

SAUDI ARABIAN OIL COMPANY (Saudi Aramco) GENERAL INSTRUCTION MANUAL		G. I. No. Approved 207.050	
ISSUING ORG.	ACCOUNTING POLICIES & SYSTEMS DEPARTMENT	ISSUE DATE 07-24-10	REPLACES 08-16-04
SUBJECT	FORM SA-630 - CAPITAL ASSETS CHANGE AUTHORIZATION	APPROVAL RAK	PAGE NO. 1 OF 5

CONTENT: This instruction outlines the use, preparation, processing, and routing of Form SA-630, Capital Asset Change Authorization. The text includes:

1. Glossary
2. Use of Form SA-630
3. Responsibility for Preparation
4. Review of Capital Assets held by MMSD Sale
5. Disposal of Capital Assets without Documentation

1. **GLOSSARY:**

1.1 **ABBREVIATIONS AND ACRONYMS**

AI	Accounting Instruction
CEO	Chief Executive Officer
EXCOM	Executive Committee of the Board of Directors of the Saudi Arabian Oil Company
FAU	Fixed Assets Unit/P&FAAD
GI	General Instruction
MLD	Materials Logistics Department
MMSD	Al-Midra Material Services Division/NA/SAMSD
NA/SAMSD	Northern Area/Southern Area Materials Services Division
MS	Materials Supply
OAD	Operations Accounting Department
P&FAAD	Projects & Fixed Assets Accounting Division/OAD
RWM&SU	Returns, Warehouse Management & Support Unit/MMSD
SCMM	Supply Chain Management Manual
SR&QC	Surplus Returns & Quality Control/RWM&SU/MMSD
SU	Sales Unit/ MLD

1.2 **GENERAL INSTRUCTIONS**

207.060	Physical Inventory of Fixed Assets
216.815	Exploration Cost

1.3 **SUPPLY CHAIN MANAGEMENT MANUAL INSTRUCTIONS**

20.04	Returning Capitalized Material for Disposal
21.04	Trade-In Sales/Negotiated Sales
16.05	Standby Equipment

1.4 **ACCOUNTING INSTRUCTIONS**

206	Accounting for Disposition of Capital Assets
208	Accounting for Auction Materials & Equipment
320	Accounting for Trade-In Transactions.

ISSUING ORG. ACCOUNTING POLICIES & SYSTEMS DEPARTMENT
SUBJECT FORM SA-630 - CAPITAL ASSETS CHANGE AUTHORIZATION

ISSUE DATE 07-24-10	REPLACES 08-16-04
APPROVAL RAK	PAGE NO. 2 OF 5

1.5 ACCOUNTING MANUAL

300 – 310 Capital Assets

2. USE OF FORM SA-630:

Form SA-630 is the document for notifying and approving changes in assignment of responsibility for capital assets.

Form SA-630 is required for asset movement. Completion for all disposal actions and direct transfer within the company departments and routing of the form is now accomplished automatically when it is submitted online from the Asset Dashboard under the Finance Online tab in the corporate portal. Please refer to the online process and help screens to populate the document.

Proponents wishing to dispose of office furniture and equipment should determine if there is a corporate need for such items prior to disposal. This should be done in coordination with the respective Office Services Division.

The following types of actions must be recorded on SA-630:

2.1 DISPOSAL FOR FINANCIAL CONSIDERATION

When capital assets are considered saleable by the SU/MLD

2.1.1 Includes assets sold to outsiders. (Surplus to known Company requirements).

2.1.2 Includes trade-in of old capital assets (see SCMM 21.04 and AI 320).

2.1.3 Financial consideration is defined as receipt of money or cash equivalent which, under the circumstances and from the viewpoint of good business standards, represents a reasonable monetary realization.

2.1.4 When it is demonstrably in Saudi Aramco's best interests, e.g., site clearance, the capital assets may be given to an outside person or agency in return for removal and disposal. Based upon the salvage value concept, this is considered a disposal for financial consideration, i.e., Saudi Aramco's estimated costs of removal and disposal equals, or exceeds, potential proceeds.

2.2 DISPOSAL WITHOUT FINANCIAL CONSIDERATION

2.2.1 All proposed actions resulting in abandonment, demolishing, giving away, scrapping to Reclamation Yard or otherwise disposing of Company capital

ISSUING ORG. ACCOUNTING POLICIES & SYSTEMS DEPARTMENT
 SUBJECT FORM SA-630 - CAPITAL ASSETS CHANGE AUTHORIZATION

ISSUE DATE 07-24-10	REPLACES 08-16-04
APPROVAL RAK	PAGE NO. 3 OF 5

assets without financial consideration, when the net book value of any one disposal is \$100,000 or more (regardless of salvage value) requires approval of the Board of Directors or EXCOM. Such approval is also required when the net book value of any one disposition is under \$100,000 if the salvage value is not nominal. The President and CEO has the authority to decide what could reasonably be considered as nominal under the circumstances. For practical purposes 'nominal' is regarded as assets having salvage value of \$1000 or less. Should approval be required by the Board of Directors or EXCOM, the system will automatically route the information to the appropriate parties (As a practical matter, it will be the area Vice President or his designee.).

2.2.2 The President and CEO and each Senior Vice President has authority to abandon, demolish, give away, or otherwise dispose of Company capital assets without financial consideration provided the asset has only nominal or no salvage value to the Company and the net book value of the asset is less than \$100,000 at the time of disposition. Please follow the destruction guidelines as outlined in the Accounting Manual for this action.

2.2.3 This categorization includes assets lost or missing, due to known or unknown causes.

2.2.4 The disposal of donated capital assets is to be considered a disposal without financial consideration for the purpose of determining the level of approval authority.

2.2.5 For replacement under warranty or free of charges, no financial disposition (retirement) is required. The book value of the old assets would continue to be depreciated on the existing depreciation schedule. The SA – 630 process is used to replace the old asset with the new asset, keeping the existing asset number, useful life, and depreciation method.

2.3 CAPITAL ASSETS PLACED IN CUSTODY OF MS STOREHOUSE DEPARTMENTS.

Includes assets sent to MS storehouse for disposal. The assets have no potential use within Saudi Aramco and may be auctioned, sold or scrapped. Refer to SCMM 20.04 and Paragraph 2.2 for scrapped items to be disposed of without financial consideration.

2.4 CAPITAL ASSETS TRANSFER FROM ONE DEPARTMENT OR LOCATION TO ANOTHER

2.4.1 For direct transfer of assets between departments or locations, refer to GI. 207.060.

2.4.2 For standby equipment, refer to SCMM 16.05.

SAUDI ARABIAN OIL COMPANY (Saudi Aramco) GENERAL INSTRUCTION MANUAL		G. I. No. Approved 207.050	
ISSUING ORG.	ACCOUNTING POLICIES & SYSTEMS DEPARTMENT FORM SA-630 - CAPITAL ASSETS CHANGE AUTHORIZATION	ISSUE DATE 07-24-10	REPLACES 08-16-04
SUBJECT		APPROVAL RAK	PAGE NO. 4 OF 5

2.5 CAPITAL ASSETS RETIREMENT IN PLACE/ABANDONED IN PLACE

Since this action represents a retirement from the financial records only, of assets which can no longer be economically used in Company operations, SA-630 is required. The assets are taken out of service with no intent to subsequently abandon or dispose of them and they remain in the proponent's custody and control, and will be included as part of the physical inventory cycle. For more details about retirement, refer to AI 206.

- 2.5.1 Any subsequent decision to abandon or dispose of retired assets (other than for financial consideration) is to be considered a disposal without financial consideration. The approval authority required is based upon the total book value of the assets at the time of retirement.
- 2.5.2 A subsequent decision to sell retired assets must follow the approval procedure for disposals for financial consideration. This should be treated as sale of non-assets (sale of materials).
- 2.5.3 Cannibalizing an asset is treated as a normal retirement for approval authority purposes. However, the book value of the cannibalized asset is charged through a manual Journal Entry to the proponent operating expense account as direct charge materials, instead of depreciation expense or to an inventory account, if applicable.

2.6 FULLY AMORTIZED EXPLORATION COST

P&FAAD annually writes-off fully amortized exploration cost as required under GI 216.815 sections 5.3.4 and 8.0 using a manual SA-630. This action is considered a normal accounting routine procedure and hence does not require adherence to the approval authority levels covered in section 5 of this GI.

3. RESPONSIBILITY FOR PREPARATION:

The capital asset custodian is responsible for the preparation of Form SA-630. The custodian should also ensure, by monitoring the relevant asset records, that the transfer or disposal has been correctly recorded to reflect the release of that asset. For more details, refer to G.I. 207.060.

4 REVIEW OF CAPITAL ASSETS HELD BY MMSD SALE:

- 4.1 MMSD and SU should provide FAU, in a timely manner, with a quarterly list of capital assets held in Auction Yard's custody as authorized by approved Form SA-630's. Reclamation will provide a weekly report to FAU.
- 4.2 If a capital asset held in MS Storehouse is required by a Saudi Aramco user, the

SAUDI ARABIAN OIL COMPANY (Saudi Aramco)
GENERAL INSTRUCTION MANUAL

G. I. No. **Approved**

207.050

ISSUING ORG. ACCOUNTING POLICIES & SYSTEMS DEPARTMENT
SUBJECT FORM SA-630 - CAPITAL ASSETS CHANGE AUTHORIZATION

ISSUE DATE 07-24-10	REPLACES 08-16-04
APPROVAL RAK	PAGE NO. 5 OF 5

respective Storehouse department prepares an additional Form SA-630 referencing the original Form SA-630, approves the form, obtains the new proponent's signature, and sends the receipted Form SA-630 to FAU to amend the Fixed Assets records.

- 4.3 SU should initiate a new SA-630 form to reissue assets held at the Auction and later requested by any department for its use. The old SA-630 form mentioning which assets were originally sent to Auction should be used as a reference on the face of the new SA-630 form.

5. DISPOSAL OF CAPITAL ASSETS WITHOUT DOCUMENTATION:

Capital assets should not be disposed of without proper documentation. In the event it happens, The following should occur:

1. The originator of Form SA-630 should attach a document explaining how the asset was disposed of in the past without documentation
2. Next, the originator should have the form approved by at least a senior vice president, unless a higher approval is normally required per Approval Authority Engine Automated work flow (at PORTAL>Finance online>Asset Dashboard> Asset Change Authorization section 4 of the management guide).

The authority limit on a retirement involving multiple assets resulting from inventory loss or the retirement of a complete plant facility shall be based on the original book cost of the total action, rather than individual assets or components.

Approved: _____

R.A. Krygsman, Manager
Accounting Policies
& Systems Department

MDH
W/C #T2547