

STANDARD OPERATING PROCEDURE	CODE: GA - 004		PAGE: 1 of 6
	EFFECTIVE:		UPDATE No.: 0
	INITIATED BY: PRIMA CONSULTANT CO., LTD.		DEPT./SECTION:
	REVIEWED BY:		
	APPROVED BY:		
	SUBJECT:	CAPITAL EXPENDITURE AUTHORITY	

OBJECTIVE:

To complete the internal control of capital expenditure authorization

POLCY:

The purchase of any capital assets shall not be commenced, committed or issued until a Capital Expenditure Authority (CEA) has been approved.

An approved CEA provides final authorization to commit individual contracts, purchase orders, and other detailed commitment documents to implement a project and commit to capital expenditures.

A CEA will be completed for each budgeted line item in the Capital plan. Projects that carryover from a prior year do not require a new CEA as long as the spillover amount is included in the Capital Plan for the current year.

The CEA will detail the scope, schedule, cost components, cash flow and funding parameters. Sourcing and tendering shall be in compliance with the tendering and the company purchasing policy. Each CEA shall include an executive summary appropriately explaining the business rationale, funding, and budgetary impact of the request and a budget. Backup documentation will be attached where necessary, such as supplier quotes, tender recaps, contracts, purchase orders, design documents, schedule charts, etc,

Owner will provide capital projects involving the hiring of design consultants, construction which alters the physical characteristics of a property. They will also provide support on smaller projects at the request of operations and will review all CEA submittals greater than Baht 100,000.

All profit improvement type projects will require the financial analysis.

In an emergency, funds may be committed with the proper authorization prior to the completion of a CEA. Emergency projects are defined as projects that require immediate action to correct conditions that are hazardous to human life or to prevent an interruption of normal operations.

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Any necessary approval by the respective owners of the property must also be secured prior to commitment for purchase of Capital Expenditure.

PROCEDURE:

The Director of Finance and Financial Controller are responsible for ensuring all CEA requirements are met. The Hotel Financial Controller will control and monitor all supporting documentation pertaining to an approved CEA from inception to final completion. The General Manager are responsible for the business rationale, understanding the financial analysis model and the financial analysis.

1. CEA for Budgeted Expenditures

The General Manager and the Financial Controller will confirm the following in preparation of a request for authorization:

- a. The initial project scope and budget are substantially the same as that included in the approved Capital Plan.
- b. The CEA with all attachments is fully and properly completed, as required, and is mathematically accurate.
- c. Proposed expenditures are properly distributed to be capitalized or expensed, and is mathematically accurate.
- d. All required supporting documentation and attachments as herein indicated (i.e., budget, executive memo, tender offers, purchase orders, etc.) are completed. Signed as appropriate, and included with the request.
- e. Appropriate IRR/ROI calculations are provided to support the request, where required.

2. CEA for Non-Budgeted Expenditures

The Financial Controller’s responsibilities for the processing of all Non-Budgeted Expenditures are the same as those required for Budgeted items.

The funding of a Non-Budgeted project is found within the approved Capital Plan by cancelling and substituting an existing planned item.. A Non-Budgeted project should not be submitted for approval unless there are sufficient funds to cover the

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cost. The CEA must specifically identify which Budgeted Projects are to be cancelled and substituted to provide the necessary additional funding.

3. CEA for Emergency Expenditures

The Hotel is not authorized to proceed on an Emergency Capital Project without first obtaining approval from the Director of Finance. The request should be provided with the details of the emergency, as well as the estimated scope and cost of the resulting Emergency Capital Project. Based upon the review of the situation, the Director of Finance will advise the Hotel, as to whether they may proceed with the project on an emergency basis and to what extent. If the Director of Finance determines the project does not meet the criteria required for Emergency Capital Project authorization and the Hotel still wants to proceed with the Project, then it is to be submitted for approval as a Non-Budgeted Project.

The Financial Controller’s responsibilities for Emergency Capital Project Releases are the same as those required for Budgeted Projects. It is not required to find funding for an emergency Capital Project to obtain approval; however the hotel will have to make adjustments to their Capital Plan in order to fund the work.

4. Supplemental CEA

Authorization to spend against a large project budget should be requested in multiple CEA’s. The initial CEA is for the pre-Design/schematic Design Phase and supplemental CEA’s are required for the Model Room, Design Development & Construction Document Phase and the Purchasing & Construction Phase.

Over spending on a CEA is not permitted therefore project scope and budget should be finalized and appropriate contingency included prior to submittal. In the event that a project will exceed an authorized CEA, a supplemental CEA should be submitted. Funding will need to be identified if the budget has been exceeded. The supplemental CEA process and form is identical to the CEA process.

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CEA SUBMITTAL REQUIREMENTS

1. Executive Summary

All CEA'S require an executive summary appropriately explaining the business rationale, funding, and budgetary impact of the request. The aim of the rationale is to provide information to evaluate the project quickly and make a timely decision. It should be clear, concise and demonstrate that the proposal is a project with limited risk

2. Project Documentation/Contracts

Projects with multiple vendors and/or suppliers also require a detailed cost schedule, a detailed time schedule, plans, specifications, etc. that accurately describe the detailed scope of the project. The unsigned contract for selected vendor or the unsigned purchase order for the supplier should be included in the package. Submittal of individual purchase orders is not required for large renovation projects where a detailed cost schedule and specifications are included in the submittal package.

3. Proposals/Tender Offers

Attach a copy of all proposals/tender offers. Indicate which proposal was selected and if not the lowest cost indicate the reason.

4. Capital Lease Analysis

A copy of the lease versus buy analysis, signed by the General Manager and the Financial Controller, as support for the lease or purchase decision.

5. Owner Approval

Hotels without funded reserves require Owner approval for Capital Projects, unless the Owner has agreed, in writing, to an alternative arrangement.

Hotels with funded reserves generally do not require Owner approval for expenditure of reserve funds unless specifically state that Owner approval is required for all Capital Projects. Also, Owner approval is required if funded reserves have been exhausted.

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In all situations where Owner approval is required, a letter from the Owner indicating approval and agreement to fund the project must be obtained prior to any project commitments. A copy of this letter is to be forwarded to the Director of Finance and retained by the Financial Controller in the project file.

DEFINITIONS

Budgeted Projects

A budgeted project is one that has been approved by Head office for inclusion in the hotel's current Capital Plan. The hotels will be notified of approved capital Plan at the beginning of the budget year.

Non-Budgeted Projects

A Non-Budgeted Project is one that has not been approved by Head Office for inclusion in the capital Budget. They include substantial scope changes and/or project budgets, which exceed budgeted budgets costs including established contingencies.

Emergency Capital Projects

An emergency Capital Project is one that requires immediate attention to rectify the following situations:

- a. Danger to human welfare
- b. Curtailment or elimination of critical guest services
- c. A penalty resulting from a citation that requires immediate attention

This policy is intended to recognize that in rare cases work must begin to correct a dangerous situation prior to the submission of the project paperwork.

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Chief Accountant

Date

Financial Controller

Date

Director of Finance

Date