

Board Paper No: 2024/667/04/A

Board Meeting No: 72

Date 05.04.2024



FIXED ASSETS MANAGEMENT POLICY & PROCEDURES MANUAL

Version II
Owner Finance Department
Approval – Board of Directors
Date of Approval 5th April 2024

Table of Contents (Paragraph Number Order)

1	DEFINITION OF FIXED ASSET	
2	ACQUISITION COST	
3	CATEGORISATION OF FAS	
4	DEPRECIATION OF FAS	
5	DISPOSAL OF FAS	
6	INSURANCE	
7	SYSTEMISATION OF THE FA REGISTER	
8	IDENTIFICATION CODE FOR FAS	
9	AFFIXING OF SERIAL NUMBER LABELS TO FAS	
10	TRANSFER OF FA	
11	REPAIRS TO FAS	
12	FA PERSONALLY ASSIGNED TO STAFF	
13	FA UNDER WARRANTY	
14	EFFECTIVE MANAGEMENT OF FA	
15	PHYSICAL VERIFICATION OF FA	
16	ACQUISITION OF FA	
17	FA REQUISITION FORM-PURCHASE REQUISITION NOTE (PRN)	
18	ACKNOWLEDGEMENT OF FA-GOODS RECEIVED NOTE (GRN)	
19	COLLECTION & DISPOSAL OF OBSOLETE FAS	
20	DEFINITION OF OBSOLETE/IDLE FAS	
21	IDENTIFICATION OF OBSOLETE FAS	
22	COLLECTION OF OBSOLETE FAS	
23	METHOD OF DISPOSAL OF OBSOLETE FAS	
24	DISPOSAL OF LEFT OVER BUILDING MATERIALS	
25	DISPOSAL OF FAS AT THE TIME OF SHIFTING PREMISES	
26	IMPAIRMENT TESTING	
27	REPORTING OF IMPAIRED FA	
28	CHARACTERISTIC OF AN IMPAIRED FA	
29	ASSESSMENT OF RECOVERABLE VALUE OF THE IMPAIRED FA	
30	IMPAIRED ASSETS - FAIR VALUE LESS COSTS TO SELL	
31	IMPAIRED ASSETS - CALCULATION OF THE FA VALUE	
32	IMPAIRED ASSETS - VALUE IN USE	
33	IMPAIRED ASSETS - STEPS TO CALCULATE THE VALUE IN USE	
34	IMPAIRED ASSETS - CONCLUSION	
35	IMPAIRED ASSETS - PROCEDURE FOR HO FA DEPARTMENT	
36	GENERAL REQUIREMENTS	
	SPECIMEN FORMATS (Will be supplied by the Manager Administration)	
	➤ ASSETS DISPOSAL /. SALE APPLICATION –	ANNEX 1
	➤ APPLICATION TO TRANSFER ASSET(s) -	ANNEX 2
	➤ APPLICATION TO REPAIR ASSET -	ANNEX 3
	➤ ASSET PURCHASE REQUISITION –	ANNEX 4
	➤ REPORT OF ABSOLUTE ASSETS -	ANNEX 5

FIXED ASSETS MAINTAINING POLICY & PROCEDURES
LANKA CREDIT & BUSINESS FINANCE PLC.,
(Herein after referred to as the “Company”)

The Company shall follow policies and procedures enumerated herein for maintaining and accounting for fixed assets (herein after referred to as ”FA”). Objectives of these policies among others are to comply with the Sri Lanka Accounting Standards and to implement a systematic administrative procedure to Manage the Fixed Assets of Lanka Credit and Business Finance Ltd (herein after referred to as “The Company”)

The Acquisition of Assets should be carried out in compliance with the requirements in the “**PROCUREMENT POLICY & PROCEDURES MANUAL**” approved by the Board of Directors on 16th October 2018 and conditions stipulated herein

1. DEFINITION OF FIXED ASSETS (FA)

Items having an acquisition price of Rs. 7,500/= or more subject to the applicable criteria which defined in Sri Lanka Accounting Standard on Property Plant and Equipment (LKAS16) are treated as” **FIXED ASSET**”

2. ACQUISITION COST

The acquisition cost of Fixed Asset that should be taken into the FA Register will be the sum total of the following:-

- Purchase price of the FA
- Non-refundable taxes paid
- Transport expenses
- Installation charges
- Professional fees

3. CATEGORISATION OF FAs

The FAs are categorized & each category is defined with a useful life span & the related depreciation policy rates of the company are indicated below.

<u>Fixed Assets Category</u>	<u>Useful Life Time</u>	<u>Depreciation Rate per annum</u>
Office Equipment	04 Years	25%
Buildings	20 years	5%
Computer Software	04 years	25%
Furniture & Fittings	05 years	20%
Machinery & Equipment	04 years	25%
Vehicles	04 years	25%
Computer Equipment	05 years	20%
Name Board	02 Years	50 %

4. DEPRECIATION OF FAs

Depreciation is based on a straight line method commencing from the date of acquisition of FA or from the date it was available for use, whichever is early. Charging of depreciation ceases on the date the FA is disposed

The depreciation of FAs is centralized and will be computed during the last week of the month by the Manager Administration and the relevant data will be submitted to the Head of Finance to pass the entries to the debit of the respective branch accounts etc., before the end of the month.

Accordingly Branches should not pass any entries to the “Depreciation Account”

5. DISPOSAL OF FAs

When disposing prior to expiration of the FAs expected useful life time, the difference between the Sales proceeds & the carrying amount (written down value) of the FA should be fully charged to the P&L at the time of disposal.

Note: - This could be a profit or loss depending on the Sales price.

Prior to disposal, Manager Administration’ should obtain approval of the CEO/ Executive Director backed by his recommendations and justifications

6. INSURANCE

FAs should be insured against all risks (Fire, Burglary, riots, civil commotion (floods if applicable) at its acquisition cost. Annual renewals will be affected based on the asset value by the Manager Administration who shall also arrange to have the warranties in the policies observed at the point of location. (Branch/ Department)

7. SYSTEMISATION OF THE FA REGISTER

Inventory of Fixed Assets shall be maintained in “Visal Solution Package” data base used by the Company and maintained by the Manager Administration. – Auto back up should be activated as and when up dation are made.

8. IDENTIFICAION CODE FOR FAs

In order to effectively track FAs, each asset shall be allocated with a Serial Number.

To ensure uniformity in the identification code for the entire company, the Serial Number will be allocated by the Manager Administration ONLY. .

9. AFFIXING OF SERIAL NUMBER LABELS ON A FA

Serial Number labels supplied by Manager Administration should be affixed on the front, right hand side of the FA. In case of motor vehicles the label should be affixed in such a manner so that it will not be visible to the public.

10. TRANSFER OF FA

Transferring of FAs permanently or temporary among Branches or Head Office (HO) Departments, should be effected only after obtaining prior approval from Manager Administration by utilizing the “Transfer Note” (Refer Annex 2,)

11. REPAIRS TO FAs

The following FAs are covered by preventive service agreements; hence the repairs to such assets will be carried out by the Service Provider at the Branch itself under advice to Manager Administration

- Personal Computers (PC)
- Servers
- Ups
- Generators
- Air Conditioners
- Currency Note counting machines
- Photo Copiers
- Pawning Dencimeter
- CCTV system

Rest of the FAs needing repairs could be repaired by the Branch utilizing local Service Providers. Repairs, **exceeding amount of Rs. 5,000/- needs the**, prior approval of the Manager Administration.

If FA needs to be repaired in Colombo a duly completed “Fixed Assets Repair Request Form (Refer Annex 3,) should accompany the FA sent to head office for repairs. Due to logistical considerations, Administration Department, prior approval should be obtained to have FAs repaired through HO.

12. FAs ALLOCATED FOR THE PERSONNAL USE OF EMPLOYEES

Fixed Assets personally allocated to staff members (E.g.: Laptops, Mobile Phones, SIM Cards, 3G Dongles, “Thibus” Packages, Vehicles, Etc.) must be handed over to the respective Branch Manager / HO Dept., at the time of the staff member’s Resignation /Retirement from the services / termination of employment.

13. FAs UNDER WARRANTY

Repairs/Replacement of spare parts to FAs under warranty should be carried out only by the authorized agent. (For any clarification regarding the agent contact the Manager Administration) Repairs by any other service provider during the warranty period should have the prior approval of the Manager Administration.

14. EFFECTIVE MANAGEMENT OF FA

Branch Managers and Head of HO Depts., should ensure that the FAs are maintained or handled with due care by the end users, adopting cost effective measures. FAs should be serviced (Where applicable) in accordance with the agents service cycle and warranties or as instructed by the Manager Administration having diarized the requirement.

15. PHYSICAL VERIFICATION OF FAs

Branch Managers or Heads of HO Depts., should carry out a physical verification of the FAs allocated to them as at 31st of December each year.

In addition to the annual verification a further verification should be carried out whenever a new Branch Manager /Head of a Department., takes over a Branch/ Department.

As and when aforesaid physical verification is carried out a report should be forwarded to the Manager Administration, within 2 weeks of the verification, confirming that the FAs are available. **If there are any discrepancies details of such variance should be reported and cause for such discrepancies shall be reported to CEO/ Executive Director and investigated through the Internal Audit Department and acted upon based such findings to prevent recurrence and / or to initiate disciplinary action where appropriate.**

16. ACQUISITION OF FA

PLEASE BE GUIDED BY THE “PROCUREMENT POLICIES AND PROCEDURES” MANUAL APPROVED BY THE BOARD OF DIRECTORS (OCTOBER 2018 IN YOUR POSSESSION)

17. FA REQUISITION FORM

The request for FA should be made on the “Purchase Requisition Note”. Annex 4. Request in any other mode including emails will not be acted upon. For urgent request the requisition form could be faxed to the Manager Administration

18. ACKNOWLEDGEMENT OF FAs

When FAs are delivered to Branches / HO Depts., they should be acknowledged by using the “Goods Received Note” which should be forwarded to Manager Administration (Annex 6)

19. COLLECTION & DISPOSAL OF OBSOLETE FAs

FAs which are obsolete / idling, needs to be identified & disposed as early as possible in order to avoid carrying in our Balance Sheet such class of assets & also to convert them into cash. (Office space also could be saved)

20. DEFINITION OF OBSOLETE / IDLING FAs

- FA not required by the Company / outdated
- FA whose productive economical life is over
- FA which are not yet fully depreciated, however constantly going out of order, and needing costly replacements

21. IDENTIFICATION OF OBSOLETE FAs

Branch Managers /HO Depts., should submit to Manager Administration., by end of March & July each year the following information pertaining to obsolete/idling assets which needs to be disposed. (Refer paragraph 28 below and Format Annex 5)

22. COLLECTION OF OBSOLETE FAs

Once the details of the obsolete / idling assets are received by the Manager Administration., the justification for disposal will be verified by him & a decision will be taken on the following lines.

1. Transfer the idle asset to another location. (When Available)
2. Repair/refurbish the asset for further use.
3. Dispose the asset.

FAs falling under category of 1 & 3 above will be collected by the Manager Administration on a bi-annual basis for either transfer to another location or disposal as per his prior arrangements with Branch Managers

Branches, who fail to furnish the required information within the stipulated period, will have to make their own arrangements to deliver the obsolete fixed assets to Administration Department at HO at the expense to the Branch.

23. METHOD OF DISPOSAL OF OBSOLETE FAs

FAs should be disposed by public auction twice a year except in instances where very few items are available at a Branch and the disposal value will not justify the cost of transportation and other related expenditure. In such instances the following disposal procedure to be adopted.

- The Branch Manager shall call for a minimum of 3 quotes from local bidders
- The bids received should be referred to Manager Administration with the recommendation of the Branch Manager and obtain approval for disposal to the highest bidder.

(Please refer Paragraph 7 in the Procurements policy & procedures manual for Limits)

24. DISPOSAL OF LEFT OVER BUILDING MATERIALS

At the time of Refurbishment / Reconstruction it is a common occurrence for Building Materials, dismantled doors, windows, partition boards, sheet glass sheets etc., to be left over. Such items should be disposed by the Branch to local contractors after obtaining at least 3 quotes & the approval of the Manager Administration.

25. DISPOSAL OF FAs AT THE TIME OF SHIFTING PREMISES

When shifting / relocating branches, all assets will have to be removed from the old premises to the new location. However it will not be practicable to remove some of the fixtures and fittings. In such instances:-

- The Branch Manager should negotiate with the Landlord for the sale of the assets at a reasonable price to him
- If disposal cannot be effected through the Landlord, a minimum of 3 bids shall be obtained and disposed. The disposal process to be handled by the Manager Administration.

Note: - The need to obtain 3 quotations as stipulated could be waived off with the approval of Manager - Administration, in respect of low demand items described below;-

E.g. Broken furniture, dismantled fittings / left over building material, fully depreciated Air Conditioners / Generators / TV Screens / computer screens

IMPAIRMENT ASSESSMENT OF FAs

THIS ACTIVITY SHALL BE IMPLEMENTED BY THE HEAD OF FINANCE AND THE MANAGER ADMINISTRATION SHALL COORDINATE.

26. IMPAIRMENT TESTING

Impairment testing needs to be carried out on an annual basis to fall in line with **Sri Lanka Accounting Standard 36.**

The above stated standard is subject to up-dation by the Institute of Chartered Accountants of Sri Lanka (ICASL) from time to time and such amendments will be adopted by the Company.

27. REPORTING OF IMPAIRED FA

For internal reporting purposes / computations the details of impaired FAs needs to be furnished to Manager - Administration each quarter on or before the 10th of the following month after the end of the quarter. Data should be collected from branches / departments and submitted to Head of Finance. (Use Annex 5)

28. CHARACTERISTIC OF AN IMPAIRED FA

The following are the examples of instances which may indicate impairment.

During the period an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operate or in the market to which an asset is dedicated.

Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an assets value in use and decrease the assets recoverable amount materially.

The carrying amount of the net assets of the entity is more than its market capitalization.

Evidence is available of obsolescence or physical damage of an asset.

Significant changes with an adverse effect on the entity have taken place during the period or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinues or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

During the period an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operate or in the market to which an asset is dedicated.

Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an assets value in use and decrease the assets recoverable amount materially.

The carrying amount of the net assets of the entity is more than its market capitalization.

Evidence is available of obsolescence or physical damage of an asset.

Significant changes with an adverse effect on the entity have taken place during the period or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to

discontinues or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

29. ASSESSMENT OF RECOVERABLE VALUE OF THE IMPAIRED FA

In the event that the Company assesses that there is an indication of impairment on a particular asset, the recoverable amount of such asset need to be determined. Recoverable amount is the higher of fair value less costs to sell and value in use.

30. IMPAIRED ASSETS-FAIR VALUE LESS COSTS TO SELL

Best evidence of fair value less costs to sell is the price in a binding sale agreement in an arm's length transaction adjusted for incremental costs directly attributable to the disposal of asset.

If the above is not available the market price less cost of disposal need to be taken.

In the absence of the above fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain at the balance sheet date from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties after deducting the costs of disposal

31. IMPAIRED ASSETS - CALCULATION OF THE FA VALUE

(When calculating the asset value the following elements should be reflected in the calculation)

32. IMPAIRED ASSETS-VALUE IN USE

The following elements should be reflected in the calculation of an asset's value in use.

- An estimate of the future cash flows the entity expects to derive from the asset.
- Expectations about possible variations in the amount or timing of those future cash flows.
- The time value of money represented by the current market.
- The price for bearing the uncertainty inherent in the asset
- Other factors, such as illiquidity, that market participants would reflect in pricing the future
- cash flows the entity expects to derive from the asset.

33. IMPAIRED ASSETS-STEPS TO CALCULATE THE VALUE IN USE

Estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and by applying the appropriate discount rate to those future cash flows.

34. ASSETS-CONCLUSION

It is not always necessary to determine both the above values. If either amount exceeds the carrying amount the asset is not impaired.

If the carrying value is less than the higher of fair value less costs to sell or value in use the asset is impaired.

35. IMPAIRED ASSETS-PROCEDURE FOR HO FA DEPARTMENT

Whenever, the Finance Dept., come to know through an agent that any of their models are impaired a list of such equipment available in the network should be ascertained and reported in the quarterly statement.

The exiting practice of calling for details of obsolete items from Branches quarterly should also be made use for this purpose.

When assets are reported to be impaired by Branches / HO Depts., a fresh assessment should be made whether the asset is obsolete or impaired. If such asset could be classified as impaired the relative information should be reported in the quarterly statement, (Format Annex 5)

36. GENERAL REQUIREMENTS

With regard to any matter relating to fixed assets not covered herein you are required to obtain directions from the CEO / Executive Director through The Manager Administration

This manual should be updated annually or as and when required by the Manager Administration in consultation with Head of Finance, Head of IT & Head of Audit to meet the needs of the company.

Copies of Attached formats could be obtained from Manager Administration on request

Approval sought

We seek the approval of the Board of Directors to adopt this FIXED ASSETS MANAGEMENT POLICY & PROCEDURES MANUAL (Version II) which we have reviewed and updated.

Recommended

**Asistant General Manger
(Finance & Strategic Planning)**

CEO/ Executive Director Date

.



Annex 1

ASSETS DISPOSAL / SALE APPLICATION**To Manager Administration****Date**

From
The Manager / Head of

Serial No	Date Purchased	Identification Code	Description of Asset	Reason for the Disposal / Sale	Justification /remarks

Please initiate necessary action and advice

Signature / Branch Manager/ Head of Department

FOR THE USE OF THE MANAGER ADMINISTRATION**TO CEO / EXECUTIVE DIRECTOR****Disposal recommended subject to the following conditions:-****Approved by****CEO/ Executive Director****FORWARD APPROVED COPIES TO UPDATE ACCOUNTS / SYSTEM**

To
The Originator of the application
Head of Finance
Head of IT



Annex 2

ASSETS TRANSFER APPLICATION

TO MANAGER ADMINISTRATION

Date

From The Manager / Head of	Branch / Department
---	----------------------------

THE REQUEST BY THE HOLDER OF ASSET

Ref No	Serial No of Asset	Description of Asset	Reason for Transfer	Transfer to

Seek approval/ Instruction

Signature Branch Manager/ Head of Department

FOR USE BY MANAGER DAMINISTRATION

Date Received	Allocated Ref No;	Indicate whether approved or declined and related requirements if any

Signature Manager Administration

Note

Retain original and forward approved copies to

To the related parties to the Transfer

To Head Finance and Head IT to update records in the system

TO MANAGER ADMINISTRATION
TRANSFER CONFIRMATION

Transfer NOTE No

TRANFER COMPLETED / INVENTORY UP DATED

Date

Signature :- Branch Manager/ Head of

Department



Annex 2 continued

ACKNOWLEDGEMENT OF ASSETS TRANSFERRED

To be completed by the receiving unit of Asset

To Manager Administration**Date**

From The Manager / Head of	Branch / Department
---	----------------------------

WE RECEIVED THE FOLLOWING ASSET(S) IN USABLE STATE

Reference No allocated by the Administration DEPT;-

Date Received	Identification Code	Description of Asset	Received from
Date Signature / Branch Manager / Head of Department			



ANNEX 3

APPLICATION TO REPAIR ASSET**To Manager Administration****Date**

From The Manager / Head of	Branch / Department
---------------------------------------	----------------------------

APPROVAL REQUIRED TO REPAIR ASSET(s) given below)

Name of Service Provider where appropriate

Ref No	Serial No of Asset	Description of Asset	Description of Defect	Damage Caused due to

Signature / Branch Manager / Head of	Department	Date
--------------------------------------	------------	------

For the Use of Manager Administration

Date Received	Ref No Allocated	Authorized officer's Signature

Request recommended to CEO/ Executive Director	Approve /Declined
Service Provider	
Cost	
Terms	
Manager Administration Date	CEO/ Executive Director Date

IF REPAIRED THROUGH HEAD OFFICE KOHUWALA

Date Dispatched to Service Provider	Date Received from Service Provider duly repaired	Date Dispatched to the Originating Branch / Department



Forward copies to The Originating Branch / Department/Head of Finance/Head of IT (Where appropriate)

Annex 3 Continued

CONFIRMATION OF REPAIRS COMPLETED

To Manager Administration

Date

From The Manager / Head of	Branch / Department
Administration Dept Reference No;- Description of Asset <p style="text-align: center;">REPAIR COMPLETED AND RETURNED TO OUR SATISFACTION</p> Name of Service Provider:- Bill Attached for Rs <i>If not repaired through Head office</i>	
Payment Recommended	
Signature / Branch Manager / Head of	Department Date
Payment Authorized	
Signature & Designation of Approving Authority	

Manager Administration to forward Copies to Head of Finance to make payment

**PURCHASE / REQUISITION APPLICATION (PRA)****To Manager Administration****Date**

From The Manager / Head of	Branch / Department
---	----------------------------

Requirements

SN NO	Description of Item	Quantity	Cost Rs	Justification

Signature of Branch Manager / Head of	Department Date
---------------------------------------	-----------------

FOR USE OF MANAGER ADMINISTRATION

Recommendation	Approval By
Manager Administration	
Date Dispatched	

GOODS RECEIVED NOTE (GRN)**To Manager Administration****Date**

From The Manager / Head of	Branch / Department
---	----------------------------

Received the following items

SN No	Description of item	Quantity	Unit Price	Amount	Remarks

Signature Branch Manager / Head of	Department Date
------------------------------------	-----------------



SUBMIT TO MANAGER ADMINISTRATION
Copy to Head of Finance (impairment Assessment)

(Quarterly Statement)

REPORT OF DATA OF OBSOLETE FAs FOR DISPOSAL AND FOR IMPAIRMENT ASSESSMENT

Branch
AS AT

Serial No of FA	Description of FA	Reason to consider as obsolete E.g. <ul style="list-style-type: none"> Not required any more Regularly going out of order. Obsolete

Branch Manager/ Head of Department

Date

**Annex 6****GOODS RECEIVED NOTE****To MANAGER ADMINISTRATION****Date**

From	
The Manager / Head of	
Branch	Department

We confirm receipt of the asset(s) described below

DATE RECEIVED	
----------------------	--

Ref No	Description of Asset	Model Nos	Quantity	Remarks

Branch Manager / Head of Department