





## **Synergy House Berhad Group of Companies - Inventory Policy**

	Document Code: <b>SHB-FNC-2023-P01</b>	Revision No.: <b>1</b>	Revision Date: <b>21 September 2023</b>	Supersedes: <b>5 August 2021</b>	Page No. 2 of 4
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## **1. INTRODUCTION, SCOPE AND PURPOSE**

The purpose to sets out the policy to be implemented by departmental stock holders to safeguard the proper use of the stock, including those of its subsidiary companies, against over-inflated or inaccurate stock valuations recorded in the accounts and to ensure compliance with the law and relevant regulations.

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. BACKGROUND**

The Company holds a significant amount of stock and each individual inventory holding department has a responsibility to manage risk and economic benefit by ensuring optimal stock holdings are held to support operations.

This policy for dealing with the provision for stock write off and disposal, forms part of the Company internal control and corporate governance arrangements.

## **3. REGULATORY FRAMEWORK AND RESPONSIBILITIES**

- a) Compliance with the Financial Regulations is a requirement for all employees of the Company.
- b) If there is uncertainty about the existence of stock, the net realisable value of the stock is less than the cost, or there are concerns that the stock will not be sold, then a stock provision should be set up. There are various methods that can be applied to help calculate the stock provision. It is recommended that calculations are based on predetermined criteria to produce the provisions to reduce stock from cost to net realisable value and for those calculations to take account of, as appropriate, the following circumstances of the stock:
  - Age
  - Movements during the last year
  - Expected future movements
  - Estimated scrap values

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#### **4. AUTHORISATION POLICY**

The policy for authorising the yearly provision and write off of stock is to be approved after a review by Executive Director. (based on COA)

#### **5. STOCK PROVISION**

A provision should be made at the end of each financial year to provide for excessive loss in the value of stock held, likely to be incurred in the coming year, through obsolescence, damage, expired shelf life, or lack of historic and future expected movement.

Three factors that need to be considered when an inventory department calculates their provision for the year are:

- Any stock older than 12 months
- Any stock with no movement over the last 12-month period
- Any stock known to be obsolete or with an expired shelf life
- No forecast order in the next 6 months

The calculation for provision for Stock Obsolescence: -

- Stock > 1 year - 50% of stock amount\*
- Stock > 2 years - 100 % of stock amount\*

\*General provision will be applicable if no specific provision is provided after the yearly review of inventories.

#### **6. STOCK WRITE OFF/DISPOSAL**

A disposal/written off of stock must be made through a request in Wrike and shall be reviewed and approved based on COA.