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| **Client name:** Cosmopolitan Industries Pvt. Ltd. (CIPL) | | |
| **Accounting period:** 01 June 2020 to 30 June 2021 | | |
| **Prepared by:** Tanvir Ahamed |  | **Date:** 07 June 2021 |
| **Reviewed by:** Humaun Ahamed |  | **Date:** 09 June 2021 |
| **Final Reviewed by:** Faruk Uddin Ahammed, FCA, CISA |  | **Date:** 09 June 2021 |
| **Subject:** Advance, deposit and prepayments process |  |  |

**Objective:** The objective of this memo is to document advance, deposit and prepayments processof the Cosmopolitan Industries Private Limited.

***(Following process is noted from the discussion with Mr. Khayer Uddin, Deputy General Manager-Finance and Accounts, Epic BD)***

**Process performed:**

Advance, deposit and prepayments are made for related capital and revenue expenditures, paid to employees, expatriate income tax, security deposits, insurance premium, prepaid rent and others. Details process are described below:

**Advances Process:**

1. Advance to suppliers are made through the work orders or vendor agreement. These advance requisitions are raised by user department and approved by Plant CFO.
2. After approval, the requisition handed over to the Central finance team where it is checked and reviewed and approved by CFO with supporting documents.
3. The checked requisition then comes to the treasury team and process the payment.
4. Thereafter, treasury team prepared Bank Payment Voucher and verified by respective plant controller who gives the following journal entry:

Advance to suppliers………Dr.

Bank…………………….Cr.

At the time of the payment advance has been adjusted by the following entry:

Expenditure ……..Dr.

Advance to suppliers………….………...Cr.

1. For CAPEX items, if the payment is made partial, it cannot be recognized as assets until 100% capitalization or ready for use.

In that time these assets are recorded as advance to fixed assets and the following journals are made to adjust the advance to fixed assets:

1. Advance against fixed asset…….…..Dr

Bank…………………………………………….Cr.

1. Particular Assets...….…………………..Dr.

Advance against fixed asset………..Cr.

**Prepayment Process:**

As discussion prepayments are incurred and it is monthly or quarterly adjusted by nature. The following journals are made for prepayment adjustment:

1. Prepayment……………….Dr.

Bank…………………………..Cr.

1. Particular expense……….Dr

Prepayment………………...Cr

**Deposits Process:**

As discussion the procedure of deposits depend on the agreement between two parties. As per agreement, the total amount is paid as advance which amount is settled by two ways. One portion is monthly adjusted and another portion is refunded at the time of expiry or termination of the agreement.

1. Advance requisition is raised by unit department and approved by FP & A team

**What could go wrong? :**

Advance, deposits and prepayments may not be recorded in the financial statements in appropriate amount.

**Controls:**

Advance, prepayments are raised through requisition which must be prepared by the advance requestor, reviewed by Central Finance team and approved by CFO. They all should sign in the advance request form.