assets, ledger or register balances.
- Acquisition of new fixed assets and improvements in the existing ones should be verified with reference to supporting documents such as orders, invoices, receiving reports and title deeds.
- Self-constructed fixed assets, improvements and capital work-in-progress should be verified with reference to the supporting documents such as contractors' bills, work-order records and independent

confirmation of the work performed.

- The auditor should scrutinize expense accounts (e.g. Repairs and Renewals) to ascertain that new capital assets and improvements have not been included therein.
- Where fixed assets have been written-off or fully depreciated in the year of acquisition/construction, the auditor should examine whether these were recorded in the fixed assets register before being written-off or depreciated.
- In respect of fixed assets retired, i.e., destroyed, scrapped or sold, the auditor should examine (a) whether the retirements have been properly authorized and appropriate procedures for invitation of quotations have been followed wherever applicable; (b) whether the assets and depreciation accounts have been properly adjusted; (c) whether the sale proceeds, if any, have been fully accounted for; and (d) whether the resulting gains or losses, if material, have been properly adjusted and disclosed in the Profit and Loss Account.

It is possible that certain assets destroyed, scrapped or sold during the year have not been recorded. The auditor may use the following procedures to ascertain such omissions:

- Review work orders/physical verification reports to trace any indicated retirements.
- Examine major additions to ascertain whether they represent additional facilities or replacement of old assets, which may have been retired.
- Make enquiries of key management and supervisory personnel.
- Obtain a certificate from a senior official and/or departmental managers that all assets scrapped, destroyed or sold have been recorded in the books.

The ownership of assets, like land and buildings should be verified by examining title deeds. In case, the title deeds are held by other persons, such as solicitors or bankers, confirmation should be obtained directly by the auditors through a request signed by the client.

### **Physical Verification**

1. It is the responsibility of the management to ensure ~~carry-out~~ physical verification of fixed assets at appropriate intervals (Once in every two years) in order to ensure that they are in existence.
2. However, where the assets are numerous and difficult to verify, verification, say, once every three years by rotation - so that all assets are verified at least once in every three years – may be sufficient.

### **Valuation and Disclosure**

1. The accounts team should ensure that the fixed assets have been valued and disclosed in the financial statements according to the generally accepted bases of accounting which are determined by law, professional pronouncements and prevailing practices.

## Annexure 1

### PURCHASE POLICY FOR FIXED ASSET

#### Features of Purchase Policy:

Purchase of materials, which was earlier regarded as routine activity has now become a professional function (which requires special skills and expertise) due to rapid changes in technologies and business environment.

#### Purpose of Purchase Policy:

#### To purchase materials

- of Right Quality (Just adequate quality)
- in Right quantities (Neither too much nor too little )
- at Right prices (Competitive but not unworkable)
- with Right delivery (With right mode of transportation at desired place on required time)
- from Right sources (Reliable sources having adequate potential, know-how, facilities and Financial capability and record of good performance)

Following are the guidelines for procurement of Materials and Services in organization.

1. The Policy shall be applicable uniformly to all the Departments and Strategic Business Units of Seeds Fincap Private Limited w.e.f. 1st June 2022.

2. For initiating any purchase, a duly filled indent form is to be provided to following:

Administration help desk in case of Non IT material

IT Administrator in case of IT material

The indent form should be duly approved as per following matrix:

Total Amount	Individual item	Approval 1	Approval 2
Up to Rs. 5000/-	Up to Rs. 2000/-	Respective HOD	
More than Rs. 5000/-	More than Rs. 2000/-	Respective HOD	MD

3. Administration help desk/IT administrator will accordingly initiate the process of sourcing. To purchase the material at competitive prices, at least 3 comparative quotation should be invited which should be duly attached with comparison sheet in terms of tax, octroi and any other charges while receiving delivery of the goods.



4. All the quotations are to be analyzed by the sourcing committee. Price, quality, payment terms, delivery terms etc. will be discussed and negotiated by the help desk/IT administrator. Apart from comparing the quotations, sourcing committee members will do their due diligence to check the reasonability of the quoted price and other related things. Any challenges faced in negotiation can be addressed by any member of the sourcing committee. The committee will in turn finalize the vendor.

**VENDOR SELECTION:** Vendor should be selected on the basis of best price, market goodwill, long term availability and durability with minimum statutory norms involved in it. At least 3-4 comparative list of vendors be kept in record for placing any order. Vendor Customer list should also be therein for ready reference. Following is the illustrative list of criteria which should be considered while selecting the vendor:

- Past experiences
  - Interviewing with the salesperson of the vendors
  - Taking feedback and remarks from few customers. Customer list along with Name, Designation and contact numbers has to be provided by the vendors.
  - Catalogs published by the vendors if any
  - Size of the company in terms of number of total employees, technical staffs, service staff should also be considered
  - Names of company's key personnel, financial status, and location of sales/service offices
  - While selecting vendors, all available types of vendors i.e., distributors, manufacturers, Partners etc) should be considered
  - Trade-offers between price, delivery, and service and community relations and goodwill must be weighed when selecting vendors.
  - Wherever possible preference should be given to local vendors to obtain following inherent advantages:
    - I. There is usually a freight savings when the distance between firms is relatively short.
    - II. Local vendors tend to share the same political and tax concerns as the purchaser.
    - III. Close proximity permits many possibilities for communication and service; shorter lead times etc.
5. A purchase order will be raised for the purchase after finalizing the vendor. The Purchase order apart from other things will necessarily include the price, description, quantity, delivery terms and payment terms.
  6. The authorization limits shall also apply to Work Orders, Contracts, Letters of Intent, Memorandum of Understanding or any other letter or instrument conveying the Company's intention to purchase by whatever name it may be called.



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7. **Authorization matrix:**

Total Amount	Individual Item	Approval I	Approval II
Up to Rs. 20000/-	Up to Rs. 10000/-	Sourcing Committee	
More than Rs. 20000/-	More than Rs. 10000/-	Sourcing Committee	MD

Sourcing committee will have comprised of following:

For Head Office	MD/Business Head/IT Head
For Branches	MD/IT Head

8. **Frequency of Sourcing Committee Meeting:** The sourcing committee will meet once in a fortnight to discuss the various requirements and quotations. Accordingly, an indent will take 7-10 days to materialize into purchase.
9. **Immediate Requirements:** Any immediate requirement which cannot be hold for 7-10 days as mentioned in point 9 above should be carried out in the following manner.
- The indent should be accompanied by a justification regarding the urgency and such justification should be signed off by the relevant HOD.
  - The help desk will check the relevant details regarding the price, quality, payment terms etc from at least 3 suppliers/vendors and compile the information in a summary sheet with his/her recommendations.
  - Such summary sheet needs to circulated amongst the sourcing committee members through mail/hard copy and decision can be finalized by taking signing off/approval on mail of sourcing committee members after their due diligence and analysis.
  - In case the total amount involved exceeds Rs. 10,000/- then above mentioned summary sheet should also be signed off by MD.
10. **Mode of Payment:** Payment should be made through Account Transfer and in accordance with the compliance of Accounts department.
11. Proper record of delivery of material be maintained universally for reference and audit purpose with receipt copy/delivery challan etc. attached therein as a token of proof with regard to purchase. Form should be attached delivery chalan and satisfactory installation report.
12. Recipients' signature/handover receipt of the goods distributed to certain specific employee/department be maintained and filled in the respective files for record/proof against distribution of the material.



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### 13. Depreciation

Fixed assets of a business concern are acquired for use in the business. These assets gradually lose their value because of regular wear and tear or due to lapse of time. This loss or decrease in value of fixed assets is called depreciation. It is a reduction in the book value of an asset because of above mentioned reasons.

Depreciation, being a loss is debited to depreciation account and the corresponding credit entry is passed for the asset, which loses its value. Depreciation is the charge to profit and loss account for the fall in value of an asset during each year of its use.

### 14. Rates of Depreciation

As per the companies act schedule II the following WDV depreciation rate is applicable:

Furniture and Fixtures	25.89%
Office Equipment	45.07 %
Computers	63.16%
Vehicles	31.23%
Software	63.16%

100% expense Booking for assets costing less than Rs. 5000/- depending upon the nature of asset with an approval of Head- Finance and Accounts (Fans, Beds and Webcams having individual value of less than Rs. 5000/- to be booked as an expense and not asset).

