

# AGA KHAN UNIVERSITY

## Guidelines, Policies and Procedures

<b>Policy Name</b>	Fixed Assets Write off Policy
<b>Policy Number</b>	AKU-K/FIN/PL - 006
<b>Approved by</b>	Chief Financial Officer
<b>Date of Approval</b>	4th November 2022
<b>Contact Office</b>	Office of the University Registrar

### 1. Purpose:

- 1.1. This policy defines the criteria and circumstances under which Fixed Assets should be written off and/or disposed and process to be followed to write-off the fixed assets.
- 1.2. Fixed assets should be written-off and/or disposed whenever they:
  - 1.2.1. Are replaced; or
  - 1.2.2. Become technologically obsolete and/or operationally inefficient. Unserviceable and/or beyond economic repair;
  - 1.2.3. Become surplus/redundant (to current or immediate foreseeable needs)
  - 1.2.4. Are lost, stolen or misplaced.

### 2. Scope:

- 2.1. The policy is applicable to all units of The Aga Khan University Kenya (AKU-K). The word AKU-K is herein referred to as the "Institution".

### 3. Responsibility:

- 3.1. The Fixed Assets Section of Finance Department is responsible to implement this policy.

### 4. Terms and Definitions:

- 4.1. **"Fixed Assets"** Those assets which directly or indirectly contribute towards the operation of the institution, are not held for the purposes resale and have a life of more than one year are termed as fixed assets. The example of fixed assets includes land, buildings, equipment, vehicles, furniture, computer etc. For an asset to qualify as fixed assets, it must satisfy the following conditions:
  - 4.1.1. Economic Useful Life: The useful life of an assets must be more than one year. Acquisition of fixed assets is intended to benefit the current as well as future periods.
  - 4.1.2. Value: Purchase cost or initial cost of the fixed assets must be equal to Kshs 28,500.

- 4.1.3. Tangible Assets: Must have physical substance, adequate size (separately identifiable) and individuality to permit identification;
  - 4.2. **“Unserviceable or beyond economic repair”**: An asset becomes unserviceable, if it cannot be repaired due to extensive damage or due to any other technical reason. In case it can be repaired by incurring less than 50% of the replacement cost of the asset and the economic life of the asset can be enhanced by at least 3 years, then the asset should be repaired. If the cost of repair is beyond 50%, then the asset will be classified as being beyond economical repair and will be written-off.
  - 4.3. **“Technologically obsolete and operationally inefficient”**: An asset becomes technologically obsolete if it is in use for at least 5 years and a similar new asset provides 30% higher output (in terms of units, better images or additional features) compared with the existing asset. *An asset becomes operationally inefficient if the output of the asset in terms of quality and quantity has deteriorated i.e. asset is no longer producing required level of output as determined by the FMD and ISD departments.*
  - 4.4. **“Surplus/redundant asset”**: Any functional asset no longer in use or will not be used in next three years, will be considered as surplus / redundant asset.
  - 4.5. **“Theft / Lost / Misplaced”**: If an asset is misplaced from the department for 48 hours, without any intimation, this should be treated as theft / lost / misplaced and incidence report should be initiated by the user department. The Insurance section of the Finance Division should also be informed for raising the appropriate insurance claim for the lost / misplaced asset:
5. **Process / Procedure:**
    - 5.1. **Observations and limitations**
      - 5.1.1. Authorized Head of the Department/Supervisor should initiate the process for the Write-off/Disposable on the recommendation of FMD/IT/Security Department.
    - 5.2. **Procedure for write off**
      - 5.2.1. For budgeted replacements, the user shall generate online PR and mention Tag numbers of the Fixed Assets being replaced. Purchasing and Supply Chain Management Division shall send a copy of each PR raised to Fixed Asset section of Finance Department before issuing the Purchase order. Fixed Asset section of Finance Department shall ensure that the write off process as defined under this policy has been completed.
      - 5.2.2. For the replacement of non-budgeted assets, relevant Budget Control Section of Finance Department must at the time of approving the Purchase Requisitions (PRs) ensure that, Asset Write Form for the replaced assets has been filled, approved and attached with PR. The relevant Budget Control section of Finance Department shall forward the AWF to Fixed asset section for approval of CFO

- 5.2.3. While signing off the AWF, the Facilities Management Division or other service departments should also ensure that all assets that are replaced are removed from operations and the Material Disposal Request (MDR) is raised for disposal of the related spare parts.
- 5.2.4. Once the AWF is approved by CFO, AWF will be forwarded to the concerned department and disposal department for necessary action.
- 5.2.5. The Administrative Department responsible for disposal on receipt of the AWF will coordinate with the concerned department for the collection of the old asset.
- 5.2.6. The Administrative department responsible for Disposal will keep the inventory of all the assets collected from various departments for disposal until these fixed assets are finally disposed-off.
- 5.2.7. The Administrative Department responsible for Disposal shall inform Fixed Asset Section of Finance department regarding the fixed assets disposed-off on the basis of which, fixed assets section shall write off the fixed assets from the PeopleSoft System.

6. **Review of Policy**

- 6.1. This policy document shall be reviewed every three year or as required.

7. **Reference(s):**

- 7.1. Fixed Assets Policy
- 7.2. Fixed Asset writes off form.

8. **Annexures:**

- 8.1. N/A