

STANDARD OPERATING PROCEDURE	CODE: GA - 001		PAGE: 1 of 6
	EFFECTIVE:		UPDATE NO.: 0
	INITIATED BY: PRIMA CONSULTANT CO., LTD.		DEPT./SECTION:
	REVIEWED BY:		
	APPROVED BY:		
	SUBJECT:		FIXED ASSETS POLICY

OBJECTIVE:

To outline the procedures for acquiring, disposing and maintaining control of the hotel's fixed assets

POLICY

1. Asset acquisition with a useful life expectancy of greater than one year and with a minimum assets value as specified by the country legislation should be capitalized and depreciated using the straight-line method.
2. Proper files must be maintained on the details to all acquisitions, expenditures, and maintenance performed on all assets.
3. The Financial Controller will regularly review the insurance coverage of capital items in order to ensure that the hotel's assets are adequately insured.

PROCEDURE

I- Definition of Capital Expenditure

1. According to the uniform system of Accounts for Hotel the classification of fixed assets for the hotel may fall into the following categories:
 - Building
 - Leaseholds and leasehold improvements
 - Machinery and Equipment
 - Furniture Office Equipment
 - Motor Vehicles
 - Computer Hardware
 - Operating Equipment (Chinaware, Glassware, Silverware, Linen and Uniform).

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2. There are two categories of fixed assets used by a hotel
 - Moveable or relatively small in size, where both physical control and recording are necessary for control purpose e.g. table, chairs, typewriters, etc.
 - Immovable or relatively large in size, where proper recording is adequate for control purpose e.g. land, building, carpets, wallpapers, etc.

3. All assets with a useful life of greater than one year and with a minimum assets value as specified by the country law will be capitalized and (except for land) will be recorded in the depreciation records. A part of the asset's value is expensed every year as depreciation. Any asset that does not meet the above criteria will be expensed such as small tools and equipment or repairs and maintenance.

4. The value of the furniture and equipment assets will include all charges relating to the purchase of the asset including the purchase price, freight charges and installation if applicable. The gross value is not the market value or list price of the asset. It is the total amount invested in the purchase or the total amount paid. Leasehold improvements including painting are to be capitalized if they relate to the occupancy of a new office or a major renovation of an existing Office Expenditures incurred in connection with maintaining an existing facility in good working order should be expensed as a repair.

5. The value of buildings should include all expenditures related directly to its acquisition or construction. This cost includes materials, labour and overhead incurred during construction, and fees, such as attorney's and architect's and building permits.

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II- Asset record

1. Upon any asset acquisition, the Finance department is responsible for assigning and attaching asset number tags to the property where it can be readily located.
2. Finance will then maintain a detailed listing of each capital asset item on a Fixed Asset Register along with depreciation records which will include the asset serial number, description, type and classification, date acquired, purchase order reference and vendor's name, assigned department, cost basis, depreciation life, accumulated depreciation and net book value.
3. On an annual basis, Finance will furnish each department a report showing a listing of assets assigned to that department and any acquisitions, disposals and transfers during the past year. Any discrepancies noted by the department should notify the Accounting department as soon as possible.
4. The maintenance of the Fixed Assets Register should be assigned to the accounting staff, who will update the register once a month to reflect the movements as recorded in the control account for each class of fixed assets in the general ledger.
The Fixed Assets Register should be regularly balanced with control accounts in general ledger to ensure its clerical accuracy.

III- Asset disposal

1. Fixed assets may be sold or traded-in on new equipment. A disposal form is to be completed by the department concerned and approved by the Financial Controller, Director of Finance, General Manager and Managing Director. Fixed assets can under no circumstances be disposed of unless proper approval has been obtained from the authorized personal.
2. Upon approval and wherever possible, competitive bids are to be obtained

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when selling obsolete or surplus fixed assets. Sales record and approved disposal form will be submitted to Finance who will update the Fixed Asset Register and record any gain or loss on the disposal.

3. Worn-out or obsolete assets with no cash value will be reported to Finance on the disposal form with the description, serial number and condition. Finance will inspect the worn-out or obsolete asset before it is removed from the department and discarded. The asset will then be written off from the asset records, after the written approval of Financial Controller, Director of Finance, General Manager and Managing Director.
4. Any asset that is missing or has been stolen will be reported in writing to the head of department and Finance as soon as possible. The description, serial number, and other information about the lost asset should be included in the report. Finance will determine the proper course of action and will notify the insurance company and any outside authorities if deemed appropriate. If un-recovered, the asset will then be removed from the asset records, with written approval from Financial Controller, Director of Finance, General Manager and Managing Director..

IV- Depreciation

1. Asset depreciation must be calculated as from the date on which such item are ready for their intended use, normally the date of receipt.
2. Fixed assets must be depreciated under the straight-line method and the depreciation rate has to be in accordance with local laws. The lowest life permitted by tax regulations for asset classes should be selected to optimize depreciation deductions.
3. Fully depreciated items are retained in Fixed Assets register with appropriate notation, until a decision is made to sell or scrap.

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V- Control of Fixed Assets

1. The Head of Department is responsible for the care and condition of the fixed assets being used by the department. When any damage to a fixed asset is found, the Department Head should contact the Engineering department to see if repair is possible. If in the opinion of the Engineering department, the item is irreparable or the cost of the repair would be too high, the Department Head, at his discretion, can request the purchase of a replacement.
2. Interdepartmental transfers of assets are to be reported to Finance in writing including the description, serial number and the name of the department to receive the asset. Finance will then record the departmental transfer on the asset records. This does not apply for fixed assets that are temporarily moved.
3. In order to safeguard the hotel's fixed assets against unauthorized removal from the hotel premises, standard security procedures must be established. The security staff must ensure that all goods and materials leaving the hotel through the service area entrance have an approved gate-pass. This procedure must also be applied for fixed assets that are removed from the hotel for outside repair.
4. For confirmation of existence and location of assets, all movable fixed assets must be counted at least once a year or as often as required depending on the type of fixed assets and their importance.
It is recommended that a rotation count should be performed in order to alleviate the workload. Before counting, a detailed list of all available fixed assets held by each department will be prepared according to the Fixed Assets Register. Each department will be responsible for locating assets with its number tag attached that are recorded as assigned to their department, under the supervision of the accounting staff.
5. Reconciliation between the physical count and the accounting records will

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then be prepared after the physical count. Any discrepancy found should be investigated and explained, and the result must be reported directly to the General Manager.

Authorisation to Dispose or Write-Off Fixed Assets

Chief Accountant

Date

Financial Controller

Date

Director of Finance

Date