

A STUDY OF  
**“ASSET MANAGEMENT”**

*(With reference) to ACC, Jamul*

*Submitted by*

**MONIKA MISHRA**

**REG.NO-IMG/11-13/011**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENT  
FOR THE AWARD OF THE  
POST GRADUATE DIPLOMA IN MANAGEMENT  
IN FINANCE**

*Supervised by*  
**Prof.Sharmila Saha**

*Under the Guidance of*  
**Mr. Vishal Dhamne**



**Institute of Management  
And Global Education**  
Challenging Challenges

## **DECLARATION**

I, hereby declare that the project report entitled “**ASSET MANAGEMENT OF ACC**” in reference to ACC is the result of my own research work and same has not been previously presented to this or any other university.

MONIKA MISHRA

IMG/11-13/011

## **CERTIFICATE BY THE EXAMINERS**

**This is to certify that the project entitled “A STUDY OF ASSET MANAGEMENT “at ACC, Jamul. Submitted by MONIKA MISHRA of batch 2011-13 Roll no 11 has been examine by the undersigned as a part of the Viva Voice for evaluation of summer training work.**

**Internal examiner**

**External examiner**

**Date:**

**Date:**

**Forwarded to  
Academic Head/Course Coordinator  
Post Graduate Diploma in Management**

## **ACKNOWLEDGEMENT**

*When god brings you to it, he brings you through it* .This is the thought that inspired me all the way through the route of this venture. For the successful completion of this project, I offer my gratitude to **Mr. VISHAL DHAMANE (Training Coordinator) ACC** who had been an invariable spring of support and inspiration to me.

I genuinely thank **Mr. VISHAL DHAMANE** and all associated, who have given consistent supports in the thriving conclusion of this project with a hope that it will help to enhance the quality and be of some value addition to the organization.

Last but not the least I would like to express my thanks to **my Parents, my Family Members and Friends** for their valuable guidance, keen interest, cooperation, inspiration and of course moral support throughout my project session.

MONIKA MISHRA

IMG/2011-13/011

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## *EXECEUTIVE SUMMARY*

This study is conducted as a part of course curriculum of Master in finance Management, offered by Institute of Management and Global Education (2011-2013).

Training is an essential requisite of any learning process. The class room parts with the theoretical knowledge. This helps to form an impression, but unless it is applied in practical field to assess its usefulness or utility, it does not find a permanent place in our memory. Training provides the facility to apply the class room knowledge into the field.

The project work in general aims to have an understanding on the specific terminology of “ASSET MANAGEMENT”; its various component; the role of each component ,their utility in the manufacturing process ,quantum of investment required in each component in terms of cost as well as lead time .The concept having been cleared, has been tested in the working of **ACC LIMITED**. Project has helped to study the historical position which the company had in the past as well as it’s vision to have in future .The project attempt to analyze it’s projection vis-a –vis past and also tried to identify the areas where deviation has taken place and also to find reasons there of.

The project work was facilitated by the inputs received in the training which is provided by the employees of ACC. After carrying out the study on the topic and getting clear concept on the Asset management in ACC LIMITED, efforts has been made to compare the position with other comparable companies operating in that area and the results have been interpreted.

## *Introduction of ACC Limited*

ACC Limited is India's foremost cement manufacturer with a countrywide network of factories and marketing offices. Established in 1936, ACC has been a pioneer and trend-setter in cement and concrete technology. Among the first companies in India to include commitment to environment protection as a corporate objective, ACC has won accolades for environment friendly measures taken at its plants and mines, and has also been felicitated for its acts of good corporate citizenship. ACC is the most preferred cement brand name in India. ACC is now part of the worldwide Holcim Group. ■



**F. E. Dinshaw – the founder of ACC**

## **CORPORATE PROFILE**

**ACC** (ACC Limited) is India's foremost manufacturer of cement and concrete. ACC's operations are spread throughout the country with 16 modern cement factories, more than 40 Ready mix concrete plants, 21 sales offices, and several zonal offices. It has a workforce of about 9,000 persons and a countrywide distribution network of over 9,000 dealers.

Since inception in 1936, the company has been a trendsetter and important benchmark for the cement industry in many areas of cement and concrete technology. ACC has a unique track record of innovative research, product development and specialized consultancy services. The company's various manufacturing units are backed by a central technology support services centre - the only one of its kind in the Indian cement industry.

ACC has rich experience in mining, being the largest user of limestone. As the largest cement producer in India, it is one of the biggest customers of the domestic coal industry, of Indian Railways, and a considerable user of the country's road transport network services for inward and outward movement of materials and products.

Among the first companies in India to include commitment to environmental protection as one of its corporate objectives, the company installed sophisticated pollution control equipment as far back as 1966, long before pollution control laws came into existence. Today each of its cement plants has state-of-the art pollution control equipment and device.



## **VISSION OF ACC**

To be one of the most respected companies in India; recognized for challenging conventions and delivering on our promises.

## **MISSION OF ACC**

### **Leadership**

Maintain our leadership of the Indian cement industry through the continuous modernization and expansion of our manufacturing facilities and activities, and through the establishment of a wide and efficient marketing network.

### **Profitability**

Achieve a fair and reasonable return on capital by promoting productivity throughout the company.

### **Growth**

Ensure a steady growth of business by strengthening our position in the cement sector.

### **Quality**

Maintain the high quality of our products and services and ensure their supply at fair prices.

### **Equity**

Promote and maintain fair industrial relations and an environment for the effective involvement, welfare and development of staff at all levels.

### **Pioneering**

Promote research and development efforts in the areas of product development and energy, and fuel conservation, and to innovate and optimize productivity.

### **Responsibility**

Fulfill our obligations to society, specifically in the areas of integrated rural development and in safeguarding the environment and natural ecological balance.

*The manufacturing plants of ACC ltd are situated in the following location:-*

Bargarh - [Capacity (MTPA) 0.96]

Chaibasa - [Capacity (MTPA) 0.87]

Chanda - [Capacity (MTPA) 1.00]

Damodhar - [Capacity (MTPA) 0.53]

Gagal - [Capacity (MTPA) 4.40 - Gagal I and II]

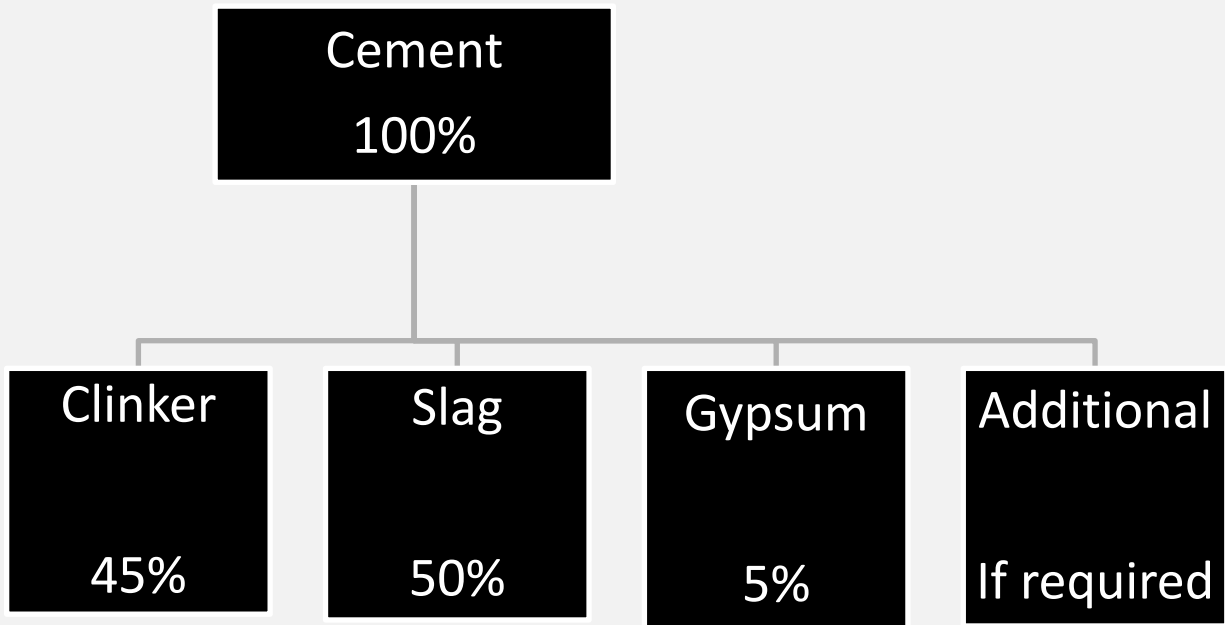
Jamul - [Capacity (MTPA) 1.58]

Kymore - [Capacity (MTPA) 2.20]

Lakheri - [Capacity (MTPA) 1.50]

Madukkarai - [Capacity (MTPA) 1.18]

**CEMENT MANUFACTURING PROCESS:-**



**Types of cement: manufactured by Acc group:-**

- Ordinary Portland Cements (OPC)
- Portland Pozzolana Cement (PPC)
- Portland Slag Cement (PSC)

PSC is prepared by using

- Clinker 45%
- Slag 50%
- Gypsum & additional 5%

OPS is prepared by using

- Clinker
- Gypsum

PPC is prepared by using

- Fly ash
- Clinker

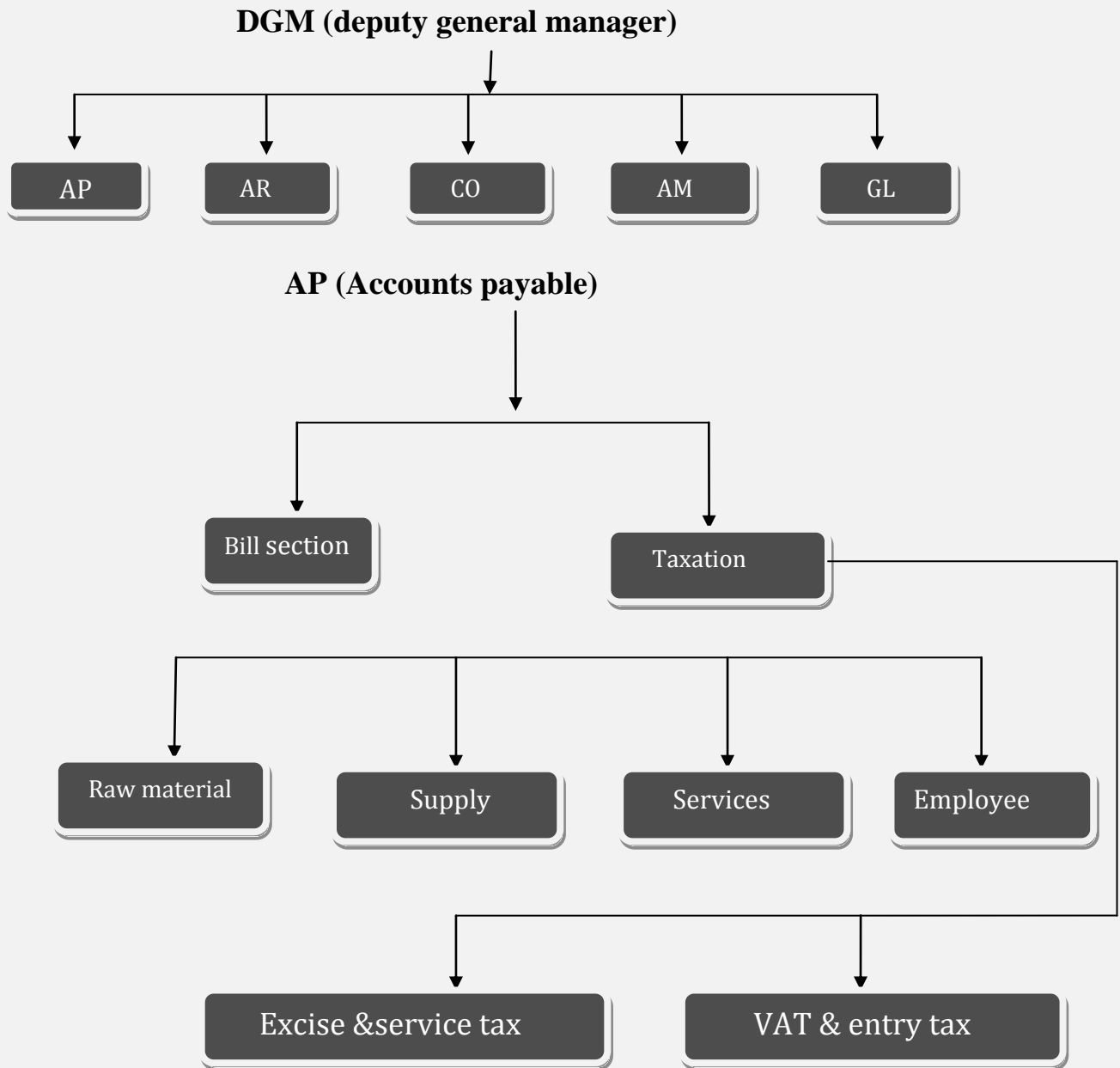
**History of ACC:-**

16 <sup>th</sup> century	Romans was the first to use cement
1760	John smeaton was first to develop best composition of hydraulic cement.
1824	Joseph Aspdin was granted a patent for Portland cement
1904	First cement factory was started in Chennai
1914	Manufacture of Portland cement on large scale started by Indian cement co.ltd.
1924	10cement factories in India with total production of 5.81lakh tones per annum
1036	Incorporation of The Associated cement companies limited on Aug 1,1936
1939	17 factories in India with total capacity of 26.15 lakhs tones pa
1947	After partition 10 factories remained in India of total capacity 21.15lakh tones

**The objectives of the study are as follows:-**

- To understand what is asset management.
- To know the present value of asset.
- To know the calculation of resale value, Scrap value.
- To understand what is capital expenditure.

**Organizational structure of Finance:-**





There are various sections in finance department like:-

- BILLING.
- TREASURY
- TAXATION.
- ESTABLISHMENT

**Modules in SAP (FICO) System:-**

There are five modules in accounting system, they are:-

1. Accounts Payable(AP)
2. Accounts Receivable(AR)
3. General Ledger(GL)
4. Costing(CO)
5. Asset Management(AM)

**1. Accounts Payable (AP):-** In this AP module the accounting system covers bill sections & Taxation is a special mode in AP.

The accounts payable first deals with bills, there are various types of bills like:-

- Raw material bills
- Stores/spares/supplier bills
- Contractor bills
- Employee bills(Transport, Medical, Petty cash)
- License for mines Registration.

All these bills are sent to bill section. In Bill section firstly, bills are verified. At the time of verification taxes are calculated then only Bills are cleared and then only party gets its payment.

**BILLING:-**

- The bill can be passed when they received from the department. First, we have to check service sheet no. & acceptance no. and signature of the departmental head & chief engineer & manager maintenance. Then the bill clerk start processing, check the bill from purchase order for the purpose of quantity and rates. The bill should be prepared in SAP system.

- So, MIR-7 & MIR-4 should be use MIR-7 is used for enter the necessary data & MIR-4 is used for posting the data .For filling all the necessary data we can simulate the document at the same time they can check the tax amount. The number which can be issued on MIR-7 than it should be enter on MIR-4 then the posting no. will come. After that tax amount deducted from the bill.

**Taxation:** - There are various types of taxes some of the following are:-

- Sales tax
- Value added tax(VAT)
- Excise Duty
- Central sales tax(CST)

**TAXATION:-**

- **EXCISE DUTY:-**

It is a duty on excisable goods produced or manufactured in India. Entry 84 of the union list of the VII schedule to the constitution of India empowers the central government to levy excise duty on all goods except on alcoholic liquors for human consumption.

- VAT:-

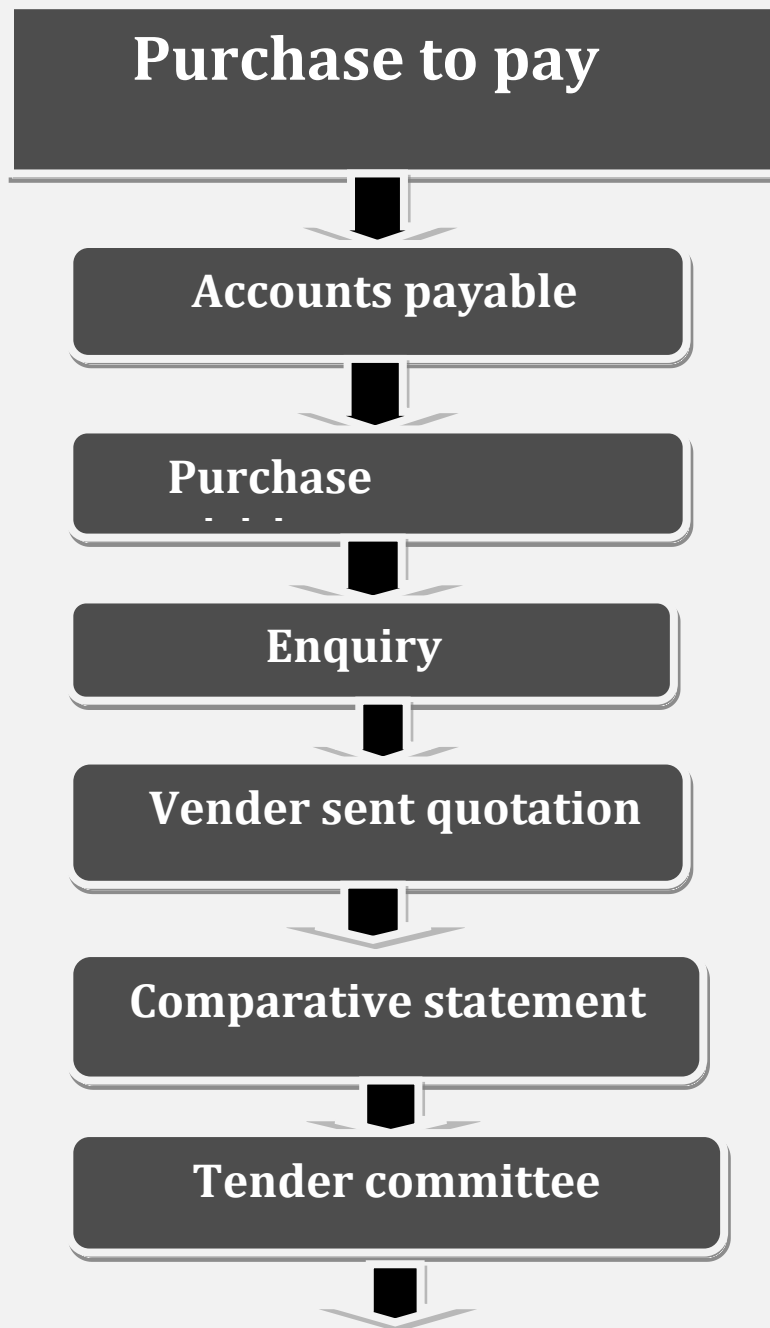
A **value added tax (VAT)** is a form of consumption tax. From the perspective of the buyer, it is a tax on the purchase price. From that of The seller, it is a tax only on the value added to a product, material or service.

- ENTRY TAX:-

Octroi duty comes under entry tax Octroi is a tax levied on the entry of goods into a municipality or any other specified jurisdiction for use, consumption or sale.

- CST:-

The concept of central sales tax is closely related to the concept of taxation in the constitution. Sales tax has come to play an increasing role in the fiscal system of modern states.



Continued.....



**PURCHASE REQUISITION:** - In AP module finance department make purchase requisition that is all about the material.PR is the

process to till the payment of goods. The PR contains all kinds of details about the material like; quality of product, how much cost efficiency product specification etc. It can be consisting on two types:-

1. **AUTOMATIC:** - It's only related to material of plant. It generated automatically.

2. **MANULLY:** - there is no material code, but related to daily needed things of company, like; stationary, pen etc.

**ENQUIRY:** - Finance department do enquiry about the material. Material should be satisfied and also they search a vendor who can supply the material in good way.

**VENDOR SENT QUOTATION:** - here many vendor sent their quotation for delivered the material to the company.

**PURCHASE:** - Here purchase department make a comparative statement, that whose material is more cost effectiveness, quality as well as quantity also. Here one vendor is selected for give purchase order.

**TENDER COMMITTEE:**-For this committee minimum three members should be present head of finance, head of procurement, and head of technical.

**APPROVE:** - By the tender committee material is approved for the further process.

**PURCHASE ORDER:**-If goods will approved by the tender committee then it will order for purchasing the material.

**SUPPLY:** - The vendor who is selected him will supply the material according to purchase order.

**MATERIAL DELIVER:** - Material will be delivered to related department.

**INSPECTION BY USERS:** - Inspection of material is done by the users of those particular goods whether goods are according to them or not, if every thing will be ok then it goes on for next procedure.

**GOODS RECEIVED:** - after the inspection by users goods will be received as per their demand and bill will sent for verify.

**BILL:** - In the Jamul plant there is rule that journal entry will pass only when the material will enter in to the gate. In the bill section they pass only three entries:-





For scrap sales there is scrap yard in a plant like wooden scrap, plant scrap, mechanical scrap, plastic scrap etc.

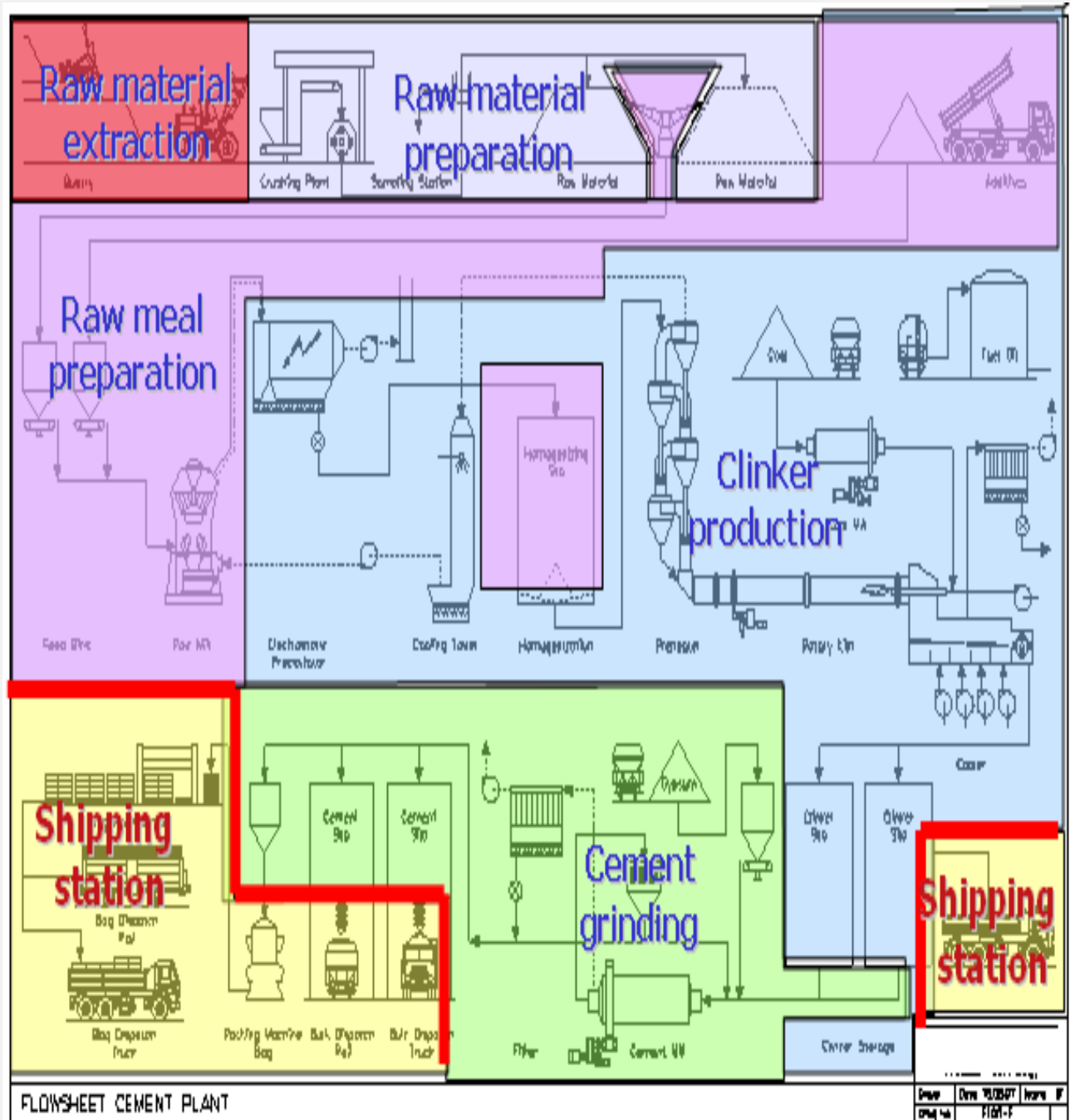
- Alternate Fuel Resources :-

All disposable products from HINDUSTAN UNILEVER LTD. (HUL) which are expired or of no use are used as fuel resources in ACC.

HUL pays for their expired products.

- Acid Tar from BHILAI STEEL PLANT
- Rent & Electricity charges from local contractors.

**3. Controlling:-** In costing checking was done for expenses which incurred in different cost centers. Cost sheet for the whole plant was generated through costing module.



**The cement is manufactured through certain heads, they are:-**

- 1. Raw Material Extraction**
- 2. Raw Material Preparation**
- 3. Raw Meal Preparation**
- 4. Clinker Production**
- 5. Cement Grinding**
- 6. Shipping**

**1. Raw material extraction:-**

They extract raw material from mines like limestone. Expense is related to limestone and it comes under raw material cost centre. Mines extraction to transfer cost in plant all cost comes under this.

**2. Raw material preparation:-**

It means material is loaded at the blasting face into trucks for transportation to the crushing plant. Through a series of crushers and screens, the mines are reduced to a required size and stored until required.

### **3. Raw meal preparation:-**

Grinding the raw material with both horizontal and vertical mills requires vast amounts of energy. Raw meal grinding equipment includes: ball mills, tube mills, compound mills, ring roll mills, and impact mills. Raw meal grinding has a significant effect on preprocessing and clinker quality. The raw meal quality (fineness, the amount and nature of mines), and flow ability (kiln circulating and separation patterns, and conductive energy transfer) affect the final clinker quality.

### **4. Clinker production:-**

The clinker manufacturing process starts with the extraction of the raw meal from the homogenization silo to insure that the raw meal is stable and homogenized in order to produce consistent clinker quality. Clinker is very important for manufacturing the cement.

**The entire manufacturing process is continuously monitored and controlled from the central control room.**

### 5. Cement Grinding:-

The clinker and the gypsum are very finely ground in a **Ball Mill** for making Ordinary Portland Cement. Secondary additive materials like **Fly Ash** are also added to make blended cement. Grinding the raw material with both horizontal and vertical mills requires vast amounts of energy. As a result, the main challenge in the grinding process is to minimize energy consumption across the board.

**Cost centre:-** The cost which incurred in auxiliary cost center and pre-process cost center Falls under different manufacturing heads.

- **Auxiliary Cost Centers:-**
  - The auxiliary cost centers for clinker and cement and aggregates are a proposal; **at least one auxiliary cost center** has to be included.
  - Any auxiliary functions for ready-mix concrete plants have to be included in the main cost center 'Ready-Mix Concrete Production'.

- **Pre-process Cost Centers:-**

The relevant pre-process cost center should

Be opened where a Group Reporting Unit has the related activity

**Treasury:-**

In ACC limited all payments and receptions is centralized means done by head office.

Acc is having three accounts for treasury

- ❖ Swip accounts:- In this a/c at the starting of the day their balance is 0 and they are having drawing power of Rs 5.5crore and after that bank system stop payment at the end of the day the money transfer by the bank to head office.
- ❖ Overdraft power: - here they are having o/d power of Rs 5lacs.  
For example-if they have a balance of Rs10lacs so they can be able to withdraw Rs15lacs.
- ❖ Dedicate accounts: - ACC is having accounts in Bombay from where they make all payments.

For Tax payments a/c they have to go to NSDL site (national security depository ltd)

In this site they fill all details (like surcharge, assessment year, name etc)through E-cheque they say to make payments either a creditor or bank

then bank make payments to them then the persons go to banks website and take the print of chalan for proof.



### General ledger:-

The entries which are related to:-

- Assets
- Income
- Expenses &
- Liabilities are directly posted to general ledgers. All debits & credits are done through G/L Module.

**Example:** - Monthly provision entries.

For checking there is 5 digit code

- 1 revenue/receipt
- 2 expenses
- 3 asset
- 4 liabilities
- 5 Ho(corporate, share issue)

### **Asset managements:-**

Asset Management can be used for a variety of things. Most of them use asset management to keep track of their cash or "liquid assets".

In business terms asset management involves maintaining details of company assets, everything from computer hardware, to machine tools, to desks and chairs, to rolling mills, and so on.

A key task for asset management is the process of selecting the right equipment for a particular job, keeping it in working order for as long as possible and replacing it in a well-organized way, producing as little disruption as possible.

### **Holcim Accounting and Reporting Principles (HARP)**

In ACC Holcim Accounting and Reporting Principles (HARP) is used for accounting and it is maintained through SAP. SAP is software which is used for maintenance of accounts and other finance related things. The ACC is using SAP system since 2007. In every department of ACC SAP system is used.

**Transaction code used in SAP for Asset Management:-**

<b>Internal order</b>	
Create order	K001
Change order	K002
Display	K003
Create PR	ME51N
Change PR	ME52N
PR Release	ME54
PO Create	ME21N
PO Change	ME22N
Bill verification	MIR7
<b>Payment</b>	
HO	F110
Local	F-53
<b>Asset</b>	
Create	AS01
Change	AS02
Display	AS03

Direct Acquisition	
With vendor	F-90
Without vendor	ABA0N
Retirement	
With vendor	F-92
Without vendor	ABA0N
Capitalization	
Distribution	AIAB
Settlement	AIBU
Transfer	
With company code	ABUMN

***The asset management includes:-***

- Physical verification of Fixed asset

Physical verification of PPE should be done as per below given criteria.

The criteria for selection of assets (PPE) for Physical verification will be

1. Machinery, Electrical items would be physically verified every year.
2. Buildings would be physically verified every year.
3. Vehicles would be verified once in two years.
4. Furniture and Tools would be verified once in three years.
5. Land would be verified once in 3 years.

**Steps to follow physical verification:-**

1. Run report ZFI\_0147 for your business area cost center wise.
2. Identify the assets under physical verification for the year (specific to assets  
Which are to be verified in two or three year interval).
3. Complete physical verification cost center wise.

4. After the physical verification – put your remarks – on the condition and existence of the asset and the date of physical verification against each asset.
  
5. You have to report on the deviations in respect to condition of asset, existence of asset, cost center etc.
  
6. Download the physical verification update status of 2008 using T-code ZFI\_0147 as the same will be overwritten by 2009 physical asset update.
  
7. Send back the list to HO-AM team for updating in SAP.

In case of any asset is not available in physical verification or not in useable condition, it requires written off.

**ASSET UNDER CONSTRUCTION:-**

In this process the finance department name of different types of assets, their types, they send to head office through Internal order number.

**Example IO No      A0160476**

**A0160471**

**Following journal Entries posted in asset under construction:-**

**Capital work in progress a/c      Dr.**  
**To GR/IR a/c**

**Goods receipt a/c      Dr.**  
**To Vendor a/c**

**Vendor a/c      Dr.**  
**To Bank a/c**

### **Assets Retired or to be Retired or sold:-**

Once management decides to retire or sell an item of property, plant and equipment, the asset must be valued at the lower of its net book value or its estimated net realizable value described in 'Inventories'. Where the amounts are immaterial or the disposal will occur before the end of the calendar year, it is generally acceptable to postpone recording the event until the actual

Disposal. However, in most cases, the assets should be retained in property, plant and equipment as long as they are in use as they will probably not meet the strict criteria to be classified as held for sale under IFRS 5.

Once an asset is retired from use, it should be written down to the lower of cost or net realizable value, and such value shall be reclassified to 'assets classified as held for sale' if they meet the strict criteria to be classified as held for sale. Where the retired asset has only nominal or scrap value, it is common practice to write it off completely and then to take the proceeds from any subsequent sales of such assets into income as received as gains (losses) on disposal of property, plant and equipment. The write down should be treated as an impairment write down in the income statement and disclosed in appendix F. Gains or losses which arise from the disposal of property, plant and equipment are to be reported as gains (losses) on disposal of property, plant and equipment in the Income Statement.



## **CAPITAL EXPENDITURE:-**

- Meaning of Capital Expenditure(CAPEX)
- Types of CAPEX
- CAPEX Procedure

### **Meaning of CAPITAL EXPENDITURE:-**

CAPEX is a unique database on new and ongoing investment activities in India. These are investments into capacities being created by setting up new plant and machinery. It also includes investments into utilities and services such as retail, entertainment, etc.

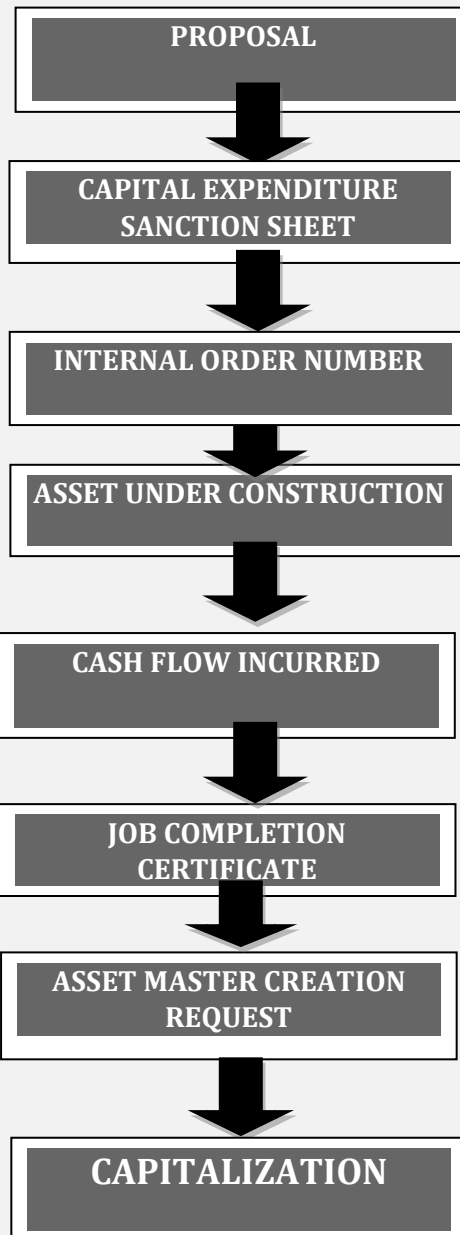
### **DEFINITION:-**

CAPEX (‘Capital Expenditure’) is defined as an expenditure

1. that increases the fixed asset base of a company with the purpose of
2. expanding the production capacity and allowing the diversification into a new range of products
3. complying with internal or external security and safety regulations
4. complying with internal or external environmental regulations

5. increasing the productivity of existing equipment or
6. replacing part or all of the equipment of the production process must fulfill the requirements for capitalization

**CAPEX Procedure:-**



**PROPOSAL:-**

- When there is a need of capital expenditure
- The concerned departments can make proposal according to there need.
- The company makes a committee of members, and then all the proposals are sending to the committee.
- Then committee members select the appropriate proposal which is beneficial for the company growth

For the sanction of the money CAPEX sanction sheet is prepared:-

**CAPITAL EXPENDITURE SANCTION SHEET (CESS):**

As per the circular AC/FP.100/NHI/438 dated August 26, 1985 and further circulars issued to all the works from time to time, capital expenditure proposal should have a financial sanction. The financial authority would basically vest with the Financial Division at the Corporate Office and Units subject to the limits given in the delegation of powers given by the Board of Directors in 1994. Where the value of capital expenditure proposal exceeds the limit at the works level, the works should forward the proposal for sanction to the

Corporate Office Financial Division (Project Finance Section). All the papers in this regard should be sent to the Senior

Manager/Manager- Project Finance Section, who will arrange for financial approvals at the required level.

It is the intention of the management that the financial functionaries would play a more active and positive role in the area of Capital Expenditure planning. They should be actively associated even at the stage of generation of proposals for inclusion in the Capital Expenditure Budget. Broad guidelines for scrutiny of the proposals for capital expenditure are detailed below for ready reference.

**INTERNAL ORDER NUMBER:-**

From Head office **internal order (IO)** number is generated.

**Example: - AN2230900001 (IO)**

**Description of IO number:-**

**AN223 - Business Area Code**

**09 - Financial year.**

**00001 - Serial number**

**CASH FLOW INCURRED:-**

The cash flow comes after purchasing, maintaining and other expenses related to particular AUC.

**JOB COMPLETION CERTIFICATE:-**

After receiving job completion certificate finance department in form give the detail about fixed asset and send it to head office.

**Example of JOB COMPLETION CERTIFICATE**

<b>JOB COMPLETION CERTIFICATE</b>	
THIS IS TO CERTIFY THAT THE JOB CARRIED OUT UNDER THE CAPITAL BUDGET IN THE SCHEME GIVEN BELOW HAS BEEN COMPLETED.	
<b>SCHEME DESCRIPTION</b>	INCREASING STORAGE CAPACITY OF RAW COAL GANTRY
<b>SCHEME NUMBER</b>	AN2060409412
<b>JOB NUMBER</b>	A0160008
<b>SANCTION AMOUNT</b>	65.00 L
<b>COMPLETION AMOUNT</b>	<b>64.03 L</b>
<b>% COMPLETION (</b>	<b>100%</b>

<b><i>PART OR FULL)</i></b>		
<b><i>SCHEME CHAMPION</i></b>	<b><i>ANISH AGRAWAL</i></b>	
<b><i>JIP</i></b>	<b><i>JOB NUMBER</i></b>	<b><i>AMOUNT</i></b>
<b><i>JUSTIFICATION GIVEN IN CESS: Existing DSL conductor for overhead cranes have been shifted to increase the existing storage capacity and for safe work. Cross blessing and strengthening job for the existing coal gantry also undertook to enhance the life of existing structure.</i></b>		
<b><i>SAVINGS ACHIEVED :</i></b>		
<b><i>DATE OF STARTING</i></b>	<b><i>02.05.2012</i></b>	

<b>DATE OF COMPLETION</b>	<b>26.06.2012</b>	
HEAD OF DEPT/ SCHEME CHAMPION:	NAME & DESIGNATION ANISH AGRAWAL MANAGER - E&I	SIGNATURE
SECTIONAL MANAGER	NAME & DESIGNATION ANISH AGRAWAL MANAGER - E&I	SIGNATURE
AM INCHARGE	NAME & DESIGNATION VISHAL DHAMANE deputy manger finance	SIGNATURE
FINANCE HEAD	NAME & DESIGNATION: Raju Dutta DGM Finance	SIGNATURE



**ASSET MASTER CREATION REQUEST:-**

To capitalize the AUC after getting Job Completion Certificate from user department asset master creation request send to Head Office to create asset number for Fixed Asset Register.

**CAPITALIZATION:-**

The asset purchased in business whether it is furniture, machinery or any other equipment directly or indirectly related to production and for the growth & expansion of the organization. In ACC Jamul finance department capitalize the asset

For example t-code 1) AIAB

2) AIBU

Finance department use transaction code to use the asset.

### **Categories of CAPEX:-**

CAPEX are divided into the following:-

- Land and mineral reserves
- Buildings and installations
- Furniture, vehicles and tools

All CAPEX which have commenced but have not been completed, have to be reported in 'Construction in Progress'.

### **Land and mineral reserves:-**

#### **Definition:-**

This line includes the surface rights on which operating facilities are located or on which they may be located in the future. It also includes both the surface and raw material reserves if currently used or held for future use. Any premium paid over the residual land value is the raw material reserve. The value for raw material reserve can be defined as the excess price paid for land, e.g. they represent the difference between payment and market value of land as described in 'Amortization of Raw Material Reserves' for further accounting details. Stripping costs which are capitalized are also included in this category.

The line item land needs to be further sub-divided into two categories in the fixed asset register.

- Land
- Mineral reserves (for amortization of raw material reserves, capitalized stripping costs and capitalized site restoration costs)

Land and mineral reserves that are considered an investment property must be separately disclosed.

### **Buildings and Installations:-**

#### **Definition:-**

This line includes all the civil structures, such as buildings, silos, chimneys, water treatment and sewage systems, power distribution, and any roads, plant site paving, etc., not included in land and mineral reserves. It also includes assets, which provide building support functions, such as heating, ventilation and air conditioning, elevators, etc. Buildings and installations that are considered as investment property must be separately disclosed.

### **Furniture, vehicle and tools:-**

#### **Definition:-**

This line includes office furniture and equipment, computers and other EDP equipment and related software, whether used for administrative or

operating applications, mobile equipment such as automobiles, trucks, tractors, excavators, drag lines, etc., and tools and equipment used in laboratories and workshops.

### **Types of CAPEX:-**

Holcim divides CAPEX between expansion and diversification (only 1 type) and 5 types of CAPEX to maintain productive capacity and competitiveness.

1. Expansion and diversification
2. CAPEX to maintain productive capacity and competitiveness:
  - Social and safety
  - Environment
  - Improvement of product quality
  - Rationalization
  - Replacement

### **Type1: Expansions and Diversification:-**

#### **Definition:-**

Expenditure to increase existing or create additional capacity to produce, distribute or provide services for existing products (expansion) or to diversify into new products or markets (diversification).

If a CAPEX project slightly increases volume by improving process performance, it is not considered an expansion (but rationalization) CAPEX projects.

**Example:-**

**Expansion:-**

- Construction of additional bulk or bag loading facilities
- Construction of additional silos for seasonal markets
- Purchases of aggregates reserves or resources for existing or new quarries (sub-segment aggregates)
- Modifications of equipments with the main purpose of increasing output

**Diversification:-**

- Construction of rail or barge loading facility to reach new markets
- Construction of new terminal

- Installation of new equipment to produce new cement type
- Installation of new equipment to test new products (for example well cement)

### **Type2: Social and Safety:-**

#### **Definition:-**

Expenditure to comply with internal or legal requirements with respect to social and safety considerations to improve the working conditions of the personal. All these capex projects improve quality of life of the employees, neighbors and others stakeholders.

These CAPEX projects may contain other elements like improved environmental performance or rationalization of the work of the plant personnel, but their main aim is to improve social or safety aspects.

#### **Examples:-**

##### **Social:-**

- Housing for employees, guest house
- Schools, sport facilities

- Air conditioning system for guest house
- Air conditioning system for offices
- Roads, bridges, not operative infrastructure

**Safety:-**

- Fire alarm and fire extinction systems
- Protection guards and enclosures
- Process water tank volume increase for fire safety reasons

**Type3: Environmental:-**

**Definition:-**

Expenditure to comply with internal or legal requirements with respect to the protection or quality improvement of the environment. The projects are normally justified through environmental risk analysis. All these CAPEX projects are made to comply with local environmental regulations and Group objectives. It contains CAPEX projects for environmental rehabilitation, air, and water or soil protection. They may also contain other elements like replacement of old equipment which decreases maintenance cost or a rationalization of the work of the plant personnel, but their main aim is to improve environmental performance.

**Examples:-**

- De-dusting system transfer point or truck loading
- Fan exhaust muffler for noise control
- Treatment system for process or office waste water
- Soil spillage containment pads or walls

#### **Type4: Improvement of Product quality:-**

##### **Definition:-**

Expenditure to improve the level and / or uniformity of the quality of the products based on market requests. The main reason for these CAPEX projects is to better satisfy the market needs and should generate positive

cash flows due to higher sales revenue. These projects are therefore approved based on economic justification.

##### **Examples:-**

- New high efficiency separator to reach fineness requested by market
- Quality control equipment to improve uniformity of cement fineness based on market request
- Kiln bypass to continue producing low alkali cement (with a deteriorating quarry)

#### **Type5: Rationalization:-**

##### **Definition:-**

Expenditure to improve the productivity of existing capacity (e.g. reduction of electrical or thermal energy cost, reduction of personnel, etc. without



increasing the capacity) and positively affect the cash flow. These projects are therefore approved based on economic justification and sometimes risk mitigation

These CAPEX projects improve the plant efficiency and/or effectiveness and are in most cases driven by cost improvements and/or reduction of risk. They can result in better use / minimization of resources, use of more bottlenecks (not to be confused with building of additional capacity, which would be classified as expansion CAPEX project). Note that CAPEX

Projects improving the performance of *maintenance activities* are by definition *replacement* (and not rationalization) CAPEX projects.

**Examples:-**

- Energy
- Installation of variable frequency drive for ID-fan
- Power generation set to produce at lower cost or reduce risk of failures
- Fuel conversion to pet-coke
- Mill or kiln modifications to improve energy efficiency
- Substitute pneumatic with mechanical transport of cement for energy saving
- Automated sampling device

- Linkman, PLC control system, kiln training simulator
- Repositioning of crusher in quarry for logistics optimization
- Overburden removal
- Procurement of larger front end loader or dump truck
- Buy communication systems (radios etc), service vehicles (small truck, forklift etc)
- Thermo scanner kiln

### **Type6: Replacement:-**

#### **Definition:-**

Expenditure to sustain the functional capacity of a particular component, assembly, equipment, production line or the whole plant, which may or may not generate a change of the resulting cash flow. All CAPEX with the aim to reduce maintenance costs are also to be classified under the replacement category. These projects are therefore approved based on economic justification and possibly risk analysis.

This category contains maintenance driven CAPEX projects, replacing equipments or parts at the end of their life time (which can be capitalized as described in chapter 3.1.2.4 property, plant and equipment of the HARP-Manual) and/or CAPEX projects to improve maintenance efficiency. The

end of the life of equipments or parts is characterized by either non-repairable failure, high risk of unacceptable impact of failure, non-availability of spare parts or maintenance costs increased to an uneconomical level.

A differentiation is made between normal and extraordinary Replacement CAPEX to separate re-occurring and predictable (normal) capitalizable maintenance replacement activities from infrequent and large capitalizable (extraordinary) replacement activities.

**Examples:-**

Normal Replacement CAPEX

Normal replacement CAPEX for all re-occurring and predictable replacements. For this CAPEX, a guide value can be /and is often) set per plant.

The guide value is determined based on a set of plant specific criteria (size, age) and is applied as 5 year rolling average. It will be revised based on major changes of the plant situation (Capacity and age category).

**Some typical examples are:-**

- Apron and weight belt feeders
- Entire (steel cable) belt conveyors

- Small cranes
- X - Ray equipment
- Small mobile equipment (Fork lift, pick up truck etc.)
- Tools
- Feed bins
- Medium size motors, reducers

### **Maintenance Expenditures**

Normal daily, weekly, monthly or yearly maintenance expenditure will never qualify for capitalization as Property, Plant and Equipment. This maintenance material must be expensed when it is actually incurred. Routine maintenance activities executed during an annual major shutdown does not qualify for capitalization, such as, for example, grate cooler plates replacement, repairs in clinker crusher, refractory replacement in rotary kiln, replacement of bags in bag-houses and kiln nose ring repairs etc.

Projects executed during major shutdowns must be evaluated using the replacement CAPEX decision tree above to see whether it qualifies for capitalization or not.

***List of Maintenance Activities Qualifying for Capitalization:-***

Type	Underlying Asset	Maintenance Activity	Major Spare Part
Mechanical	Crusher	Crusher replacement	Crusher housing Crusher rotor Rotor shaft
		Apron feeder replacement	Apron feeder
	Kiln	Tyre replacement	Tyre
		Shell section replacement	Shell section
		Planetary carrier replacement	Planetary carrier
	Tube Mill	Mill end replacement	Mill end
		Mill shell section replacement	Mill shell section
		Tube mill tyre replacement	Tube mill tyre
	Vertical Mill	Grinding table support replacement	Grinding table support
		Roller carrier replacement	Roller carrier/yoke
		Roller bearing replacement	Roller bearing
		Center piece (nodular cast iron; FLS) replacement	Center piece (nodular cast iron; FLS)
	Roller press	Roller press frame replacement	Roller press frame
	Drives > 1,000kW	Girth gear replacement	Girth gear
		Mill gear replacement	Mill gear
		Kiln gear replacement	Kiln gear
		Roller press drive replacement	Roller press drive

### **FINDINGS:-**

- At ACC Jamul, up to Trial balance is prepared, the Balance Sheet is prepared at Head Office.
  
- At ACC, the CAPEX process is used for improving and sustaining the performance of plant through **up gradation**, expansion and diversification, **improvement in quality**.
  
- CAPEX is used in asset management.
  
- The firm is in sound positions.

**CONCLUSION:-**

- Asset management is an important part of Capitalization because of it the plant is able to know about the actual value of assets.
- The new assets are acquired such as Plant, Property & Equipment for the expansion & diversification of fixed asset in the organization.
- Asset management is a part of day to day accounting and bookkeeping of accounts records; under asset management companies are capitalizing the CWIP (CONSTRUCTION work in progress) cost as a asset.

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