

REPUBLIC SURETY & INSURANCE CO, INC.	ACCOUNTING POLICY / PROCEDURE	
	Doc. No. : ACC-07	Issue Date : January 2, 2013
	Rev. No. : 000	Page : 1 of 6
Title: <u>FIXED ASSET</u>		

1.0 PURPOSE

This policy provides the general administration and management of fixed assets.

2.0 POLICY

2.1 Capitalization

2.1.1 Fixed assets are acquisitions , relatively permanent in nature used in operation. These are depreciated throughout their serviceable years, the amortized costs of which are charged to operations

2.1.2 Fixed assets are categorized into:

- Office Equipment
- Computer Equipment
- Computer Software
- Furniture & Fixture
- Transportation Equipment
- Leasehold improvement – cost of improvements to the structure of the building.

2.1.3 All company assets Php 3,000 and above (on a per item basis) shall be capitalized.

2.1.4 Company assets with an aggregate amount of P3,000.00 and above (per item is less than P3,000.00) shall be depreciated for six (6 months), E.g. tables & chairs

2.1.5 The cost of assets includes all other expenses necessary to put the asset in working condition such as the following

- Expenses for equipment and parts made as permanent part of the assets
- Permits and legal fees
- Labor charges, materials and other expenses incurred in placing the asset in readiness for operation or use.

2.1.6 Additions, improvements, replacements and repairs of assets shall only be capitalized as an addition to the original cost if the following criteria are met:

1) Total cost is at least 50% or more of the original cost of the asset; and

2) Any of the following conditions are met:

- It shall extend the life of the asset
- It shall increase the capacity or improve the efficiency of the asset

REPUBLIC SURETY & INSURANCE CO, INC.	ACCOUNTING POLICY / PROCEDURE	
	Doc. No. : ACC-07	Issue Date : January 2, 2013
	Rev. No. : 000	Page : 2 of 6
Title: <u>FIXED ASSET</u>		

- It shall benefit current and future operations.

2.1.7 Asset number must be attached to the fixed asset.

2.1.8 Fixed asset register shall be maintained with the following details

- Asset Code / Number
- Asset description
- Cost
- Date acquired
- Location / in charge

2.1.9 Non – capitalized register shall also be maintained for non- capitalized asset (asset below P3,000) for monitoring purposes.

2.2 Depreciation

2.2.1 Company asset shall be depreciated using the straight-line method based on the estimated useful life of the asset as determined by management in consultation with technical personnel.

- Transportation & Office Equipment 5 years
- Furniture & Fixture 5 years
- Computer Equipment/Computer Software 5 years

2.2.2 Leasehold improvements shall be amortized over the life of the asset or term of the lease, whichever is shorter.

2.2.3 Capitalized additions, improvements etc. cost of the assets shall be depreciated over the remaining life of the asset.

2.2.4 All acquisitions and additions to plant and equipment shall be depreciated as follows:

- From 1st to 15th of the month - current month
- From 16th to 31st of the month - following month

2.2.5 Lapsing schedule shall be maintained and updated regularly which shall be used as the basis for monthly depreciation provision.

3.3 Procurement

3.3.1 All Plant & Equipment requisitions shall be supported by a Request for Capital Expenditure form (RCE) duly approved by authorized signatories.

3.3.2 All requisitions for computer and other IT-related capital expenditures shall pass through the IT Manager for review and recommendation.

REPUBLIC SURETY & INSURANCE CO, INC.	ACCOUNTING POLICY / PROCEDURE	
	Doc. No. : ACC-07	Issue Date : January 2, 2013
	Rev. No. : 000	Page : 3 of 6
Title: <u>FIXED ASSET</u>		

3.3.3 All requisition shall be within budget allocation and with proper justification. If the item is not budgeted, a detailed justification and quantitative cost benefit analysis is needed. Justification must include the following:

- Additional revenue (if applicable)
- Payback period
- Indicate also the following:
 1. If the asset is addition or replacement
 2. If replacement- give reason for replacement and proposed disposition of old asset.

3.3.4 All requisitions shall pass through the CFO for budget review.

3.3.5 Only the Purchasing Officer shall handle price negotiations, except for very urgent purchases which must be approved by the President.

3.3.6 For every purchase of capital expenditure, a quotation shall be made from two (2) to three (3) suppliers with the purpose of obtaining the best and most advantageous price with the same quality as required.

3.4 Issuance /Accountability

3.4.1 A Fixed Asset Transfer & Accountability Form (FATA) shall be used for each asset to monitor and control the movement, location and accountability of assets.

3.4.2 An asset tag sticker with identification number shall be attached by the Admin Staff to the fixed asset before issuance.

3.4.3 FATA form shall be issued to the requesting department or end user who will be accountable for the said asset.

3.5 Disposal

3.5.1 Office equipment , furniture & fixtures and computer equipment shall be recommended for disposal when they show any of the ff:

- It is no longer needed for current & future operations
- It is no longer feasible/ or not cost effective to repair
- It's maintenance cost is greater than its replacement cost.
- It's already obsolete.

3.5.2 Disposal of Asset such as sale and retirement shall be recommended by the Department Head , reviewed by the CFO and approved by the President.

REPUBLIC SURETY & INSURANCE CO, INC.	ACCOUNTING POLICY / PROCEDURE	
	Doc. No. : ACC-07	Issue Date : January 2, 2013
	Rev. No. : 000	Page : 4 of 6
Title: <u>FIXED ASSET</u>		

- 3.5.3 Sale of asset shall be conducted by the Bidding Committee which shall be composed of one representative from Finance, Office of the President, Marketing and Underwriting , through a sealed bidding . All regular employees are allowed to participate. Opening of bids may be witnessed by any or all – participating bidders.
- 3.5.4 Floor price shall be based on net book value or market value whichever is higher plus Value Added Tax (VAT).
- 3.5.5 Winning bidder shall be informed in writing immediately after the opening of the bid. He/She must settle / pay within one week after the receipt of the notice of award, otherwise he/she will be disqualified and the award will be given to the next highest bidder.
- 3.5.6 Winning bidder shall present the official receipt of payment to the bidding committee before the asset will be released.
- 3.5.7 An asset disposal monitoring list shall be maintained with the following details:
- Description of asset/ asset number
 - Acquisition cost/ accumulated depreciation
 - Net book value
 - Selling price / loss on disposal

3.6 Physical Inventory

- 3.6.1 A physical inventory of plant and equipment shall be conducted every two (2) years by the Admin Manager towards the end of the year
- 3.6.2 A report of unaccounted fixed assets and other variances after the physical count shall be submitted to the CFO for review and adjustment in the books shall be made.
- 3.6.3 Lost asset shall be charged to the person accountable of the said asset at Net book value.

4.0 PROCEDURE

- 4.1 Requesting party shall fill out the RCE form and submit it together with the supporting documents (canvass sheet, 3 quotations, justification etc.) to his/her immediate superior for review and recommendation.
- 4.2 Reviewed RCE together with the supporting documents shall be forwarded to the IT Manager for IT related assets.
- 4.3 All RCE shall pass through the CFO for budget review and control.

REPUBLIC SURETY & INSURANCE CO, INC.	ACCOUNTING POLICY / PROCEDURE	
	Doc. No. : ACC-07	Issue Date : January 2, 2013
	Rev. No. : 000	Page : 5 of 6
Title: <u>FIXED ASSET</u>		

- 4.4 Reviewed RCE shall be forwarded to the authorized signatories (President / Board)for approval.
- 4.5 Approved RCE shall be forwarded to the Purchasing Officer for Purchase Order (PO) preparation.
- 4.6 PO shall be signed by the Purchasing Officer, IT Manager (for IT related items), CFO and the President.
- 4.7 Admin Officer and the Requesting Party shall be the one to receive the asset which must be in accordance with the specification stated in the PO.
- 4.8 Admin Officer shall attach the asset tag sticker containing the asset identification number on the asset before issuance.
- 4.9 FATA form shall be issued to the end user for accountability and monitoring purposes.
- 4.10 Yearly Physical inventory shall be conducted by the Admin Officer towards the end of the year .
- 4.11 Department Head shall fill out the RADI Form and submit it to the CFO for review and then to the President for approval.
- 4.12 In case of sale of asset, the Admin Officer shall form a bidding committee to conduct the bidding process.

5.0 RESPONSIBILITIES

5.1 Admin Staff

- Attach asset numbers on the fixed assets

5.2 Admin Manager

- Assigns Fixed Asset number
- Maintains the fixed asset register

5.3 IT Manager

- Reviews and verifies computer related capital expenditure request

5.4 Purchasing Officer

- Responsible for securing the best price and quality of the asset.

REPUBLIC SURETY & INSURANCE CO, INC.	ACCOUNTING POLICY / PROCEDURE	
	Doc. No. : ACC-07	Issue Date : January 2, 2013
	Rev. No. : 000	Page : 6 of 6
Title: <u>FIXED ASSET</u>		

5.5 Chief Financial Officer

- Reviews and verifies the capital expenditure request and asset disposal request.

5.6 President/Chairman of the Board

- Approves the capital expenditure request
- Approves the asset disposal request

6.0 ATTACHMENT

- 6.1 Request for Capital Expenditure (RCE) form
6.2 Fixed Asset Transfer & Accountability (FATA) form
6.3 Request for Asset Disposal form (RAD)

7.0 REFERENCE

- 7.1 Standard Accounting Internal Control

Prepared By:	Reviewed By:	Approved by:		
LILIA S. DAYCO Manager-Budget & Control	CECILIA P. PALLON VP-Chief Finance Officer	WERHNER V. PAREL VP-Chief Underwriting	RICARDO G. HERNANDEZ VP-Chief Marketing	PEDRO P. BENEDICTO, JR President