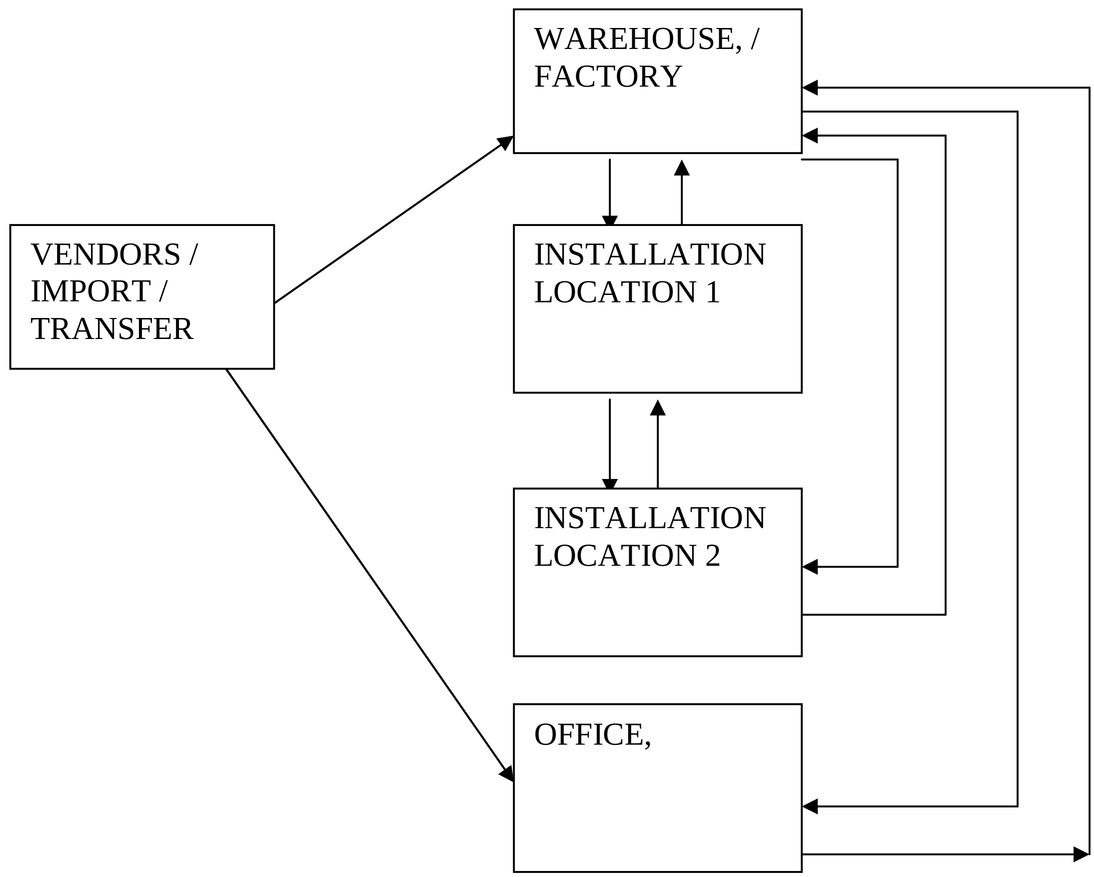
FIXED ASSETS AND INVENTORY ACCOUNTING SYSTEM

Summary of Procedure:

1. Prepare GRN for each receipt of Material
2. Prepare GIN for each issue of Material
3. Verification of each GRN/GIN at warehouse by the auditors
4. 4 Signatures for every document – Sender, Receiver, Verifier and Approver
5. Prepare 3 copies – 1 to movement, 1 to Accounts and 1 to book copy
6. Get installation report from site – Wind Mast wise
7. Prepare VAT Documents for transportation:
    VAT Delivery Challan
    Invoice if applicable
8. The documents format is enclosed herewith

9. FLOW CHART OF DOCUMENTS AND MATERIALS:



STANDARD OPERATING PROCEDURE (SOP)

Accounting for Fixed Assets

Purpose:

This policy document establishes policy and procedures for accounting for fixed assets.

Scope:

This policy document applies to assets managed by THE COMPANY in India at warehouse and other project locations.

Classification of Fixed Assets

The assets of the company are classified as under:

Land
Office Building
Non office building
Leasehold improvements
Project site owned/leased (Land)
Wind mill Equipment
Technical Installations
Vehicles-Motor Car/Bike/Truck etc
Interior Decorations
Furniture and Fixtures
Office Equipment
Computer and accessories
Software

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Movement of Fixed Assets – The procedure is mentioned as follows:

Receipts:

1. Prepare 1 + 2 copies of Goods Received Note (GRN) for each receipt transaction
2. To be signed by the sender, receiver, verifier and approved by the head of the department.
3. Original GRN should be attached with incoming documents and to be kept in the file.
4. One copy to the sender and another to be sent to accounts department.

5. Record the transaction in the material received register and update the inventory register (Excel Sheet)

Issues:

1. Prepare 1 + 2 copies of Goods Issue Note (GIN) for each issues of material.
2. Prepare VAT Delivery Challan (1 + 2) – fill all the details in the Form
3. To be signed by issuer, receiver, verifier and approved by the head of the department.
4. Original GIN and original VAT Delivery Challan (original + 1 copy) along with Xerox copies of connected invoice to be sent along with the material for transportation
5. One GIN to be sent to accounts department and book copy to be kept with the sender
6. Obtain confirmation of receipt / installation report from the receiver at project location / warehouse.
7. Subsequent movement should accompany the original documents of GIN, VAT 505 etc.
8. If it is a sale, prepare invoice also
9. Record the transaction in the material issue register and update the inventory register (Excel Sheet)

Periodical Physical Inventory:

1. The half yearly / annual physical inventory will be supervised by the accounts department and verified by the Director, Internal Audit. They will be assisted in this effort by the person in charge at each location.
2. The Accounts department, will provide a detail inventory listing (as per the excel sheet maintained) of all property on hand to the persons in charge. This list will show:
    a. Asset Description
    b. Item code
    c. Location
    d. Serial Number, where available
    e. Quantity
    f. Remarks if any
3. The data contained in the detail inventory listing shall be verified by a campus-wide physical count of property at a time designated by the Coordinator, Internal Audit.
4. All items in an area, warehouse, shop or office are to be identified and noted on the physical list.
5. The physical inventory will necessitate the opening of desks, filing cabinets, etc., so that each item valued at over Rs.5,000/- can be identified and listed on the inventory list.
6. No items should be removed from the area until a total inventory is complete.
7. Items listed on the print-out that should be omitted shall be lined out with explanation indicating the reason for elimination, including:
    a. Damaged or Lost or stolen
    b. Worn out or disassembled
    c. Item moved to another location (indicate new location)

    Please Note: Any items above that were not previously accounted for and are now being reported as missing will be included in a report. Equipment should not be deleted from the print-out until it can be determined that the asset cannot be located in any other location. Location name on the print-out should be changed to reflect all new locations.

Recording in the Books of Account:

1. Asset items should be capitalized at cost, freight, insurance and installation expenses.
2. All inventory transactions which are owned by the company are to be recorded in the books of account on the date of transaction where receipt and payment of money is involved.
3. Assets should be recorded as per the classification
4. Periodical depreciation as per the accounting policy of the company should be calculated.
5. All assets should bear Gross Value, accumulated depreciation and Net Value.

Name and address

GOODS RECEIVED NOTE

From Location:	

Received from (Name)	
Address	

GRN No.	
Date	
Document Ref:	
Approval Ref.	

Sl. No.	Item Code	Item Description	ID Mark if any	Unit of Measurement	Quantity	Remarks
		Total				

Notes	

Signature of Sender **Signature of Receiver** **Verified By** **Approved by**

Name and address

GOODS ISSUED NOTE

From Location:	

Issued to (Name)			GIN No.	
Address			Date and Time	
			Document Ref:	
			Approval Ref.	

Sl. No.	Item Code	Item Description	ID Mark if any	Unit of Measurement	Quantity	Remarks
		Total				

Notes	

Signature of Sender | Signature of Receiver | Verified By | Approved by