

Type: Standard Operating Procedure No: INV-02-01 Title: Project Settlement	Banpu Public Company Limited Finance	Page 1 / 4
--	---	------------

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 'Project Settlement process', ensuring that the value of the unfinished project, i.e. the work in progress, is correctly valued and recorded in the accounting system to ensure correct and timely reflection on 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:

- Project settlement
- Construction in Progress (CIP)
- Work in Progress (WIP)

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

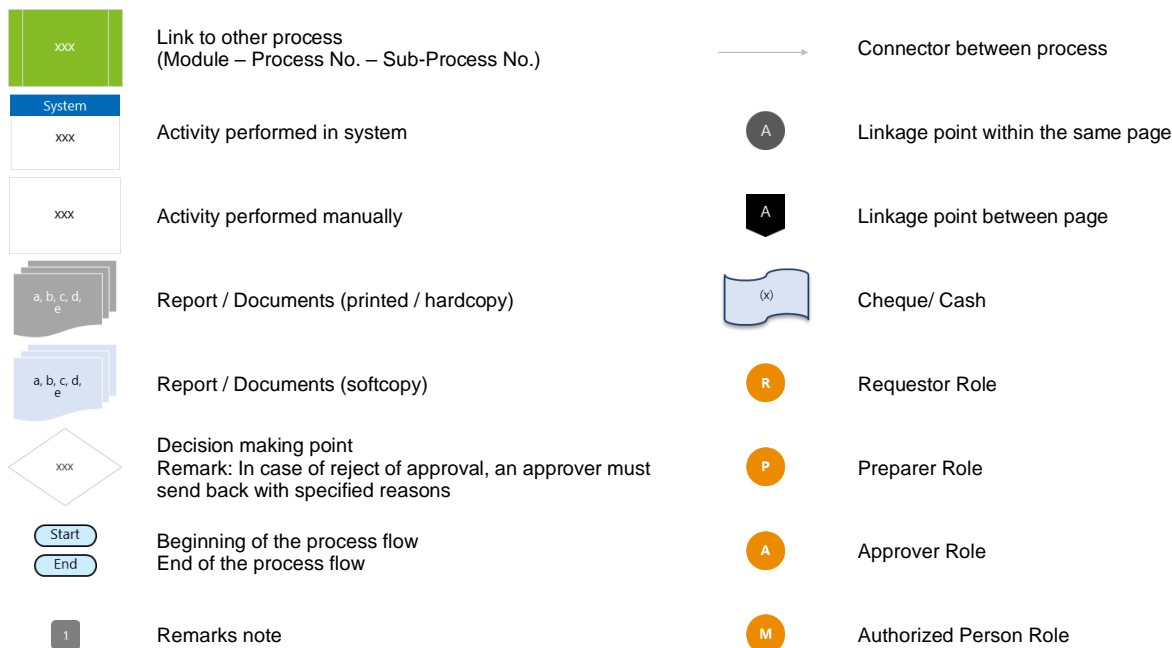
References:

N/A

Type: Standard Operating Procedure	Banpu Public Company Limited	Page 2 / 4
No: INV-02-01	Revision: 00	
Title: Project Settlement	Finance	

Flowchart:

Process Flowchart Legends

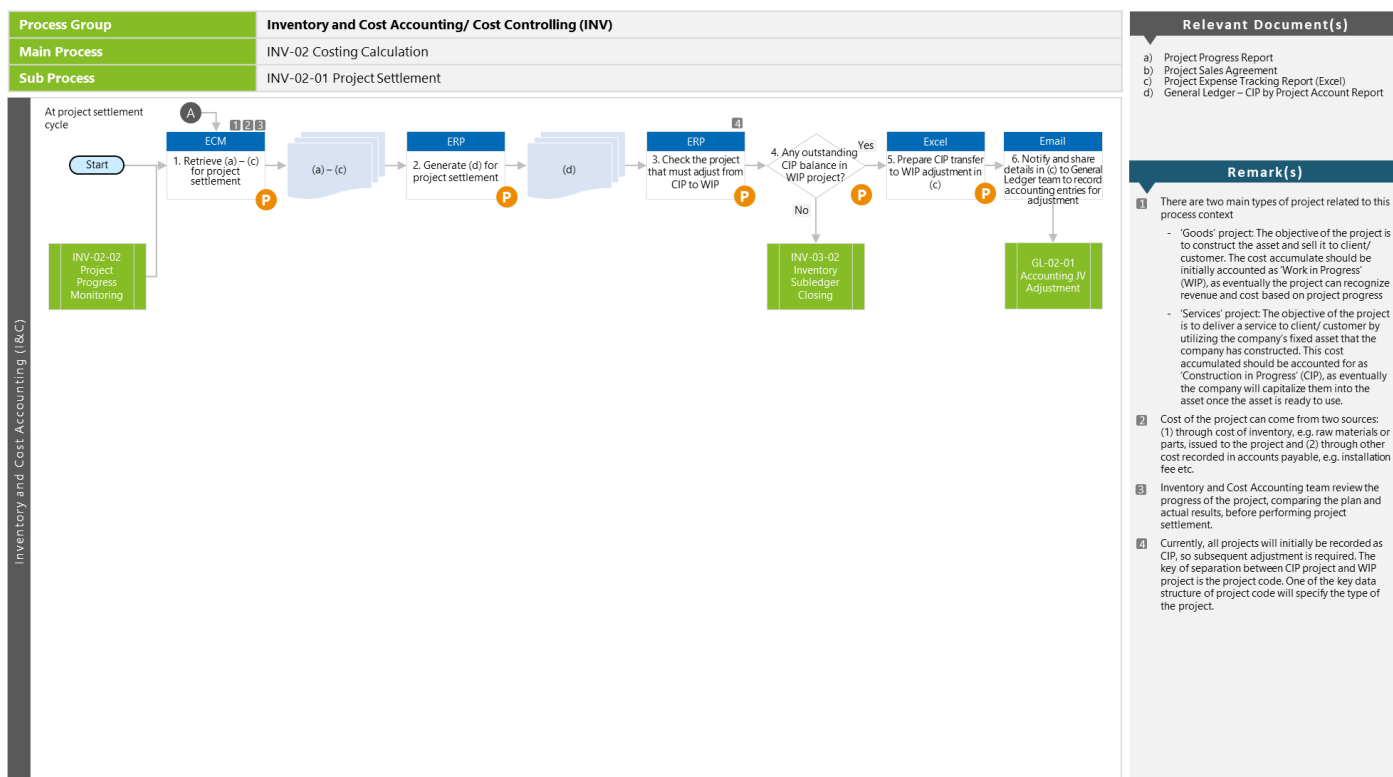


Abbreviations and Definitions

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

Type: Standard Operating Procedure	Banpu Public Company Limited	Page 3 / 4
No: INV-02-01	Revision: 00	
Title: Project Settlement	Finance	



Type: Standard Operating Procedure	Banpu Public Company Limited	
No: INV-02-01	Revision: 00	Page 4 / 4
Title: Project Settlement	Finance	

Detail of Procedure: INV-02-01

1. At the project settlement cycle, I&C preparer retrieves the following reports prepared by project manager from ECM.
 - Project Progress Report
 - Project Sales Agreement
 - Project Expense Tracking Report

Note:

 - There are two main types of project related to this process context
 - ‘Goods’ project: The objective of the project is to construct the asset and sell it to client/ customer. The cost accumulate should be initially accounted as ‘Work in Progress’ (WIP), as eventually the project can recognize revenue and cost based on project progress.
 - ‘Services’ project: The objective of the project is to deliver a service to client/ customer by utilizing the company’s fixed asset that the company has constructed. This cost accumulated should be accounted for as ‘Construction in Progress’ (CIP), as eventually the company will capitalize them into the asset once the asset is ready to use.
 - Cost of the project can come from two sources: (1) through cost of inventory, e.g. raw materials or parts, issued to the project and (2) through other cost recorded in accounts payable, e.g. installation fee etc.
 - Inventory and Cost Accounting team review the progress of the project, comparing the plan and actual results, before performing project settlement.
2. I&C preparer generates GL – ‘Construction in Progress (CIP)’ Account Report by Project from ERP.
3. I&C preparer checks the project that they must adjust from CIP to WIP.

Note:

 - Currently, all projects will initially be recorded as CIP, so subsequent adjustment is required. The key of separation between CIP project and WIP project is the project code. One of the key data structure of project code will specify the type of the project.
4. I&C preparer reviews and considers whether there is any outstanding CIP balance in WIP Project:
 - a. If there is any outstanding CIP balance for any WIP project, proceed to step #5.
 - b. If there is nothing outstanding, proceed to the work procedure of INV-03-02 Inventory Subledger Closing.
5. I&C preparer prepares the information for adjusting the transfer of Construction in Progress (CIP) to Work in Progress (WIP) account in ‘Project Expense Tracking Report’ in Excel.
6. I&C preparer notifies and shares details and the link of ‘Project Expense Tracking Report’ to GL team to record accounting entries for adjustment. Then proceed to the work procedure of GL-02-01 Accounting JV Adjustment.