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Title: Physical Count Adjustment	Finance	

### **Introduction:**

Finance department has responsibilities to govern to create standardized processes, clear roles, and responsibilities related to the management of financial activities within the organization.

This work procedure document is designed and targeted for officers within and outside Corporate Finance department (or its equivalent in subsidiary entities) to be guiding procedures for the specified financial and accounting processes in the Objective section.

Adherence to the activities and steps are crucial and mandatory to all targeted stakeholders to ensure consistent and transparent financial practice, clear accountabilities, regulatory compliance, and alignment with the company's financial policies used in conjunction with this work procedure.

### **Objective:**

To establish the guideline procedures for 'Physical Count Adjustment process', ensuring that the results from the physical inventory count, e.g. location or quantity, are recorded and reconciled with the inventory balance the systems, thereby correctly reflecting the balance in the financial statements.

### **Scope:**

This work procedure shall be adopted by Banpu Public Company Limited and subsidiaries, whose Finance and Accounting operations are handled by Corporate Finance department in Thailand, and shall be effective until announced otherwise.

### **Definitions:**

Key terminology used in this procedure includes the following:

- Physical Count
- Third-party surveyor

For definitions of each terminology, refer to the Appendix 1: Definitions [File Name: SOP Appendix 1 Definitions].

### **References:**

For physical count adjustment approval for the variance between accounting book balance and physical check from loss and damage of warehousing:

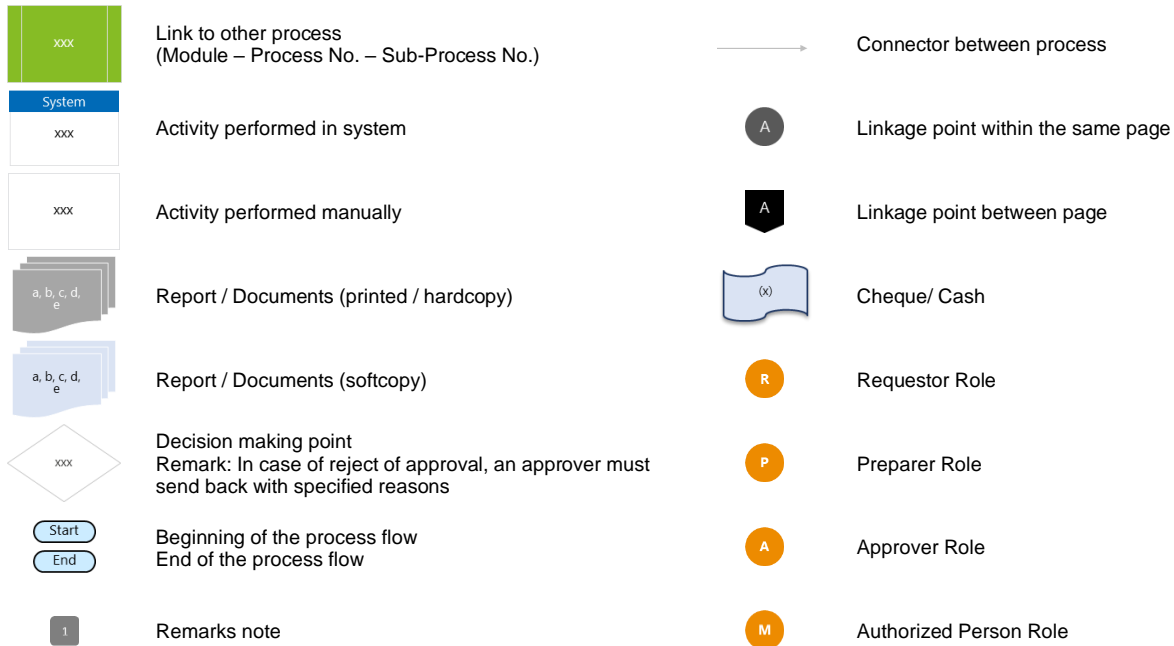
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For DOA, refer to the Appendix 2 : References [File Name: SOP Appendix 2 References].

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## Flowchart:

### Process Flowchart Legends



### Abbreviations and Definitions

Abbreviation	Definition
AP	Accounts Payable
AR	Accounts Receivable
FA	Fixed Asset Accounting
GL	General Ledger
I&C	Inventory & Costing
TR	Treasury Operations
MA	Managerial Reporting and Budgeting
D&I	Digital and Innovation
MS&L	Marketing, Sales & Logistics

Abbreviation	Definition
ERP	Enterprise Resource Planning system
ECM	Enterprise Content Management system
ACCP	Accounting Portal system
VAT	Value Added Tax
WHT	Withholding Tax
SBT	Specific Business Tax
CIT	Corporate Income Tax

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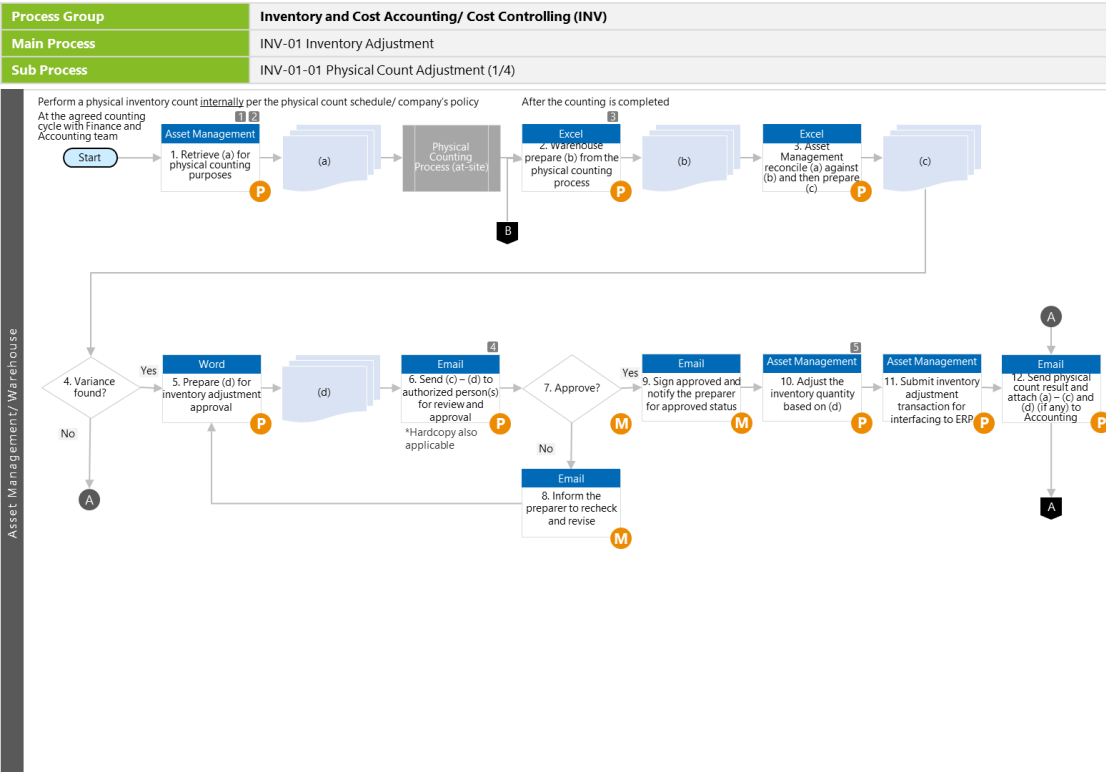
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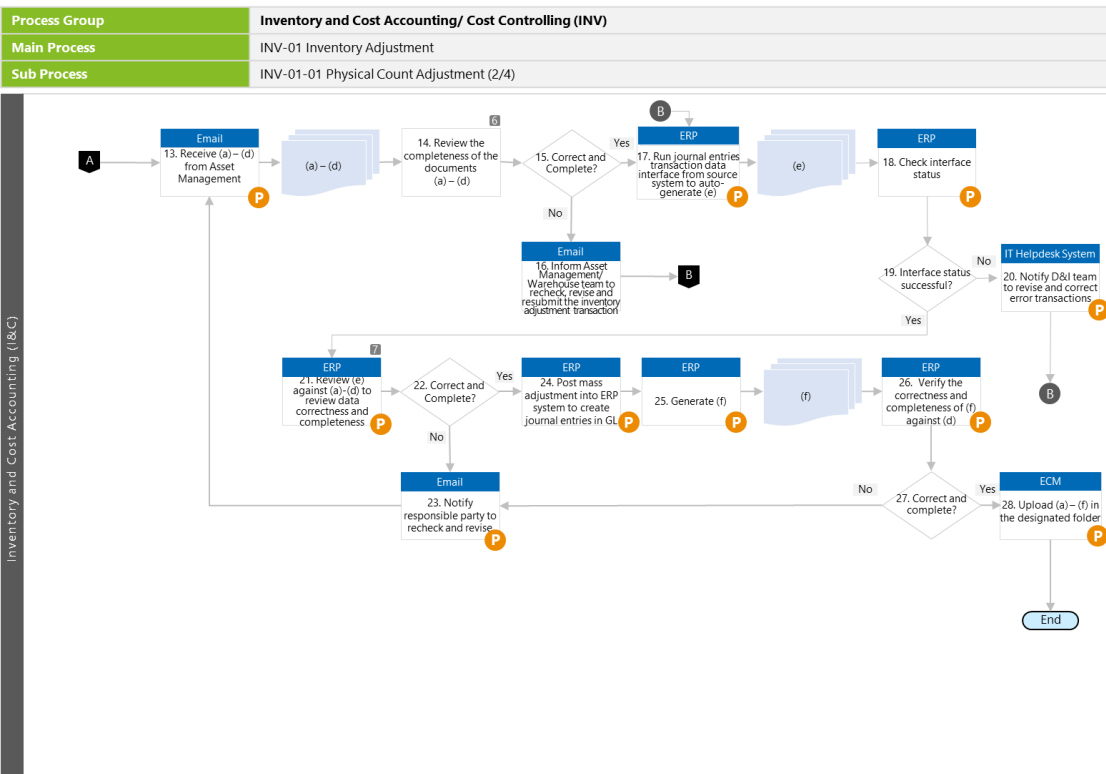


#### Relevant Document(s)

- List of Inventory
- Inventory Physical Count Report
- Inventory Variance Report
- Inventory Adjustment Memo
- Exception Report
- Inventory Adjustment Report
- Inventory Balance Report (based on agreed location and inventory type between company and surveyor)
- Physical Count report from third-party surveyor
- Cost of Goods Sold (COGS) Adjustment

#### Remark(s)

- The list of inventory is generated by assets number, which will be referred to when recording the physical count result.
- The List of Inventory should have two versions. One only includes all details, e.g. inventory name, location, unit of measure, quantity. Another will also include all, except the quantity, to be used for distributing to the counting team to fill out the counting results.
- Inventory Physical Count Report contains at least the following information:
  - Date and time of physical count
  - Physical count location
  - Physical count methodology
  - Types and list of inventory
  - Remark for any mismatch from counting
  - Approval of inventory count report
- Authorized person(s) will be designated as per the company's policy, such as Designation of Approval (DoA).
- All adjustments must be completed by month-end of the physical counting period to ensure alignment of data between ERP and Asset Management system.



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- Physical Count report from third-party surveyor
- Cost of Goods Sold (COGS) Adjustment

#### Remark(s)

- Inventory and Cost Accounting team review at least the following (if any):
  - Completeness and correctness of the approval
  - Adjusted amount and units in the physical count report
  - The justification to accept the discrepancies.
  - The completeness and correctness of the adjustment in GL against the report
- Inventory and Cost Accounting team review the completeness and correctness of the adjustment in GL against the report

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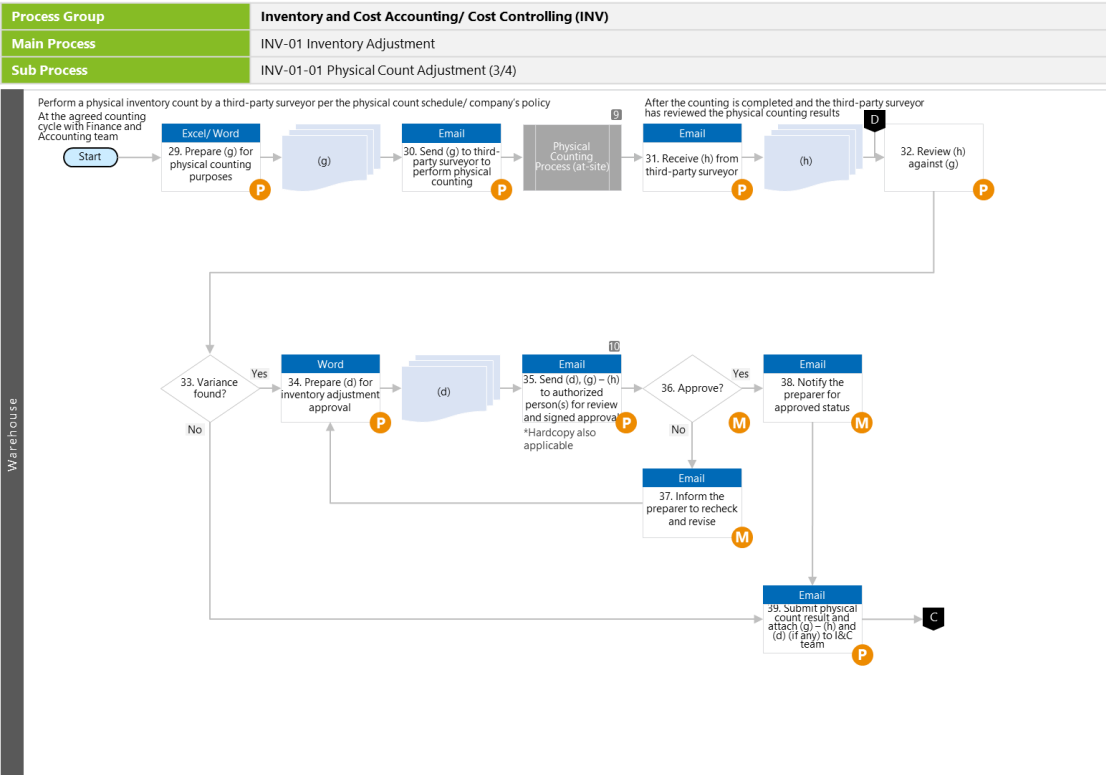
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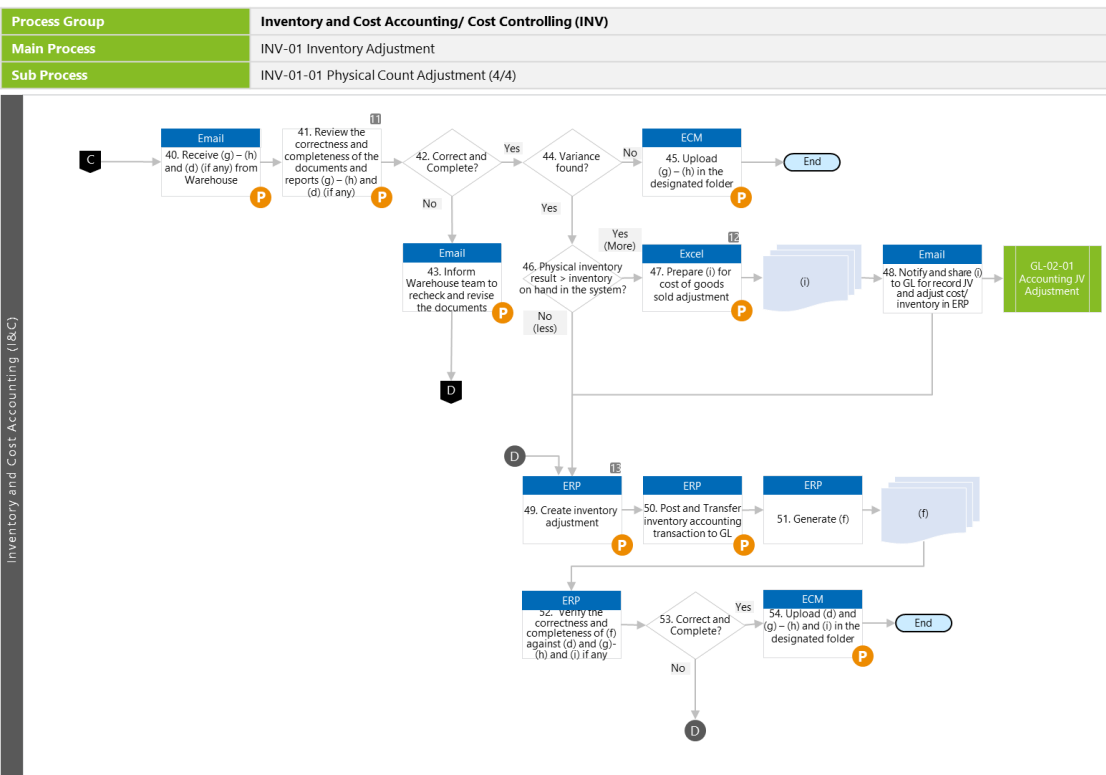


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- Physical Count report from third-party surveyor
- Cost of Goods Sold (COGS) Adjustment

#### Remark(s)

- The third-party surveyor will receive only the list of the inventory and which are needed to perform the physical count. The volume and amount balance must not be shared to ensure integrity and transparency during the counting.
- Authorized person(s) will be designated as per the company's policy, such as Designation of Approval (DoA).



#### Relevant Document(s)

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- Physical Count report from third-party surveyor
- Cost of Goods Sold (COGS) Adjustment

#### Remark(s)

- Inventory and Cost Accounting team review at least the following:
  - Inventory items in Physical count report from surveyor against Inventory Balance Report
  - Approval from the authorized person(s) for inventory adjustment.
  - The accuracy of adjustment items against the physical count report
  - The reasonableness of the inventory count discrepancies
  - Condition of inventory
- In cases where the physical count volume is greater than in the system, the cost of goods sold must be adjusted to reduce the cost of goods sold amount.
- Inventory adjustments are performed in the inventory subledger, which automatically adjust amount to GL transaction.

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### ***Detail of Procedure: INV-01-01***

#### **In case of performing a physical inventory count internally per the physical count schedule/ company's policy (from step #1 - #28)**

1. Upon reaching the agreed timing to perform physical inventory counting with Finance and Accounting team, Asset Management/ Warehouse preparer retrieves List of Inventory for physical counting purposes and distributing to the counting team.  
Note:
  - The list of inventory is generated by assets number, which will be referred to when recording the physical count result.
  - The list should have two versions. One only includes all details, e.g. inventory name, location, unit of measure, quantity. Another will also include all, except the quantity, to be used for distributing to the counting team to fill out the counting results.
2. After the Physical Counting Process (at-site) is completed, Asset Management/ Warehouse preparer prepares Inventory Physical Count Report to summarize the inventory counted quantity by location. The report contains at least the following information:
  - Date and time of physical count
  - Physical count location
  - Physical count methodology
  - Types and list of Inventory
  - Remark for any mismatch from counting
  - Approval of inventory count report
3. Asset Management/ Warehouse preparer reconciles List of Inventory from step #1 against Inventory Physical Count Report from step #2 by checking on the location and quantity of the counted inventory to create the Inventory Variance Report.
4. Asset Management/ Warehouse preparer reviews the result from step #3 whether the variance is found:
  - a. If the variance is found, proceed to step #5.
  - b. If the variance is not found, proceed to step #12.
5. Asset Management/ Warehouse preparer prepares the Inventory Adjustment Memo for inventory adjustment approval.
6. Asset Management/ Warehouse preparer sends the memo and Inventory Variance Report to authorized person(s) via email or print their hardcopy for review and sign approval.  
Note: Authorized person(s) will be designated as per the company's policy, i.e. Designation of Approval (DoA).
7. Authorized person(s) review and considers whether to approve:
  - a. If approved, proceed to step #9.
  - b. If not approved, proceed to step #8.
8. Authorized person(s) informs the preparer to revise and recheck on any error or point to further investigate via email. Then proceed back to step #5.
9. Authorized person(s) sign approved on the document and notify the preparer of the approved status via email (or handover the sign approved hardcopy document).
10. Asset Management/ Warehouse preparer adjusts the inventory quantity in Asset Management System based on the approved memo.  
Note: All adjustments must be completed by month-end of the physical counting period to ensure alignment of data between ERP and Asset Management System.

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11. Asset Management/ Warehouse preparer submits the inventory adjustment transactions in Asset Management System to prepare for interfacing to ERP.
12. Asset Management/ Warehouse preparer submits physical count result by sending email and attaching the following reports to I&C team:
  - List of Inventory
  - Inventory Physical Count Report
  - Inventory Variance Report
  - Inventory Adjustment Memo (if any)
13. I&C preparer receives the email of reports in step #12 from Asset Management/ Warehouse team.
14. I&C preparer reviews the completeness of documents.
 

Note: The team review at least the following (if any):

  - Completeness and correctness of the approval
  - Adjusted amount and units in the physical count report
  - The justification to accept the discrepancies
  - The completeness and correctness of the adjustment in GL against the report
15. I&C preparer considers whether documents are correct and complete.
  - a. If correct, proceed to step #17.
  - b. If incorrect and/or incomplete, proceed to step #16.
16. I&C preparer informs Asset Management/ Warehouse team to recheck, revise and resubmit inventory adjustment transaction. Then proceed back to step #2.
17. I&C preparer runs inventory adjustment transaction interfaced from Asset Management System to GL module in the ERP system. After the running is completed, the ERP system automatically generates Exception Report.
18. I&C preparer checks the interface status.
19. I&C preparer considers whether the interface is successful.
  - a. If successful, proceed to step #21.
  - b. If not successful, proceed to step #20.
20. I&C preparer notifies D&I team to revise and correct the error transactions, then proceed back to step #17.
21. I&C preparer reviews the Exception Report from step #17 against received reports and approved memo (if any) from Asset Management/ Warehouse.
 

Note:

  - The team review the completeness and correctness of the adjustment in GL against the report.
22. I&C preparer considers whether the documents are correct and complete:
  - a. If correct and complete, proceed to step #24.
  - b. If incorrect and/or incomplete, proceed to step #23.
23. I&C preparer notifies responsible party to recheck and revise via email, then proceed back to step #13.
24. I&C preparer posts mass adjustment into the ERP system to create journal entries in GL.
25. I&C preparer generates Inventory Adjustment Report.
26. I&C preparer reviews the Inventory Adjustment Report against Inventory Adjustment Memo.
27. I&C preparer considers whether the documents are correct and complete:
  - a. If correct and complete, proceed to step #28.
  - b. If incorrect and/or incomplete, proceed back to step #23.

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28. I&C preparer uploads and files the following documents and reports in the designated folder in ECM for reference.

- List of Inventory
- Inventory Physical Count Report
- Inventory Variance Report
- Inventory Adjustment Memo
- Exception Report
- Inventory Adjustment Report

*In case of performing a physical inventory count by a 'third-party' surveyor per the physical count schedule/ company's policy (from step #29 - #54)*

29. Upon reaching the agreed timing to perform physical inventory counting with Finance and Accounting team, Warehouse preparer prepares Inventory Balance Report, that scopes on the location/ zone and inventory item to count as agreed by the company and the surveyor in the agreed format.

30. Warehouse preparer sends the Inventory Balance Report to the surveyor via email to proceed with the physical counting process.

Note: The third-party surveyor will receive only the list of the inventory and zone which are needed to perform the physical count. The volume and amount balance must not be shared to ensure integrity and transparency during the counting.

31. After the Physical Counting Process (at-site) is completed, Warehouse preparer receives the Physical Count report from the surveyor via email.

32. Warehouse preparer reviews Physical Count report received from the surveyor against Inventory Balance Report from step #19.

33. Warehouse preparer reviews the result from step #32 whether variance is found:

- a. If variance is found, proceed to step #34.
- b. If variance is not found, proceed to step #39.

34. Warehouse preparer prepares Inventory Adjustment Memo for inventory adjustment approval.

35. Warehouse preparer sends the memo, Inventory Balance Report and the Physical Count report from third-party surveyor to authorized person(s) via email or print their hardcopy for review and sign approval.

Note: Authorized person(s) will be designated as per the company's policy, such as Designation of Approval (DoA).

36. Authorized person(s) reviews and considers whether to approve:

- a. If approved, proceed to step #38.
- b. If not approved, proceed to step #37.

37. Authorized person(s) informs the preparer to revise and recheck via email and to proceed back to step #34.

38. Authorized person(s) sign approved and notify the approval to the preparer via email (or handover the sign approved hardcopy document).

39. Warehouse preparer submits the following reports to I&C team:

- Inventory Balance Report from the ERP system
- Physical Count report from third-party surveyor
- Inventory Adjustment Memo (if any)

40. I&C preparer receives the documents and reports in step #39 from Warehouse team via email.



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41. I&C preparer reviews the completeness of the received documents and reports from step #40  
Note: I&C team review at least the following:
  - Inventory items in Physical count report from surveyor against Inventory Balance Report
  - Approval from the authorized person(s) for inventory adjustment.
  - The accuracy of adjustment items against the physical count report
  - The reasonableness of the inventory count discrepancies.
  - Condition of inventory
42. I&C preparer reviews the result from step #41 whether correct and complete:
  - a. If correct and complete, proceed to step #44.
  - b. If incorrect and/or incomplete, proceed to step #43.
43. I&C preparer informs Warehouse team to recheck and revise the documents via email. Then proceed back to step #32.
44. I&C preparer considers whether variance is found:
  - a. If the variance is found, proceed to step #46.
  - b. If the variance is not found, proceed to step #45.
45. I&C preparer uploads to file the following documents and reports in the designated folder in ECM for reference.
  - Inventory Balance Report (based on agreed location and inventory type between company and surveyor)
  - Physical Count report from third-party surveyor
46. I&C preparer considers whether the physical count result exceeds the inventory on hand in the system:
  - a. If the physical count result is greater than the inventory on hand in the system, proceed to step #47.
  - b. If the physical count result is not greater than the inventory on hand in the system, proceed to step #49.
47. I&C preparer prepares Cost of Goods Sold (COGs) Adjustment to prepare for the cost adjustment.  
Note: In cases where the physical count volume is greater than in the system, the cost of goods sold must be adjusted to reduce the cost of goods sold amount.
48. I&C preparer notifies, and shares Cost of Goods Sold (COGs) to GL team for record JV and adjust cost/ inventory in ERP. Then proceed to the work procedure of GL-02-01 Accounting JV Adjustment for cost adjustment.
49. I&C preparer creates inventory adjustment transactions in Inventory subledger of the ERP which automatically adjust amount to GL transaction.
50. I&C preparer posts and transfers the inventory adjustment accounting transaction to GL module in ERP.
51. I&C preparer generates the Inventory Adjustment Report that provide details of the adjustments in ERP for reference.
52. I&C preparer verifies the correctness and completeness of 'Inventory Adjustment Report' against 'Inventory Adjustment Memo', 'Inventory Balance Report', 'Physical Count Report' and Cost of Goods Sold (COGs) Adjustment (if any).
53. I&C preparer reviews the result from step #52 whether correct and complete:
  - a. If correct and complete, proceed to step #54.
  - b. If incorrect and/or incomplete, proceed to step #49.
54. I&C preparer uploads and files the following documents and reports in the designated folder in ECM for reference.
  - Inventory Adjustment Memo (if any)
  - Inventory Balance Report (based on agreed location and inventory type between company and surveyor)
  - Physical Count report from third-party surveyor
  - Cost of Goods Sold Adjustment