



Synergy House Berhad Group of Companies - Fixed Asset Policy



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1. INTRODUCTION, SCOPE AND PURPOSE


The purpose of this Fixed Asset Policy is to establish guidelines for procurement of fixed assets either through purchase or other means. All Department staff, faculty and admin staff are responsible for following this policy.

Therefore, the scope of the Policy shall include the following Synergy House Berhad Group entities i.e., companies:

1. Synergy House Furniture Sdn Bhd
2. Synergy House International Sdn Bhd
3. Sunny & Ker Furniture Industries Sdn Bhd
4. Synergy House Berhad

2. DEFINITIONS

- a) Fixed Asset is defined as those assets that provide benefit to the Company extending over more than two accounting periods. Fixed assets are durable and subject to depreciation over their expected/estimated useful life with the exception of lands, which usually appreciate. Fixed assets shall include office equipment, computer equipment (hardware and software), furniture, fixtures and fittings, motor vehicle, renovation works, general equipment and/or machinery and emergency response assets, tools and equipment.
- b) Depreciation is the measure of the wearing out, consumption or other loss in value of fixed assets whether arising from use, passing of time or obsolescence through technology or market changes.
- c) Accumulated Depreciation is the total amount of depreciation charged against income for an asset at the end of an accounting period and it does not reflect true losses in the market value of an asset.
- d) Net Book Value is Fixed Asset cost less accumulated depreciation and a value at which Company carries an asset on its Balance Sheet.
- e) Capex is capital expenditure on a new asset, excluding transfers. Capex is the acquisition or right to use, or the improvement of assets including purchase, lease, improvement or modification of land and buildings and purchase, lease, improvement or rearrangement of machinery, equipment, motor vehicles, furniture, fixtures, computer hardware and software.


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3. GENERAL CAPITALISATION POLICY

- a) Capitalization of fixed assets refers to accounting treatment reserved for the purchase of items to be used in the operation of the business. The process entails recording the purchase as an asset instead of a period expense, then amortizing, or depreciating, portions of the purchase price over a set period, in regular intervals. This allows the company to spread the cost of the asset over its useful life and avoid drastic impacts to the income statement in the period the asset was purchased. The Company shall treat as capital assets for any assets for which the Company has title with an expected useful life beyond one (1) year; together with any expenditure relating to the alteration, modernization of such asset which appreciably pro longs that item's period of usefulness, increases its value, or improves its utility to the Company.
- b) A fixed asset will be capitalized as a Balance Sheet item when:
- i) It is separately identifiable;
 - ii) The Company has the access to the benefits and risks associated with the use of it;
 - iii) It is held by Company for the use in the rendering of service, rental to others and administrative purposes;
 - iv) Its purchase is not for the purpose of resale or to be consumed as part of products or services;
Its expected/estimated useful life is at least one year; and
 - vi) Its purchase price is more than RM 2,000.00 per item or collectively where applicable.

4. FIXED ASSETS ACQUISITION

- a) All acquisition of fixed asset must be made within the approved Annual budget according to Chart of Authority. This is to ensure that all proposals to acquire fixed assets:
- i) Are carefully evaluated;
 - ii) Formally approved at appropriate levels; and as stated in Chart of Authority
- b) All acquisition of fixed asset shall issue a request form "Fixed Asset Request Form" in Wrike and approved in accordance with COA
- c) Where applicable at least two quotation is required for comparison.

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5. CUSTODY OF FIXED ASSET

It is essential that there is a proper recording and control of the Company's fixed assets and that there is a reasonable assurance that they can be accounted for at all times. This can be achieved by implementing the following procedures:

a) **Maintain a Fixed Assets Register**

All fixed assets are physically tagged and updated in the Fixed Assets Register. A periodic physical identification of assets held and agreed to the register maintained.

b) **Fixed Assets Register (FAR)**

FAR is a register generated by the Finance Department. It contains the details of each asset from all asset groups. The total NBV affixed assets generated by the FAR must be in agreement with the total value of fixed assets as reflected in the Balance Sheet of the Company. FAR is kept to facilitate monitoring and control of assets in used and should be checked that it tallies with both accounting records and physical assets concerned.

FAR can be maintained on an Excel format and should have the following details:


- i. Acquisition Date
- ii. Description of Assets
- iii. Identification of Assets
- iv. Class of Assets
- v. Location
- vi. Cost of Acquisition
- vii. Accumulated Depreciation
- viii. Net Book Value (NBV)

c) **Fixed Asset Tag (Identification of Assets)**

Each fixed asset must display a sequentially coded tag to facilitate physical identification with the exception of Motor Vehicles and Fitting and Renovation. This can be pasted, painted or welded to the assets (whichever is the most appropriate).

d) **Specific Location of Asset**

A brief description of an asset's specific location should be available to speed up any locating and identification task. This information should be incorporated in the FAR.

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e) Control of Assigned/ Unassigned Asset

i) Assigned Asset

An assigned asset is a mobile asset granted to an approved assignee, which include but not limited to the followings:

- Laptop/Notebook and/or accessories
- Special tools or mobile equipment that require specific expertise to operate
- Motor vehicle

ii) Unassigned Assets (General Assets)

Unassigned asset includes but not limited to the followings:

- All Office furniture
- Computer/Printer
- Television Set
- Telephone Set/Facsimile Machine


All staff are required to issue a Fixed Asset Transfer Form in Wrike and get approval from their Head of Department before moving any unassigned asset from its original location. Once approved, the movement of the said fixed asset shall be recorded in the FAR.

f) Physical Identification Process

- i) All fixed assets must be physically identified and systematically documented.
- ii) Fixed asset physical count is to be conducted once a year.
- iii) Any physical variances from the FAR must be investigated. If an asset is, for example, not at the location where it is supposed to be, appropriate action has to be taken.

g) Safeguard of fixed assets

- i) All assets of the Company must be properly safeguarded from any physical loss by theft or damage. Each asset, other than Motor Vehicle and Fitting and Renovation, must display an asset tag for physical identification purposes.
- ii) Any loss of assets must immediately be reported to Head of Department to initiate further action (refer Disposal of Fixed Assets section of this Guideline).

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6. FIXED ASSET DEPRECIATION

- a) Depreciation Charges
 - i) The depreciation of fixed assets purchased specifically for the use of office will be charged on a straight-line basis to the administrative overhead expenses.
 - ii) Depreciation shall be charged commencing from the month in which the asset is purchased or fully installed and ready for the intended usage.
 - iii) No depreciation shall be charged in the month of disposal asset.
 - iv) A monthly depreciation calculation is automatically generated by the ERP system for all Fixed Assets categories to update the General Ledger.

7. DISPOSAL/WRITTEN OFF OF FIXED ASSETS

- a) Disposal/ writ ten off of fixed asset shall take place when the asset is:
 - Obsolete or Expired (obsolescence of machinery parts, etc.);
 - Damaged;
 - Stolen;
 - Lost; or
 - Trade -in for new asset.

- b) A disposal/ written off of fixed asset must be made through the Fixed Assets Disposal Form in Wrike and shall be approved by the Executive Director.


- c) An Incident Report would also be required to be completed for assets that were damaged, stolen or lost followed by Fixed Assets Disposal Form.

- d) The Company may trade-in its existing fixed asset for a new one when the asset is:
 - Obsolete;
 - To be improved/upgraded due to inefficiency;
 - Not operating well; or
 - Damaged.

- e) Disposals shall be at market value.

8. TRANSFER OF FIXED ASSETS

- a) The physical movements of fixed assets between one location to another are termed as transfer.

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- b) Any transfer or request for usage of fixed assets other than the custodian must be made through the Fixed Asset Transfer Form in Wrike and shall be approved by the Head of Department.