

POLICIES AND PROCEDURES ON PROPERTY AND EQUIPMENT DISPOSAL

Purpose

The purpose of this policy is to establish minimum standards for the disposal of property and equipment of NATCCO MBAI, and also for its subsequent reporting in the financial records. The policy aims to achieve the best possible outcome by gaining the best available net return when selling.

The best value outcome to the Association must be a major consideration when disposing of assets. Non-disposal of obsolete equipment only takes up space and deprives the Association of income without any offsetting benefit. The Association therefore encouraged disposing of such equipment but items should only be disposed of consistent with the processes set out.

Definitions

Property and Equipment

These are tangible items that:

- (a) are held for use in the MBA's business operations or for administrative purposes; and
- (b) are expected to be used during more than one accounting period.(PAS 16, p.602)

Examples of property and equipment subject for disposal:

1. **IT Equipment** - This represents the cost of the information processing systems of the MBA including the computer hardware, customized software, and peripherals.
2. **Transportation Equipment** - This represents the cost of motor vehicle and other transportation equipment owned, operated, used, or to be used by the MBA in carrying out its business and/or insurance operations and as service vehicle of its officers and employees.
3. **Office Furniture, Fixtures and Equipment** - This represents the costs of office machines, equipment, furniture and fixtures.
4. **Other Equipment** - This account includes other equipment otherwise not chargeable to the foregoing property and equipment. (*as per Insurance Commission Standard Chart of Accounts*)

Other definitions:

Book value or net book value - means historical cost of a capital asset less any related accumulated depreciation.

Disposal - means to relinquish ownership of an asset in a conclusive manner by sale, exchange, transfer, involuntary conversion, abandonment, or donation.

Impairment - means significant, unexpected decline in the service utility of a capital asset.

Retire - means to withdraw an asset from normal usage or service.

Fair Market Value - means the value of an item in the market place and is regardless of its initial purchase price or residual value.

Policies

It is NATCCO MBAI policy to ensure adherence to best practice in the disposal of its assets, and in controlling access thereto. In this regard, the Association recognises and adopts the relevant current best practice.

The Association is committed to ensuring that all its assets are used in a most effective and efficient manner. When such resources are being authorized for disposal, the Association will endeavor to dispose of them in a method that is fair and transparent, and which maximizes any possible remaining value of the asset.

Procedures

1. Asset disposal decisions, and the reasons for taking them, should be documented.
2. All NATCCO MBAI data and software will be removed from IT and communication equipment to protect the Association's files or documents upon disposal.
3. Disposal should be based on a fair market value for each item.
4. The price established will be based on current market value and condition of the equipment.
5. The sale price must be the best market price and under no circumstances may goods be donated to staff.
6. It requires an assessment of the market value of an item. Such assessments should be undertaken by the Accountant.
7. The Accountant should take into consideration the original purchase price, the age of the equipment, an assessment of the usefulness of the equipment and of its possible market value.
8. Minor office equipment items, which by definition are not property and equipment, shall also be disposed of in accordance with the above procedures.

Assessment of the item's current price value

1. Assess item's performance, if there is a need for part's replacement or repair.
2. Check the cost of replacement or repair.
3. Check if item is still available in the market, and its market value
4. Considering the current value, plus the cost of replacement/repair, item may be priced at a minimum of 10% of its purchased cost.

Methods of Disposal of Property and Equipment

1. Outright sale, to the following:
 - a. MBAI staff
 - b. NATCCO staff
2. Scrap - to a licensed dealer
3. Recycle - to an authorized agency
4. Trade in - to supplier against replacement items
5. Donation to registered charities or community organizations

Items can be available for disposal because they are:

1. Fully depreciated
2. Due to technological obsolescence
3. No longer required due to changed procedures, functions or usage patterns
4. Occupying storage space and not being needed in the foreseeable future
5. No longer complying with workplace health and safety standards
6. Beyond repair but able to be sold for scrap

Authority and Responsibility

NATCCO MBAI Management and staffs has overall responsibility for the custody, safekeeping, and disposal of the Association's assets.

Adherence to Policy

The Management and the staffs are responsible for adherence to this policy in the disposal all assets owned by the Association.

Process

The Management disposing Association's assets are responsible for ensuring that the process for sale or disposal (including all measures necessary to adequately retire an asset prior to disposal) complies with this policy.

Costs

The Management disposing Association's assets are responsible for all costs incurred in the process, such as transportation costs, recycling fees etc.

Notification

The Management is responsible for notifying the Board of Trustees of all capital assets owned by the Association which they intend to dispose of.

Responsibilities of the Accountant

The Accountant of NATCCO MBAI will periodically monitor property and equipment to evaluate compliance with the minimum standards of this rule. As instances of non-compliance are identified, the Management will be required to develop and implement a corrective action plan. The Accountant will provide assistance to develop this plan and report all instances of non-compliance to the Management.

Responsibilities of the Management

1. To supervise the disposal of its capital assets
2. To be held responsible for all decisions in the disposal process
3. To take into account the costs of undertaking disposal activities
4. To guarantee correct accounting and audit procedures are observed and all decisions are documented
5. To assure that all staffs engaged in selling activities have comprehensible instructions
6. To make special consideration given to potentially hazardous and pollutant items likely to have an impact on the environment.

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Recordkeeping and Accounting for Disposal of Property and Equipment

1. Property and equipment disposal records shall be maintained in accordance with Philippine Accounting Standards under the direction of the Accountant.
2. Property and equipment disposal records shall be retained in accordance with the Management policies and retention schedules prepared by the Accountant.
3. A full year's depreciation expense shall be recognized in the year of disposal.
4. Gain or loss on disposal of capital assets shall be recognized in accordance with Philippine Accounting Standards.
5. The Accountant shall promptly and accurately record disposals as they occur throughout the fiscal year.
6. Supporting documentation for disposals shall include a Disposal Report completed in accordance with instructions provided by the Accountant.
7. NATCCO MBAI shall further be responsible for:
 - a. Explaining and resolving physical inventory discrepancies and completing a Disposal Report or an Asset Acquisition Form, whichever is appropriate;
 - b. Accounting for items lost or stolen by completing a Disposal Report

Impairments of Property and Equipment

1. Capital assets shall be considered impaired when events or changes in circumstances indicate that service utility has declined significantly and unexpectedly as defined by Philippine Accounting Standards. Such events or changes in circumstances may include flood, fire, earthquake, technological obsolescence, or changes in environmental standards.
2. The Management shall consult with the Accountant to insure proper measurement, recording, and reporting of impairments in accordance with Philippine Accounting Standards.