



**DIRECTORATE OF RESEARCH &  
DEVELOPMENT**

**ALEX EKWUEME FEDERAL UNIVERSITY,  
NDUFU-ALIKE EBONYI STATE, NIGERIA**

**FIXED ASSET POLICY  
AND  
INVENTORY POLICY**

## SECTION ONE

### **FIXED ASSET POLICY**

## **1.00 FIXED ASSET POLICY AND PROCEDURE**

### **1.01 Purpose**

The purpose of this manual is to set forth the regulations and procedures governing the control and reporting of capital and controlled assets. It is intended to assist personnel in implementing and maintaining an effective property control program. The implementation of an effective and accurate process for tracking fixed assets is necessary. A fixed asset policy is a system of procedures that address the acquisition, use, control, protection, maintenance and disposal of assets. The establishment of a capital fixed asset policy and procedure for Alex Ekwueme Federal University, was approved by the University Governing Council.

### **1.02 Definitions**

For the purpose of these policies and procedures the following definitions apply.

#### **Assets**

Refers to both “capital” and “controlled assets” when used without specifically indicating either.

#### **Capital Assets**

Refers to real or tangible personal property having:

- A value greater than or equal to the capitalization threshold for the particular classification of the capital asset;

And

- Having an estimated useful life of greater than one year from the time of acquisition.

## **Controlled Assets**

Controlled Assets refers to those items with a historical cost of less than ₦10,000, but which are particularly at risk or vulnerable to loss or theft.

## **Classes of Capital Property**

Below is an outline of capital property classes which include but are not limited to the sub-categories listed.

### 1. Real Property

- a. Land
- b. Buildings
- c. Improvements other than Building
- d. Construction in progress

### 2. Machinery and Equipment

- a. Office Machinery and Equipment
- b. Furniture and Fixtures
- c. Computer Software
- d. Computer Hardware
- e. Communication Equipment
- f. Clinical/Dental Equipment
- g. Telecommunication Equipment
- h. Law Enforcement Equipment
- i. Capitalized Leases

### 3. Motor Vehicles

- a. Cars
- b. Trucks
  - i. Passenger
  - ii. Medium Service
  - iii. Heavy Service

- iv. Road Tractors
  - v. Garbage Trucks
  - c. Vans
  - d. Ambulance
4. Infrastructure
- a. Roads
  - b. Bridges
  - c. Sewer systems
  - d. Docks
  - e. Outdoor Lighting

### **1.03 Fixed Assets Register**

The Bursar through his representative shall maintain Fixed Assets Register of different categories of fixed asset in the University.

The register shall contain all relevant features in respect of each property owned by the University which will show the following particulars:-

- (i) Date of Purchase, name of the asset,
- (ii) Description, Quantity, model
- (iii) Serial Number identification;
- (iv) Name and Address of Suppliers
- (v) Cost of the asset
- (vi) Depreciation rate,
- (vii) Annual amount charges
- (viii) Accumulated depreciation
- (ix) Location of the asset.

Each category of fixed assets shall have a separate section in the register maintained for them, like motor vehicle register, Plant and Machinery register, Office Equipment etc.

In an assets register, each page will be used for an asset with a tag on top to easily indicate the asset.

- (a.) Purchase and Disposal of fixed asset should follow the normal accounting rules, practice and University regulation which is contained in the University fixed asset policy

#### **1.04 Capitalization thresholds**

Tennessee Tennis Association establishes ₦10,000.00 as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in Alex Ekwueme Federal University Ndufu-Alike financial statements (or books).

#### **1.05 Capitalization Method and Procedure**

Fixed assets shall be recorded at historic cost as of the date acquired or, if the cost is not readily determined, at estimated historic costs. Cost shall include applicable ancillary costs (i.e. shipping & delivery cost, installation cost, other costs associated to the asset).

Tangible assets costing below the aforementioned threshold amount are recorded as an expense for Alex Ekwueme Federal University Ndufu-Alike's annual financial statements.

## 1.06 Useful Life

The useful life of an asset is that period during which the asset provides benefits. Estimates of useful life consider factors such as physical wear and tear and technological changes that bear on the economic usefulness of the asset. The following chart summarizes the useful life for each type of currently held property and equipment:

<b>Equipment</b>	<b>Useful Life</b>
Computers	3 Years
Office Equipment	4 Years
Furniture	5 Years
Vehicles	5 Years

## 1.07 Depreciation Method

The organization has established the straight-line methodology for depreciating all fixed assets. Depreciation will begin in the month the asset is placed in service. Under the straight-line depreciation method, the basis of the asset is written off evenly over the useful life of the asset. The amount of annual depreciation is determined by dividing an asset's cost reduced by the salvage value, if any, by its estimated life. The total amount depreciated can never exceed the asset's historic cost less salvage value. At the end of the asset's estimated life, the salvage value will remain.

## 1.08 Responsibility

### **Asset Management Sponsor**

The Asset Management Sponsor shall be responsible for administering the policy and related regulations and procedures.

## **Administrator**

The Administrator is responsible for custody and control of assets assigned to the applicable department/facility.

## **Asset Management Coordinator**

The Asset Management Coordinator is responsible for coordinating asset audits and physical inventories with the asset management provider as well as recording capital asset acquisitions, transfers, and disposals.

## **1.09 Tagging and Identifying Inventoriable Assets**

### **Reason to Tag**

To identify inventoriable assets as belonging to the organization.

### **What to Tag**

All furniture and equipment with a replacement value above ₦10,000 must be tagged, including, but not limited to:

- Furniture

- Computers and Laptops

- Audio Visual Equipment

- Other equipment above ₦10,000 such as kitchen, health and fitness, or office machines

### **Controlled Assets**

Include assets that are sensitive, portable, or prone to theft.

### **When to Tag**

All items shall be tagged upon receipt.

### **When Not to Tag**

When impractical or impossible. Reasons not to mark are, but are not limited to, when the item:

Has a unique, permanent serial number usable for identification, security, and inventory control (such as vehicles);

Would lose significant historical or resale value if marked; and,

Would have its warranty negatively impacted if permanently marked.

### **1.10 Method for Marking**

Items shall be marked or tagged by writing unique alphanumeric on it.

### **1.11 Additions to Fixed Assets**

In order to maintain accurate asset records, when receiving a new asset into the organization, the first step is to determine if the asset should receive a property tag. Any item that the cost exceeds ₦10,000 and has a life greater than one year should be tagged. Additional items to be barcoded regardless of their value include controlled items such as overhead projectors, printers, televisions, DVD players, video cameras, digital cameras, fax machine, PCs, monitors, laptop computers, tablets, Fixed Asset Policy & Procedures two-way radios, and any item which may be easily stolen. If you have questions concerning a specific asset, contact

Once an asset has been labeled, it needs to be recorded. The Fixed Asset Maintenance Form is used to reporting all adjustments required in the Fixed Asset Master File.

### **1.12 Transfer of Assets**

In order to maintain accurate asset records, asset transfers shall be recorded promptly. A permanent transfer is one that has no current plans of return. The administrator transferring equipment will complete a fixed asset maintenance form. Information required on the form includes:

A) Code: Refer to the bottom of the form for codes. The code “T” is used to transfer and asset. B) Barcode Number for Fixed Asset: The building administrator must note the Fixed Asset number located on the barcode affixed to the asset, or obtain the number from the Fixed Asset listing that identifies the correct item. Consult the Fixed Asset listing for the proper asset number. C) Complete description of the item, including brand, model, etc. “DVD player” or “Laptop Computer” is not sufficient to properly identify the property. D) Identify the destination of the item. Send a copy of the form to Business and Finance and the receiving building’s administrator.

### **1.13 Disposition of Assets**

In order to maintain accurate asset records, asset disposals shall be recorded promptly. These records shall reflect whether the items have been surplus, traded in, sold, stolen, or destroyed. When property is beyond repair or is no longer needed, the equipment item must be returned to the Service Center for appropriate disposal. IT equipment will be disposed of by IT Department.

The administrator will complete a fixed asset maintenance form. Information required on the form includes:

- Barcode of Fixed Asset Number. The building administrator must note the Fixed Asset Number located on the barcode affixed to the asset or obtain the number from the fixed asset listing that identifies the correct item. Consult the Fixed Asset Listing for the proper asset number.
- Complete description of the item, including brand, model, serial number, color, and size, etc. “Color Monitor or Desk” is not sufficient to properly identify property.

## **1.14 Policy or Procedure on Acquisition.**

The University has a policy of acquisition and disposal of fixed asset.

### **Acquisition of Fixed Assets**

The steps are as follows:-

1. Management must agree of the acquisition in the board meeting based on its usefulness
2. Issuing out LPO by the University to three or more Vendors.
3. Receiving quotation from different Vendors
4. Compare with market prices
5. The Tender Board selects the most appropriate price based on manufacture, durability and ruggedness.
6. Issue out LPO to the selected bidder that meets the University criteria.
7. Inspect the purchased asset if it meets the University criteria
8. Open an asset register for the recording of the fixed asset at the original price including all the associated costs.
9. The asset register will have the following field names or headings, University asset ID no, Date of purchase, Description, Asset serial number, Amount , Depreciation rate, Net Book Value (NBV), Location of the asset, class of asset, Department, Status, Type of ownship (lease/hire purchase/outright purchase), requirement of insurance.

### **1.15 Valuation**

As required by IPSAS, fixed assets will be recorded at historical cost or estimated historical cost. Donated fixed assets will be recorded at fair market value at the time of donation.

### **1.16 Donations / Gifts**

Equipment donated to the University becomes the property of the University and is accounted for and disposed of according to the procedures set forth in the Accounting Manual of the Alex Ekwueme Federal University Ndufu-Alike. All donated equipment is assessed at the fair market value at the time the donation is received. Donated items determined to have no value for its manufactured purpose is treated as consumable materials. Donors may set restrictions on the use and disposition of donated property. In such instances, the donor's guidelines shall be followed. Supplemental records will be maintained to prove use and disposition.

### **1.17 Disposal of Fixed Assets.**

The University Management may decide to dispose the asset they have, owing to a particular reason(s).

The steps are as follows:-

1. The Management will agree on the need to dispose base on non usefulness of the asset either through Scrap.

2. Determine the Net Book Value (NBV) of the asset but if is a Land or property, a Valuer will revalue it based on the market value.
3. In case of repair or overhaul of the asset, such cost will be added back before determining the price of the asset.
4. The Board of Survey has to determine the value of the asset to be disposed for the Management approval
5. Publish the sale of the asset for wider notification of buyers.
6. List of selected buyers that meet the University criteria and price shall be forwarded to the Bursar.
7. Time lag of 48 hours to be given to the highest bidder to pay, where he fails the next highest bidder will be communicated.
8. Upon payment a duly signed University receipt and a letter of transfer of ownership are issued to the buyer for collection.
9. Write off the asset from the Asset Register
10. If the asset disposal value is higher than the Net Book Value that will mean an income to the University, otherwise a loss.
11. The amount realized on disposal whether gain or loss should be posted to Statement of Financial performance (Income and Expenditure Account).

### **1.18 Conducting Physical Inventory**

A physical inventory will be conducted annually for all inventoriable assets.

## **1.19 Recordkeeping**

Invoice sustaining an acquisition cost of each unit of property shall be retained for a minimum of Five year.

## **1.20 Missing Equipment**

It is the responsibility of the Store Officer is to maintain a record of all property belonging to the University. All new acquisitions are to be added promptly to the inventory and all items lost, stolen, destroyed or sold must be subtracted. When an agency is unable to locate property contained on its property records, one of the following possibilities must be considered:

1. The property was turned in to the proper disposal agency and the property records were not correctly posted.
2. The location of the property on the records is erroneous or it was relocated and the new location was not recorded on the records.
3. The property has been lost.
4. A theft has occurred.

When property on record cannot be located, the Inventory Supervisor conducts a thorough search in the following manner:

1. From the agency property records, obtain the full identification of the missing property and last recorded location.
2. Conduct a search of property disposal and transfer documents to see if the property could have been turned into Marketing and Redistribution or transferred to another agency.
3. Check the last recorded location and adjacent areas. An interview should be conducted with all individuals assigned to the area where the missing property was last located according to the property records.

4. Establish if the property involved has been loaned temporarily to other activities. If so, the activities identified should be searched in an attempt to locate the missing property.

If the above action fails to locate the missing property, it will be noted on the Inventory Report that exhaustive means were taken to locate the property and were unsuccessful.

If at any time during the search, it is suspected that a theft has occurred, the matter is brought to the attention of the Vice Chancellor for Finance who informs the Chancellor. The Chancellor will direct the Office of Public Safety to conduct an investigation. The Public Safety report will serve as the basis for deleting stolen property from the records. It is very important that each department maintain its own current equipment control file including the serial number, decal, description, and purchase date. This helps in confiscating stolen property.

When theft is not suspected and the missing property cannot be located, the Inventory Supervisor prepares a report based on the findings and makes a recommendation.

If during the Inventory process, the missing property is located, the proper location will be recorded on the property records. Further investigation will cease; however, the Inventory Supervisor will submit her report to the Vice Chancellor detailing the circumstances in which the property was located and making appropriate recommendations.

### **1.21 Deletion of Stolen Property**

If equipment is stolen, traded in or otherwise turned in to store, the Deletion Form is sent to Accounting for the proper adjustment in the general ledger. If no police report or other recognized authorization is available, the Inventory Department will

submit a report to the Vice Chancellor for Finance and Administration for request to delete the equipment.

### **1.22 Deterioration and Obsolescence**

Whenever an item of equipment becomes inadequate, is outdated or is deemed by the user department to no longer be of any intrinsic value, the Deletion Form is sent through the cycle. The Moving Request Form from the department is the document verifying that this action has occurred. The equipment is stored in the Warehouse awaiting the proper disposal. Although the form passed through the cycle, no Accounting or Property Control transactions are made until we are in receipt of a disposal ticket.

## **SECTION TWO**

### **INVENTORY POLICY**

## **2.0 Inventory Policy and Procedure**

### **2.1 Purpose**

The purpose of the Inventory Management is to lay down procedures and processes for the procurement management and control over inventory (stock) items in accordance with all relevant regulations and legislations and other policies and directives. The envisaged outcome is an efficient and effective control and inventory management tool for the Alex Ekwueme Federal University Ndufu-Alike.

### **2.2 Objectives**

The policy aims to achieve the following objectives which are to:-

- a) Provide guidelines that employees of the Alex Ekwueme Federal University Ndufu-Alike must follow in the management and control of inventory, including safeguarding and disposal of inventory.
- b) Procure inventory in line with the established procurement principles contained in the Public Procurement Act 2007.
- c) Eliminate any potential misuse of inventory and possible theft.

### **2.3 Meaning of Inventory**

Inventories are assets:

- Held in the form of materials or supplies to be consumed in the productive process;
- Held in the form of materials or supplies to be consumed or distributed in the rendering of services;
- Held for sale or distribution in the ordinary course of operation; and
- Held in the process of production for sale or distribution.

## 2.4 Examples of Inventories

- Examples of Inventories
  - Ammunition;
  - Consumable stores;
  - Machine materials/components;
  - Spare parts for plant and equipment;
  - Strategic stock piles (for example, energy reserves);
  - Stock of unissued currency;
  - Postal services supplies held for sale (for example stamps);
  - Stock of unissued PPE;
  - Educational/Training course materials;
  - Land/property held for resale

The following do not constitute inventories:

- Work-in-progress arising under construction contracts, including directly related contracts;
- Financial instruments;
- Farm produce inventories like livestock, agricultural and forest produce;
- Mineral ores to the extent that they are measured at net realizable in accordance with well-established practices in certain industries.

## 2.5 Cost of Inventories

- The cost element of inventories depends on whether the item of inventory is:
  - ✓ A bought –in inventories or
  - ✓ Internally created inventories.

- **Bought –in Inventories;**

The cost of bought –in inventories include:

- The purchase price;
- Import duties and other taxes;
- Transport, handling, and other costs directly attributable to the bought –in inventory; and
- Deductions of trade discounts, rebates and other related items are deducted in determining the cost of purchase.

## **2.6 Allocation of Fixed/Variable Overhead cost:**

- ✓ Fixed overhead costs are allocated to work-in-process/fully completed goods on a basis of Budgeted Fixed Overhead Costs divided by Budgeted completed goods. The result is referred to as Fixed Overhead Absorption Rate (FOAR).

## **Cost Excluded from the Cost of Inventories**

- Abnormal amounts of wasted materials;
- Storage costs, unless these costs are necessary in the production process before a further production starts;
- Administrative overheads that do not contribute to bringing inventories to their present location and condition;
- Selling costs;
- Interest and other borrowing costs;
- The foreign exchange fluctuation on the inventories acquired in foreign currency;
- The difference between the cost of purchase of inventories under normal credit terms and the amount payable under deferred settlement terms.

## **2.7 Recognition**

- Inventories should be recognized if:
  - ❖ Are controlled by the entity;
  - ❖ They are bought-in or created by the entity (which are attributable to past events);
  - ❖ It is probable that future economic benefits or service potentials associated with the items of inventories will flow to the entity; and
  - ❖ The cost or fair value of the inventories can be measured reliably.
- When inventories are sold, exchanged, or distributed, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized.

- If there is no related revenue, the expense is recognized when the goods are distributed or the related service rendered.
- The amount of any write-down of inventories and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs.

## 2.8 Measurement of Inventories

- Inventories shall be measured at the **lower of cost and net realizable value**, except where inventories are acquired through:
  - ❖ Non-exchange transaction or
  - ❖ They are held at no charge
  - ❖ They are held for consumption in the production.
  - ❖ Process of goods to be distributed at no charge
- Where Inventories are acquired through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition.

### Net Realizable Value (NRV)

- This refers to the estimated selling price that is realizable in the normal course of business less the estimated cost required to complete and make the sale.
- The cost of inventories may not be recoverable if:
  - ❖ They become obsolete,
  - ❖ They are damaged,
  - ❖ The estimated cost of completion or the estimated cost to be incurred to make the sale, exchange or distribution have increase.
- Inventories shall be measured at the lower of cost and current replacement.
  - Distribution at no charge or nominal charge.
  - Consumption in the production process of goods to be distributed at no charge or for a nominal charge

## 2.9 Methods of Measurement

- Inventories held in the stores may have been bought –in in a number of batches each at a separate price.

- At the time the items of inventory are issued from store to the users in the organization, the cost of inventories is measured using one of the following methods:
  - Specific Identification
  - First –in first –out (FIFO)
  - Weighted average cost

**Specific Identification Method:**

- This is used when items issued from store are not ordinarily interchangeable and are not ordinarily interchangeable and are specifically segregated for a specific project.

**FIFO Method:**

- This method assumes that inventories purchased or produced first are issued first, thereby the items remaining in custody at the close of accounting period are those items of Inventory that have been most recently purchased or produced.

**Weighted Average Cost Method:**

- The Cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period, and the cost of similar items purchased or produced during the accounting period.

**2.10 Disclosure**

- Inventory is to be disclosed on the face of the Statements of Financial Position under Current Assets.
- In addition, an entity shall disclose in the notes to the GPFS the following:
  - The accounting policies adopted in measuring Inventories including the method used;
  - The total carrying amount of Inventories and the carrying amount in classifications appropriate to the entity;
  - The carrying amount of Inventories carried at fair values less cost to sell;

- The amount of any written down inventories recognized as an expense in the period;
- The amount of any reversal of any write-down that is recognized in the statement of financial performance in the period;
- The circumstance or events that led to the circumstances of write-down of Inventories; and
- The carrying amount of Inventories pledged as security for liabilities.

## **2.11 Roe of the Stakeholders: Stock – taking Report**

- The team shall prepare a report and submit to the Accounting Officers of the PSE.

### **Role of the Stakeholders: Role and Responsibility of Stock taking Team**

- The Chairman of the stock count shall make copies of the Stock Sheet for each store items to the relevant Store Officer (s).
- Relevant Store Officers shall complete the Stock Sheet.
- The team shall identify the existing store items in line with Stock Sheets.
- The team shall carry out physical stock count of store items.
- The team shall reconcile the counted store items against the Stock Sheet, Bin Card and store ledger for each item.

### **Role of the Stakeholders: Role and responsibility of Stock taking Team**

- The Chairman shall forward the completed Stock Sheet and accompanying Report to the Director/Head of Finance and Accounts.
- The Director/Head of Finance and Accounts shall ensure that the stock Sheet are properly valued.
- For PSE already on Accrual Accounting. Reconciliation shall be made between stock sheet and the balances in the General Ledger while differences adjusted in the Statement of Financial Performance.
- For PSE on Case Accounting (First Time Adopters), the Valued Closing Stock shall be adjusted to Reserves by DR: relevant Inventory Account and CR: reserve Accounts (Accumulated Surplus/Deficit).

- Variance noted in the Stock-taken shall be treated in line with the provisions of the Financial Regulation/Instructions/Memoranda.

#### **Role of the Stakeholders: Stock-taking Report**

- The team shall prepare a report and submit to the Accounting Officers of the PSE.

### **2.12. Replenishment of Stock**

Budget and Treasury department should identify inventory items that need to be ordered for all departments. Items identified may either be items due for replenishment due to normal usage or specific requests received for specific projects or tasks.

### **2.13 Inventory Procedures**

The procedures for inventory must be followed to ensure that:

- a) Inventory is safeguarded at all times;
- b) There are accurate records of quantities on hand at all times;
- c) Optimum inventory levels are maintained to meet the needs of users;
- d) Only authorised issues of inventory are made to users; and
- e) Items placed in store are secured and only used for the purpose for which they were purchased.

### **2.14 Appointment of Responsible Officials**

The Accounting Officer must appoint, in writing, officials to perform the duties of a Stores Officer in terms of this Policy.

Adequate segregation of duties between the requisition, receipt, recording, storage and safekeeping of inventory and the management and control thereof must be maintained to avoid the potential occurrence of errors and fraud.

## **2.15 Ordering of Inventory**

Budget and treasury office must set Inventory reorder levels for all items. The inventory levels must indicate the minimum and maximum inventory that can be maintained.

Due diligence and care shall be exercised in identifying low value and high value items of inventory.

Minimum inventory level of high value items shall be ordered, any maximum order shall be based on specific requirement/need in order to avoid large amount of cash tied up on inventory.

A reorder listing should be printed by Stores Officer and reviewed weekly by Bursar.

## **2.16 Inventory Levels (Maximum and Levels)**

A system is maintained for ensuring that inventory items have been allocated with minimum and maximum levels, where possible. The primary objective of the inventory system is to ensure that Alex Ekwueme Federal University Ndufu-Alike, never run out of stock, especially critical stock items. The system will also ensure that stock levels are kept at a satisfactory level. Minimum and maximum levels will be used as an "early warning system" to control stock and ensure that stock replenishments are done regularly and timeously (with due consideration to order and delivery on times)

The stock level is also an important factor to keep in mind when deciding how much stock should be ordered at a specific point in time. The minimum level of stock depends on the average usage of the stock and the time it takes to deliver the ordered stock.

## **2.17 Receipt of Inventory**

The quantity and quality of the inventory received from suppliers must be according to specifications and information on the order form.

The Stores Officer must compare the delivery note to the purchase order before accepting the goods.

The invoice or delivery note must match the supplier name and order number.

The Stores Officer must ensure that:

- a) All delivery notes and or invoices are signed by him/her and the supplier
- b) All incorrect delivery items are rejected and clearly identified on both copies of the delivery note and or invoice; and
- c) The supplier signs all amendments

The inventory received must then be stored to the University store by the Stores Officer and the goods receive number and quantities captured on the bin card by the Stores Officer.

The inventories must be stored in their respective sections once they have been received.

The inventory module on financial system must be updated on the day the goods are received, by the Stores Officer and authorized on the system by the Bursar.

## **2.18 Issuing of Inventory**

Only Stores Officer is authorised to issue inventory from the storeroom. Stock will only be issued upon completing stock requisition form by the requester and requisition form must be approved by departmental head of department. All requisition forms must be ruled off immediately below the last item to prevent items being added once the requisition is authorised by the responsible person. The

Stores Officer must update the bin card when stock items to be issued have been picked up from the shelves with the requisition number and quantities

The official receiving the inventory must acknowledge the receipt of stock items requested, by signing on the requisition for goods received.

Inventories must be issued and used for official purposes only.

The Stores Officer must capture the requisition on the system and then it must be authorized by Bursar.

## **2.19 Storage of Inventory**

- Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured in terms of the Risk Management Policy of the municipality.
- The area must be used exclusively for the storage of inventory, with limited authorised access only.
- Inventory must be positioned to facilitate efficient handling and checking.
- All items must be stored separately, with proper segregation.
- Inventory must be clearly labeled for easy identification. Inventory tag/bin cards or inventory labels may be used to identify each item and to aid in the physical verification of the items.

Details on bin cards should include the following:

- a) Order number;
- b) Quantity received;
- c) Date of receipt;
- d) Quantity issued;

- e) Date of issue;
- f) Maximum stock level;
- g) Re-order level;
- h) Re-order quantity;
- i) Closing stock; and
- j) Any other relevant information.
  - Where possible, all items of the same type and reference must be stored together as per the description on the inventory records.
  - Due diligence and care must be exercised to prevent damage of, or deterioration of inventory.
  - Due regard must be given to any safety standards which may apply to the storage of certain inventories.
  - Steps must be taken to ensure safe custody of items, including precautions against loss or theft.
  - The Store Officer or Delegated Official responsible for the custody and care of inventory must ensure that in his/her absence, such items, where applicable, are securely stored.
  - The responsibility for the custody of the storeroom keys must be allocated by the delegated authority to an official who is accountable for its use.
  - No unauthorised persons/officials shall obtain entry to premises where inventory is kept, unless accompanied by the responsible official.
  - Whenever a change in the Stores Officer occurs, an inventory count must be conducted.
  - An independent official shall be nominated in writing by the delegated authority to assist the official handing and taking over with the checking of the inventory and any discrepancies.

- Should the above not be complied with, the official taking over shall be liable for any discrepancies.
- A handing-over certificate must be completed by the handing and taking over officials and a copy retained for record purposes.
- The following fire protection precautions must be adhered to:

a) Inventories of an inflammable or dangerous nature shall be stored and handled in such a manner that persons or property are not endangered and in compliance with the requirements of any local authority;

b) The area must be clearly signposted; and

c) Fire extinguishing equipment must be placed in the area where inventories are held and must be serviced regularly.

## **2.20 Safeguarding, Neatness, Safety and Optimal Layout of the Stores**

All store items should be safeguarded and locked up at all times. The Store will be kept safe and neat at all times. The layout of the store must support the safety of employees at all times, i.e. clear passages for movement and packing. The layout will also ensure clear and easy access, as well as optimum flows for movement. Items will not be stacked so high that they constitute a safety risk.

When goods are moved from one point to another, it will be done safely and with maximum care. Care will also be taken to ensure that employees are not injured whilst moving heavy items.

## **2.21 Obsolete Inventory**

- The preparatory work for the disposal of obsolete inventory must be undertaken by the Stores Officer and verified by the Bursar..

- The Accounting Officer or delegated authority must approve the disposal of obsolete inventory.
- The delegated authority may approve the write-off of inventory, if satisfied that: -

- a) The inventory has expired and is redundant;
- b) The inventory is of a specialised nature and has become outdated due to the introduction of upgraded and more effective products;
- c) The inventory cannot be used for the purpose for which it was originally intended;
- d) The inventory has been damaged and is rendered useless.
- e) All disposed items must be updated in the financial system for the purposes of proper management and control.

## **2.22 Stocktaking / Count**

### The University year end Stock Counts

- The Deputy Director Financial and Fiscal Reporting will ensure that the stock count takes place on half yearly basis
- Internal Auditors will be invited to witness the stock take / count during the year end stock count.
- External Auditors will be invited to witness the stock take/ count at year-end
- All stock items counted should be recorded on the stock count sheet.
- Counted quantities must be indicated on the stock count sheet in ink.
- The physical items counted must be marked as counted.

- At the end of the stock take, the Inventory Supervisor must ensure that all stocks are accounted for (hence the marking off of the counted stock)
- The appropriate disciplinary action must be instituted where applicable for stock discrepancies.
- The inventory register and financial system must be updated accordingly

Discrepancies between theoretical stock (per stock register) and physical stock (counted) must be recorded, followed up and cleared / corrected. Corrections must be approved by Bursar.

Final stock sheets must be signed and filed.

### **2.23 Disposal of Inventory Items**

- Obsolete, expired, redundant and damaged inventory must be identified and cleared on an annual basis i.e. at year — end. The only inventory remaining in the stores at the year-end stock take/ count, must be useful items which are frequently requested by officials.
- All items to be disposed of must be identified and listed.
- A write-off memo giving reasons for disposal must be completed and submitted to the Deputy Director Financial and Fiscal Reporting and Bursar / Chief Financial Officer for approval.
- Inventory Management will consider the following analysis when considering the method of disposal.
  - Potential market value or other intrinsic values
  - The location and volume of the inventory to be disposed of
  - The ability to support other government programs, and
  - The cost of the disposal methods.

- Different methods will be used for different types of inventory. It is important to ensure accountability and transparency, as well as due consideration of cost considerations when choosing a method of disposal.
- Disposal options/ methods include transfer for alternate use, rental, sale and demolition.
- All inventory items must be disposed of and written off with the proper authorization and records need to be kept of these items.
- Inventory records need to be updated to reflect the actual quantity on hand after the disposal.

## **2.24 Inventory Records**

- An inventory register must be maintained for all inventory items, either manually and / or electronically.
- All relevant information must be included for the proper management and control of all inventory items. It is recommended that details include but are not limited to:
  - a) Opening/closing balance;
  - b) Item description;
  - c) Quantity and value of stock on hand;
  - d) Quantity and value of stock received;
  - e) Quantity and value of stock issued;
  - f) Re-order level;
  - g) Quantity and value of obsolete stock; and
  - An inventory register/database must be printed monthly and the hard copy filed in a chronological order to maintain a proper audit trail.

## **2.25 Reporting**

A report must be submitted at each stock count to the Bursar / Chief Financial Officer and/or the Responsible Manager detailing the following:

- a) Any inventory shortages or surpluses and the reasons for such;
- b) Any inventory deficits proposed to be written-off; and
- c) Any obsolete inventory items.

Inventories on hand at 31<sup>st</sup> December must be disclosed at cost in the statement of financial position in the Annual Financial Statements.

In the note to the financial statements shall disclose:

- a) the accounting policies adopted in measuring inventories, including the cost formula used,
- b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,
- c) the carrying amount of inventories carried at fair value less costs to sell,
- d) the amount of inventories recognized as an expense during the period,
- e) the amount of any write-down of inventories recognized as an expense in the period
- f) the amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period
- g) the circumstances or events that led to the reversal of a write-down of inventories
- h) the carrying amount of inventories pledged as security for liabilities.

SECTION

THREE

## 3.0 POLICY STATEMENT OF DIRECT AND INDIRECT COST

### **I. Purpose**

- Alex Ekwueme Federal University Ndufu-Alike requires that the same types of costs be treated consistently as direct or indirect costs.
- This policy statement provides guidance to University staff to assure compliance with the Federal and Non-federal requirements.

### **II. Applicability**

This policy applies to all federal, non-federal and foreign sponsored agreements (grants, contracts, and other agreements). However, costs normally treated as indirect, such as administrative and clerical salaries, may be charged directly to non-federal sponsored agreements if permitted by the sponsor.

### **III. Direct Costs**

Direct costs are identified as those costs specifically benefitting a single direct activity (e.g. a Federal, state, or private award or sub-award pass-through) of the University. These include:

- Direct salaries and wages
- Applicable fringe benefits

- Travel
- Materials and Supplies
- Publication Costs
- Services (e.g. consultant services, computer services)
- Printing and duplicating (directly related)

#### **IV. Indirect Costs**

Indirect costs are identified as those costs that do not specifically benefit a single direct activity of the University. Instead, these costs benefit the University's activities across the board. Indirect costs include the following departments/functions:

- Financial Services
- General Administration (e.g. University-wide insurance)
- Grants and Sponsored Programs
- Human Resources
- Information Technology Services
- Legal
- Mail Center
- Operation of Plant

- Printing and Duplicating
- Purchasing
- Tuition Remission (employees only)
- University Administration
- University Library

## **V. Consistent Treatment of Costs**

Consistent treatment of costs is a basic cost accounting principle and is specifically required IPPSAS. Consistency, in this context, means that costs incurred for the same purpose, in like circumstances, must be treated uniformly as either direct costs or as indirect costs. Thus, since certain types of costs, such as the salaries of administrative and clerical staff, office supplies, and postage are normally treated as indirect costs, the same types of costs cannot be charged directly to sponsored agreements, unless the circumstances related to a particular project are clearly different from the normal operations of the institution.