



# **ACQUISITION & DISPOSAL OF FIXED ASSETS POLICY**

**Last Amended: June 08, 2020**

**Adopted by the Board: June 08, 2020**

## **1. PREAMBLE**

Subject to Public Sector Companies (Corporate Governance) Rules 2013 and applicable relevant law on the subject in force explicitly adopted by the HESCO Board from time to time and to ensure policy for Acquisition & Disposal of Fixed Assets with Corporate Governance as enunciated in relevant laws and rules thereunder, for the Board of Directors, Senior Management, and all employees of Hyderabad Electric Supply Company Limited (the “**Company**” or “**HESCO**”) and inconsequent to the requirement of Rule 5 (4) of the Public Sector Companies (Corporate Governance) Rules, 2013 (the “**Rules**”) the HESCO Board has unanimously approved this policy.

## **2. PURPOSE**

The purpose of this policy is:

- 1) Compliance of Public Sector (Corporate Governance) Rules, 2013.
- 2) To ensure acquisition and disposal of assets through efficient, effective, transparent and adequately documented manner, in compliance with other company policies including, Accounting Manual of HESCO and Book of Financial Power of HESCO and WAPDA Procedures for Purchase and Disposal of Assets.

## **3. DEFINITIONS**

### **A. FIXED ASSETS**

For the purpose of the policy Fixed Assets includes the followings:

1. Acquisition of Fixed Asset for which the HESCO has legal title and recorded in the Books of Accounts of the Company by Purchase, Gift, Transfer or Lease, including:
  - a. Land & Building

- b. Plant and Machinery
- c. Vehicles
- d. Furniture & Fitting
- e. Office Equipment
- f. Computer Equipment and
- g. Civil Works

2. Extension/Improvement in the Fixed Assets made above Rs. 100,000/=

3. Work in Progress

**B. DISPOSAL**

The sale, demolition, re-use or sale of surplus assets owned by HESCO.

**C. WRITE OFF**

Specifically refers to the removal or de-recognition of the asset from the HESCO Asset Register, or Statement of Financial Position, at nil value.

**4. PROCEDURE FOR ACQUISITION OF FIXED ASSETS**

- 1. Fixed Assets shall be acquired through Purchase, Gift, Transfer or Lease as per WAPDA Purchase Procedures adopted by HESCO
- 2. The authorities competent for grant of financial approval are specified in the Book of Financial Power of HESCO
- 3. Accounting of the Fixed Assets will be made as per Accounting Manual of HESCO

**5. REGISTER OF FIXED ASSET**

All Accounting Units of HESCO are maintaining Fixed Assets Register which is compiled by the Assets Department of Finance Directorate. Minimum information required to be kept in the Assets Register includes:

- 1) Description
- 2) Classification of asset
- 3) Date of purchase or date of completion
- 4) Original purchase cost in rupees
- 5) Cost in foreign currency (where applicable)
- 6) Asset identification number
- 7) Current location
- 8) Ownership of/responsibility for asset

Every change affecting the ownership, occupation or change in location of the asset or Disposal of Fixed Asset is subject of an entry in the Register of Fixed Assets.

#### **6. REPORTING OF FIXED ASSETS**

- 1) All Accounting Units shall prepare a fixed assets report, from the Fixed Assets Register on prescribed format and send to the concerned Assets Department of Finance Directorate.
- 2) The Assets Department shall check the data, investigate any differences and consolidate the information for including into the Annual Accounts.

#### **7. RESPONSIBILITY FOR RECORDING ACQUISITION AND DISPOSAL OF FIXED ASSETS**

Responsibility for fixed assets recording:

- 1) The Accounting Units shall ensure that the Fixed Assets Register kept in his/her formation is properly maintained and is up-to-date.
- 2) All Accounting Units will regularly review their holdings of fixed assets (including land & building, plants, machinery, furniture & fittings, office

equipment, computers etc.) in order to match with the fixed assets records and to identify surplus assets.

- 3) The Fixed Assets Register will be maintained by the Accounting Units and will ensure appropriate precautions to safeguard the accuracy and integrity of the record.
- 4) Any entry in the register will only be made by an authorized officer who will sign it on every entry.
- 5) No item will be removed from the register except under proper authority. When an item is removed the record should be noted to show the date and reasons for removal and the reference of the relevant written authority.
- 6) Where an asset is jointly owned by more than one department/entity, the Fixed Assets Register will be kept by the nominated controlling department/entity.

## **8. GENERAL POLICIES FOR DISPOSAL OF FIXED ASSETS**

- 1) Surpluses should be sold as quickly as possible, subject to value for money considerations and guidelines set by the WAPDA/HESCO in relation to disposal of assets.
- 2) Surplus assets shall be sold on the open market by means of public auction or tender.
- 3) Where open market value is not available, company will form a valuation committee with one member is District Valuer OR suitably qualified private sector valuer.
- 4) Company shall ensure that appropriate systems of control are instituted over the disposals of assets. In particular they should ensure that the staff concerned are properly supervised and that duties are adequately separated; for example that staff responsible for selling assets do not also value them.

- 5) Where a loss of asset has taken place, it shall be taken off the Fixed Assets Register and included in the Loss Register
- 6) Disposal of assets to ex-WAPDA corporate entities will be treated as an arm's length transaction i.e. the asset will be sold on cash basis instead of as a book entry going through Receivable/Payable Mechanism.
- 7) On transfer the asset shall be removed from the Fixed Assets Register by the concerned Accounting Unit. The Accounting Unit will also inform Assets Department of Finance Directorate, who shall make the adjustment in the fixed assets account.
- 8) Compliance with accounting policies and financial reporting standards will be ensured.
- 9) Accounting Units will consult Assets Department of Finance Directorate for seeking guidance on Asset disposal procedure and accounting of the transaction, where required.

## **9. TRADE-INS AND SWAPS**

- 1) Each trade-in arrangement will only to be approved by a delegated officer of the Company having the authority to incur expenditure representing the gross value of the purchase transaction, i.e. actual expenditure plus the value given by the supplier for the items traded-in.
- 2) Similarly, swap arrangements shall be approved in each case by a delegated officer empowered to incur expenditure equal to the estimated gross value of the items being acquired in the swap.
- 3) On trade-ins or swaps the asset traded-in or swapped shall be removed from the Fixed Assets Register and new asset shall be added to the Fixed Assets Register by the concerned officer.

- 4) The delegated officer shall also inform the Assets Department of Finance Directorate of this trade-in or swap, who shall make the adjustment in the fixed assets account.

#### **10. AUTHORITIES COMPETENT FOR DISPOSAL OF ASSETS**

Authorities specified in the Book of Financial Powers of HESCO are competent for disposal of Fixed Assets. The instances where there is no defined authority, Board of Directors is the ultimate forum for grant of approval for disposal of fixed assets.

#### **11. ACCOUNTING OF FIXED ASSETS AND DISPOSAL OF FIXED ASSETS**

Accounting of Disposal of Assets will be made as per Accounting Manual of HESCO.

#### **12. RELATIONSHIP WITH OTHER POLICIES**

This policy needs to be read in conjunction with other relevant adopted policies and Procedures.

- 1- Book of Financial Power of HESCO
- 2- Accounting Manual of HESCO
- 3- WAPDA Procedure for Disposal of Assets

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