

**GENERAL INSTRUCTION MANUAL**

ISSUING ORG. ACCOUNTING POLICIES &amp; SYSTEMS DEPARTMENT

ISSUE DATE  
05-18-09REPLACES  
09-13-08

SUBJECT PHYSICAL INVENTORY OF FIXED ASSETS

APPROVAL  
RAKPAGE NO.  
1 OF 6**CONTENT:**

This Instruction details Company policies and procedures applicable to the custody, control, responsibility, and accountability of Saudi Aramco capital plant and equipment (fixed assets) as recorded in the SAP Asset Management (AM) Module. The text of this GI includes:

1. Glossary
2. Scope
3. Inventory Verification Procedure
4. Access to the SAP AM Module
5. Access to Asset Dashboard
6. Custodian Responsibilities
7. P&FAAD Responsibilities

**1. GLOSSARY:****1.1 ABBREVIATION AND ACRONYMS**

AIV	Asset Inventory Verification
AM	Asset Management Module of SAP
FAU	Fixed Assets Unit/P&FAAD
P&FAAD	Projects & Fixed Assets Accounting Division
PIC	Physical Inventory Cycle

**1.2 RELATED INSTRUCTIONS****1.2.1 General Instructions**

- 202.301 "Definition of Property, Plant & Equipment Accounts in the General Ledger"
- 202.303 "Plant & Equipment Facilities Sub Classes"
- 202.304 "Plant & Equipment Item Rate Codes"
- 202.305 "Asset Plant Tag Numbering and Preparation of SA-9032-1, Create Asset Master Data"
- 207.050 "Form SA-630 - Capital Assets Change Authorization"

**1.2.2 Supply Chain Management Manual**

- MP 16.05 "Standby Equipment"
- SO 20.04 "Storing and Disposing of Capitalized Plant and Equipment"

**1.2.3 Accounting Instructions**

- 206 "Accounting for Disposition of Capital Assets"

**1.3 RELATED FORMS**

SA-630	Capital Assets Change Authorization
SA-9032-1	Create Asset Master Data
SA-9113	Computer Equipment Service Request

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2 OF 6**2. SCOPE:****2.1 INITIAL CAPITALIZATION**

2.1.1 NEW ASSETS - The term "new" refers to the receipt of the asset by Saudi Aramco and not the physical condition of the plant or equipment.

2.1.2 ASSET TAGGING - Newly capitalized plant and equipment **must** be plant tagged. A specific number is assigned to the respective plant and equipment. The relevant policies and procedures applicable to the asset tagging (Asset Plant Tag Numbering) are contained in GI 202.305.

**2.2 ASSET MOVEMENT**

2.2.1 After its capitalization, a fixed asset can be subjected to the following types of movement:

- a) Relocation
- b) Retirement
- c) Transfer
- d) Disposal

**Asset movement must be authorized and documented in accordance with GI 207.050.**

2.2.2 MOVEMENT EXCLUSION - Movement in the above context excludes the following:

2.2.2.1 **Coordinating Organization** - Fixed assets assigned to certain organizations having corporate responsibility for assets such as: transportation, construction equipment, computer and communication equipment etc., are released to the user departments on an as-required basis. Assets, however, remain under the corporate responsibility of the home organization for control, accountability, and asset verification purposes.

2.2.2.2 **Loan/Turn-over Assets** - Assets on loan or turn-over to outside parties for operation under an existing agreement with Saudi Aramco remain under the corporate responsibility of the Saudi Aramco home organization until the absolute transfer of ownership to the outside party is concluded.

**2.3 ASSET MOVEMENT AUTHORIZATION**

2.3.1 MANAGEMENT GUIDE - Movement of a fixed asset (retirement, transfer, disposal, etc.) is subject to the approval authorities detailed in Section 4 of the Management Guide available to users at the following link: <http://mgtg.aramco.com.sa/data/04.PDF> . (See GI 021.201 at [http://gi.aramco.com.sa/html/data/0021\\_201.PDF](http://gi.aramco.com.sa/html/data/0021_201.PDF) ).

2.3.2 APPROVAL AUTHORITY LEVEL - The required level of approval authority varies according to the organization and movement criteria as well as the monetary limit. It is the responsibility of the proponent custodian to familiarize himself with the corporate requirements.

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2.4 INVENTORY VERIFICATION RESPONSIBILITY - Asset inventory verification policies and procedures are detailed in this Instruction.

2.4.1 PLANT-TAGGED ASSETS - The primary responsibility for complying with verification requirements is vested in the custodian (Department Manager or commensurate position) having control of, and corporate accountability for, the fixed assets assigned to a respective department.

2.4.2 ASSETS NOT PLANT-TAGGED - There is no exemption from the inventory verification for capital assets not tagged. Although some assets are not plant-tagged because of physical constraints (e.g. pipelines, roads, secondary lighting, certain power systems, etc.), the custodians remain accountable for such assets and must verify their existence or arrange for their removal from the corporate fixed assets records.

**3. INVENTORY VERIFICATION PROCEDURE: \***

Periodically P&FAAD requires the custodian to verify and update the asset's information through the asset dashboard.

**3.1 PERIODIC INVENTORY VERIFICATION**

3.1.1 Custodians are periodically required to formally verify to P&FAAD the recorded assets assigned to them.

3.1.2 The normal maximum time period between formal verification is 3 years.

3.1.3 Some high value/highly mobile assets may require more frequent verifications. The frequency of review in such cases must be agreed upon between the custodian and P&FAAD.

**3.2 ASSET DASHBOARD (GLOBAL CYCLE)**

3.2.1 At the start of the Physical Cycle the custodian's Manager will receive a SAP workflow which contains a link to the asset dashboard; where the Manager assigns department users for review and verification, and to monitor the verification's progress.

3.2.2 Once the Department Manager assigns users they will receive a SAP workflow to start reviewing the asset list and verifying the custodianship of the assets.

3.2.3 The asset's information should be reviewed and updated as follows:

- Responsible cost center
- Building Number/Room
- Old Engineering Plant Number
- Functional Location
- Model Number
- Equipment Number
- Serial Number

3.2.4 After users finish their review, each asset shall be marked confirmed; missing or new as follows:

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Confirmed: When the asset is under their custody

Missing: When the asset is unallocated.

New: Assets that are under their custody but are not on the list.

3.2.5 If the asset is marked as new, a message will be sent to the department's Manager in which the asset belongs to requesting initiation of SA-630 form (see 2.2)

3.2.6 If the asset is marked as missing, the SA-630 number shall be provided if a previous request was initiated; otherwise, a new SA-630 should be initiated.

3.2.7 Once department's users have finished their review and verification, the Manager will be notified to update the AM through the update button on the Asset dashboard.

**3.3 TRACING ASSET MOVEMENT**

3.3.1 The custodians are required to periodically review the Finance asset records against their physical assets every 3 years to ensure that such movements have been promptly and accurately recorded.

3.3.2 To facilitate and account for the asset movements, it is recommended that Custodians use the corporate data available from the AM as the primary source of internal asset records within their department.

**4. ACCESS TO THE AM MODULE:**

4.1 LOGON ID - Custodians' staff requiring on-line access to their respective asset records require logon IDs' for the SAP System. This will allow them to access and query the AM Module.

4.2 TRAINING - Prior to being granted access to execute custodian transactions in the AM Module, custodians' staff must receive the appropriate training on using the AM Module. The SAP eTraining course, "**F&R AM C4: Fixed Assets Coordinator**", is at the following location on the Company's website: <http://sapcc.aramco.com.sa/fr/default.asp?page=etraining>.

4.3 ACCESS - After completing the required training, the Custodian proponents should formally request security access to the AM Module online at <http://sapcc.aramco.com.sa/samd/index.asp>. Choose "Role Assignment" > "PRC [Finance & Logistics]" > "Finance" > "APM&S Asset Manager Data Owner" and select the Asset Coordinator role from the drop-down box.

4.4 PRINTING - The Custodians' printers must be defined to SAP System and this can be achieved by submission of the "*SAP Production Printer Request*" to the SAP Output Management System (OMS), (<http://sapcc.aramco.com.sa/sapoms/Default.asp>).

**5. ACCESS TO THE ASSET DASHBOARD****5.1 System Help and Technical Issues**

System help is available on the Asset Dashboard on how to use the system. For technical issues custodians should contact the SAP Help Desk at 904.

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All Saudi Aramco's department managers have automatic access to the asset dashboard.

5.3 Contact or Sighting Users

Access is given upon assignment. For every physical inventory cycle, department managers assign contact or sighting users to perform the physical inventory. These assigned users can assign additional users by Division or Unit.

**5. CUSTODIAN RESPONSIBILITIES:**5.1 ACCOUNTING FOR THE ASSETS

5.1.1 RESPONSIBLE CUSTODIAN - The proponent department manager is the corporate custodian for fixed assets assigned to his department. Delegation of custodianship within a department, or a multi-department inventory verification exercise within an operational area, is at the discretion of the individual department manager.

5.1.2 CORPORATE USERS BASIS - Custodians providing assets on a corporate user basis (such as vehicles, computers, etc.) should request the user to provide formal acknowledgment of their physical possession of the assets. Nevertheless, the accountability of the assets remains with the proponent custodian who must acknowledge, in writing to P&FAAD, the continuing existence of the fixed assets assigned to his department.

5.2 FURTHER RESPONSIBILITIES

5.2.1 ASSURANCE - Custodians must ensure that all fixed asset actions (receipt, use, relocation, transfer, disposal etc.) are carried out in accordance with the established Company policies and procedures.

5.2.2 VERIFICATION - Custodian must verify through physical inventory, as requested by P&FAAD, that assets recorded under his custodianship exist and are correct.

5.2.3 NOTIFICATION - Custodian must complete and update the status of Assets before the end date shown in asset dashboard, normally within a 90-day period. Fixed Assets located by a custodian, but not included on his dashboard's asset listing, should be added to the list with "New" status.  
(Refer to 6.2.2).

5.2.4 INVESTIGATION - Custodian is held responsible to investigate discrepancies and take appropriate action to rectify the situation and correct the asset records. An appropriate action should not be construed as simply the preparation and submission of properly authorized documentation to correct the records. Dependent on the circumstances and the results of his investigations, the custodian should consider other measures such as: reviewing/revising his department asset control, referral to other appropriate Saudi Aramco Organizations for assistance, preparation of SA 630, etc.

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6 OF 6**5.3 EXCESS TO REQUIREMENT**

5.3.1 EXCESS TO DEPARTMENT REQUIREMENT - If, at the time of asset verification, the custodian determines any of his listed assets are no longer required by his department, consideration should be given to transferring such assets to another department for use, or to Materials Supply (MS) for storage or disposal.

5.3.2 NO CORPORATE REQUIREMENT - Proper action should be taken if the assets are of no further corporate use due to age, deterioration, and obsolescence, etc. either to haul to MS for disposal or for any other applicable action. Reference should be made to General Instruction 207.050 or to FAU of P&FAAD as necessary.

**6. P&FAAD RESPONSIBILITIES: \***

6.1 ASSET RECORDS MAINTENANCE - FAU has the full responsibility for maintaining and updating the asset records contained in the AM.

6.2 ASSET VERIFICATION PROGRAM - FAU is responsible for the implementation, administration, and completion of periodic asset verification program.

6.2.1 LIAISON - FAU liaises with and provides support to custodians on an as-needed basis mainly with regard to policies, procedures, and documentation. However, assistance in the physical verification of assets is excluded since such activity is a specific custodian responsibility. For technical inquiries the custodian should contact the SAP Help Desk at 904.

6.2.2 REPORTING - FAU reports the status of the asset inventory program including program implementation, custodian response, discrepancies, etc., to Saudi Aramco Management, as required. Custodians are expected to complete the assets verification (including all documentation), normally within 90 days from the receipt of asset listings.

6.2.3 FOLLOW-UP - The PIC system on behalf of FAU will remind and follow-up with the custodians on non-completion until all assets are fully verified and discrepancies are fully resolved by the custodian. Reminders will be sent to custodians every two weeks. Once the given period for completion ends the following level of Management will be notified:

- First notice to the Department Manager
- Second notice to the Vice President
- Third notice to the SR. Vice President

Approved: **Original Approved by R.A. KRYGSMAN**

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