

QACA Finance Policy

Finance

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Introduction

The QACA Finance Policy is primarily designed to provide a central reference point for all matters related to finance and cover all Divisions. Finance is the backbone of business and is a business partnering function. Finance has the responsibility to maintain a healthy business and manage the risks associated with finance to the business. This function has a direct responsibility and is assisted by all areas of the business. There are legal requirements such as compliances to the Income Tax Act, the Provident Fund Act, Gratuity Act, Goods and Services Act, Foreign Exchange Management Act.

Purpose

Finance is the language of business. It helps plan and forecast the business. It manages risks in the business and prevents unforeseen situations that impact it. It helps us measure the effectiveness and efficiencies of the business. It is critical to strategic planning. Finance provides a better understanding and control of expenses. It is a vital part of decision making and business growth cannot happen without the finance function. Therefore, Finance plays the pivotal role and good financial hygiene is essential to a successful business.

Scope

Finance and accounting apply to Quality Austria Central Asia, its division, its employees, suppliers, customers, its stakeholders, and the regulatory authorities.

Process for Policy and Procedures

Background

Finance Policies and Procedures will only be developed in response to an identified requirement for the adoption of a company-wide approach to a common issue.

The Finance Head has the overall responsibility for ensuring that appropriate Finance Policy and Procedures are developed and introduced where necessary.

Creation

Policy documents will be initially created as a Discussion Document. This will allow the opportunity for all interested parties to be consulted on the subject matter in question prior to the development and issue of the final policy.

The Discussion Document will be issued for consultation to the individuals who are the most relevant to and will best be able to provide guidance on the subject matter. However, the following personnel should be consulted on all Discussion Documents:

- Managing Director
- Divisional Heads

The discussion document may be subject to a number of amendments because of the consultation. The prime objective of the consultation is to ensure that all relevant parties are satisfied that the proposed policy is both practical and appropriate. The Managing Director will have the ultimate decision as to the content of a final Policy document. A discussion document will only become a final policy on the approval of the Managing Director.

Maintenance

The Finance Head will ensure that all policies are stored on QACA Server. Finance Head will issue directives which ensure that all relevant personnel have access to the server.

Finance Head is responsible for ensuring that the policy remains relevant and up to date and that all amendments are made in a timely manner.

Any amendment to the Policy must follow the process established above.

RESPONSIBILITIES OF HEAD OF FINANCE

Ensuring that there is an adequate financial control environment in the company.

Ensuring that an appropriately skilled and resourced finance team is in place in the company.

Ensuring that the company fulfils all its taxation, legal and statutory reporting responsibilities.

Ensuring, as part of the management team of the company, that the economic interests of the company are protected and enhanced.

Ensuring that this policy is adhered to by all in the business.

Ensuring financial reporting is accurate, timely and dependable.

Ensuring good financial hygiene, cash flow and control of expenses.

Annual Budget

Background

This policy sets out the QACA Annual Budget framework.

The Annual Budget represents the principal mechanism through which an appropriate financial framework is established for the execution of QACA operational activity in a given year of trading.

Additional Budget requirements may be in force at a divisional level or regional level. These should be regarded as complimentary to the overall Company budget requirements.

The Annual Budget requirements identified below must be based upon the approved Strategic Plan for the Budget Year. The provision of accurate and timely data is therefore essential to facilitate effective business and financial planning of the Company's operations.

Budget instructions

The Annual Budget Instructions will be updated in advance of each exercise by QACA Finance. This document will set out the key requirements, any necessary assumptions and timetable for the Budget. The Annual Budget process shall kick start by the end of the third quarter and must be completed and approved before the start of the budget period.

Adherence to the Instructions and the timetable contained therein is essential for the QACA overall to achieve its target completion dates for production of the latest Annual Budget.

It should be stressed that these Instructions will only provide a broad guide as to the information demands for any future Budget exercise. Although initial preparatory work may be undertaken in advance, the full requirements will only become known on the updating of the relevant year's instructions. The budget process shall be supported using the AOP Format.

Divisions

Each QACA Division is required to make appropriate arrangements to ensure that they can meet the Company budget timetable. Depending on the structure of the division this may require review sessions with business units and/or departments. The final budget review is conducted, and consolidation of all divisions ensures the company budget.

Corporate

Finance will produce a consolidated Annual Budget utilising the data submitted by Divisions and adding the corporate and support functions budgets.

Exchange rates

Rates of exchange will be advised at the time that the relevant Budget Instructions are updated.

Forecasting

Background

This policy sets out the QACA Forecast framework. Monthly forecasts are produced within each Financial Year to provide a more accurate assessment of the anticipated financial results for the current year. These are based on a combination of actual results to date together with the latest estimate for the remaining period of the year.

Forecast instructions

The Forecast Instructions will be updated in advance of each exercise by Finance. These documents will set out the key requirements, any necessary assumptions, and a timetable for the Forecast. Adherence to the Instructions and the timetable contained therein is essential for the QACA overall to achieve its target completion dates for production of the latest forecast.

Divisions

Each QACA Division is required to make appropriate arrangements to ensure that they can meet the Company forecast timetable. Depending on the structure of the division this may require review sessions with business units and/or departments.

Monthly Reporting

Background

This policy sets out the QACA Monthly Business Reporting framework.

Divisional monthly flash report

The Divisional Monthly Flash report is the responsibility of the Finance. The Divisional Monthly Flash Report represents an initial view of the previous month's financial performance. The Divisional Monthly Flash Report should be accompanied by a commentary which addresses the key business drivers within the period. It should also set out the principal reasons for the variances against Budget. There is no prescribed format for the Flash commentary but must be restricted to one A4 page in length.

The Divisional Monthly Flash Report together with the accompanying commentary must be documented by Finance no later than 6 pm of the 12th working day following the month end.

Commentary

The Commentary provides a consolidated view and analysis of the Company's overall performance in the previous month. This will address and analyses the key variables impacting financial performance in the month reported. It will also comment upon the Key Performance Indicators (KPIs) for the period. Finance will prepare the Commentary no later than the 12th working day following the month end.

Statutory reporting

Background

This policy sets out the framework for Year End Statutory Reporting within the QACA.

The QACA has a number of financial reporting requirements. These are treated under the following headings:

QACA consolidated financial reporting.

QACA standalone financial reporting

Consolidated group accounts

The audit fee and audit schedule for the QACA audit are negotiated centrally by Finance Head.

The QACA audit plan is determined annually based on discussions between the Finance Head and the company's auditors. The audit will always include a full-scope audit of the company's operations. The scope of this audit is planned such as to enable the auditors to deliver an opinion on the company's accounts.

The Head of Finance has responsibility for assisting in the preparation of the Annual Company Consolidated Accounts. Overall responsibility for these accounts' rests with Finance Head.

Adherence to the Statutory Reporting plan and the timetable contained therein is essential for the QACA overall to achieve its target completion dates for production of the latest Annual Statutory Accounts.

The Statutory Reporting plan will contain full details as to the relevant point of contact with whom any issues or queries arising may be addressed.

Internal audit

Two types of Internal Audit are conducted, one is by the Internal Audit Department (called Business Excellence Department), and another is done by an External Agency.

The QACA maintains an Internal Audit Department that reports to the Executive Director. The internal audit team works on an Audit Plan that is agreed in advance with all the divisions/departments and includes coverage of all business units within a time cycle that is determined by the risk profile.

About those audits, the internal audit team will notify managers of their specific detailed audit plan prior to the commencement of fieldwork. On completion of the fieldwork, the audit team will conduct a meeting with management to discuss their findings and recommendations. The meeting will highlight and prioritise any control weaknesses which require corrective action and provide an opportunity to confirm (or correct) the factual accuracy of the auditor's findings. Audit findings will be categorised as follows:

Priority 1: Significant weakness in internal control and/or non- compliance with company Rules or statutory requirements which could lead to a material loss or public criticism. This must be addressed urgently.

Priority 2: Weakness that could undermine the system of internal control or non-compliance with company Rules but is not considered fundamental. This should be addressed as soon as possible.

Priority 3: Improvement in control that represents best practice or potential efficiency savings but where the weakness is unlikely to compromise internal control.

Concerned managers must reply (in writing) to Audit Findings with their proposed Management Actions within ten working days of receiving the draft report. If this is not possible, managers should contact the audit team by email to confirm when they will provide the Management Actions.

Each QACA employee is required to fully cooperate with the Internal Audit team in relation to the provision of any information or explanations that are required. This may include information of a confidential or sensitive nature.

Account reconciliation

Background

The following policy sets out the requirement to undertake Balance Sheet account reconciliations on a quarterly basis.

Philosophy

All Balance Sheet accounts must normally be reconciled on a quarterly basis. They should be signed by the individual who undertakes the reconciliation. The reconciliations should subsequently be reviewed by an appropriate individual and evidenced by signature.

Format of reconciliations

The Reconciliations file should take the following format:

For each quarter:

A named individual is assigned to each account.

Signature on the front sheet which confirms that the account has been examined and reconciled. Confirmation can be done by email also.

A Backup schedule for each reconciliation

The reconciliations must be reviewed by an appropriate individual and evidenced in writing.

Reconciling items must be fully investigated and resolved in a timely manner, and not carried forward indefinitely.

Capital expense

Background

The requirements for a Capital Expenditure Request (CER) can be defined as the information which is needed for the relevant authorising party to approve a particular project or equipment. The following policy sets out and explains those requirements.

A CER is required for all capital expenditure, whether budgeted or not, and all significant revenue project spend, which exceeds budget.

In general, this policy sets out the relevant guidance for the more significant investment.

Capital and revenue definitions

Prior to the submission of a Capital Expenditure request, the applicant must distinguish whether the expenditure is Capital or Revenue in nature. If necessary, further guidance should be obtained from the nominated finance personnel.

Technically, a Capital item would be defined as the right to future economic benefits controlled by an entity because of past transactions or events. Although an asset typically has other features such as being acquired at a cost and being tangible (e.g., IT equipment, furniture, Test equipment) this does not imply that all assets will possess these features.

Conversely, a revenue item does not provide any right to a future economic benefit and is consumed in the normal course of operating the business. As an example, in the case of IT equipment, the associated repair and servicing costs would be treated as revenue items. Guidance should be obtained from the relevant Finance personnel to ensure the correct treatment of expenditure in this category.

Requirements of a capital request

As capital expenditure requests increase in size and complexity, there is an increased requirement for further detail & supporting explanation. This policy does not stipulate a precise level of detail as this will vary on a case-by-case basis. Further detail may always be provided or may be requested by the approver(s).

Executive summary

This should be a maximum of one page in length and should summarise the key elements of the approval request. Consideration should be given to the fact that some authorising parties may be from an unrelated discipline or technical background. It is advisable therefore to avoid the use of business-specific terminology without providing an explanation.

The executive summary should address the following aspects:

- What is the “issue” or “opportunity” to which the CER relates?
- What is being proposed?
- What are the capital and revenue costs?
- Key financial metrics (as appropriate – Return on Capital, Payback, Internal Rate of Return and/or NPV)
- Front sheet

The front sheet follows a predefined template and is the “summary” of the project. This sheet includes:

- Project name
- Project owner
- Business unit
- Operating unit
- Capital value
- Revenue value
- Total value
- Key financial metrics
- Reason for expenditure
- Approval List & signature

The Approval Matrix should govern the approval list.

Significant projects may contain a schedule of “functional comments.” The proposal should be circulated to all individuals on the comment list one week in advance of the proposal being put forward for approval. Each of the personnel listed is invited to add relevant comments for inclusion in the proposal. The approvers are subject matter experts, who advise on business approval. They do not approve the project but do give assurance to approval list that the technical elements of the project have been met. A typical functional comment sheet may be as follows:

<p>Head of Finance</p> <p><i>This project proposal should be reworked to include the impact of tax. [Comment updated] This has now been done and the returns fairly reflect.</i></p>
<p>Head of Risk & Compliance (Insurance and HS)</p> <p><i>Our insurers accept the risk at no additional cost in premiums...</i></p>
<p>Head of Marketing</p> <p><i>There is a small brand risk associated with this project as follows....</i></p>
<p>Head of HR</p> <p><i>I have no comments to add.</i></p>
<p>Head of IT</p> <p><i>This project is included in the group project roadmap and resources are available within group IT to support it.</i></p>

“Next best” proposal

Wherever relevant a “next best” proposal should be submitted.

Financial analysis

All projections should be done on a “12-month” basis and on a “financial-year” basis. The “12-month” basis should consider the out-turn of the project in equal 12-month periods from the start of the project while the “financial-year” basis should examine the impact on each financial year.

Projects should use the appropriate discount factor. Discount factors must be such that they require progressively higher returns as the risk of the project grows. The analysis should make it clear which rate is being used and why.

All calculations (IRR, NPV, Payback etc.) should use the methodology defined by MS Excel.

All projections should be submitted both in hard copy and in soft copy.

Financial summaries should include at least 3 years P&L and Cash flow information.

The financial appraisal must be performed over the evaluation period of the project. Normally this will be three years. Where a project is of strategic significance, a longer period may be used but this will need to be justified in the appraisal and the reasons for the extended period given. Any financial metrics must also show the three-year position even if a longer period has been selected.

In determining, which financial metrics (benchmark) are utilized, the only basis for the choice should be to select the metrics that best display both the strengths and weaknesses of the project. It is not permissible to purely select those metrics which result in illustrating the project at its most optimum. A sensitivity analysis must be performed:

Identify clearly the success criteria for the project. This would typically be a payback requirement.

- Identify the key sensitivities – the variables that were they to change, would lead to the project becoming unsuccessful.
- Establish the variances in the key sensitivities that would be required to cause the project to become unsuccessful. For example, “a fall in revenues of 16% in year two would lead to the project being unviable.”
- Determine the mitigating actions that could be taken to ensure that these variances do not take place.

A typical example would be an investment proposal for laboratory equipment that would enable additional sales to be generated. This project might have a payback of 2.8 years and have a required payback of 3.0 years. A sensitivity analysis determines that the key sensitivities that would cause the payback to increase to 3.0 years might be an increase in investment cost of 12% or (considered separately) a 20% shortfall in target sales. A mitigation plan to cap the investment price might include a fixed price contract, while the sales figures might then be subject to additional scrutiny to determine the likelihood of a 20% shortfall.

Cash flow

All financial evaluation requires a cash flow analysis. This should include:

- What currency is being used
- How much of the spend is capital & how much is revenue.

Operating Profit & PAT

Both the operating profit and the profit after tax need to be considered.

Internal Rate of Return (IRR) & Net Present Value (NPV)

When utilised it must follow the MS Excel methodology. The calculations should be prepared during the evaluation period of the project. Where the evaluation period is different from three years then the three-year IRR must also be shown.

IRR should be more than the target rate of the specific project. The IRR calculates the discount rate that causes the project to break even. In examining this, the pre-tax cash flows must be used.

NPV must be positive based in the evaluation period.

Payback

All payback calculations must be discounted at an appropriate discount rate and must be pre-tax.

Risks & mitigating actions

All identified risks and mitigating actions should be documented.

Project plan

A project plan is required for all significant projects. The size of the plan will be determined by the size of the project. For a major project, such as an acquisition, this should be a detailed implementation plan, which indicates milestones and showing actions. For a smaller project this can be covered by explaining the project approach in narrative form. A single paragraph is acceptable for the smaller projects.

Success criteria

At the outset of the project the project team should determine what the critical success factors will be. The aim here is to identify key measurable metrics that will determine after a defined period (default of 12 months) whether success has been achieved. These criteria should not be contradictory to the metrics used in the financial appraisal.

The criteria should be:

- Achievable
- Measurable

Suppliers

Any project where there is a significant external expenditure should include consideration of which suppliers are selected. Various procurement policies are in place at company level which should be complied with. The choice of suppliers should be explained and justified.

Health & safety

Any health & safety issues should be discussed.

Business/company acquisitions and new sales generating projects - additional information

Additional information will be required where the expenditure is for a business or company acquisition, entry into a new market or region or other large scale new sales generating project.

The request should include, where applicable:

- Market & competition - Data sources, market size/position/projections, competition
- Strategic fit and synergies with existing business operations and strategic plans
- Financial Due Diligence
- Personnel resource requirements
- Legal structure including details of potential partner, shareholding structure etc.
- Reference to Legal Due Diligence
- Currency/taxes/inflation financial issues relevant to the investment countries
- Source/type of funding and compliance with banking covenants etc.
- Property sign-off (assignment of leases etc.)
- Discussion of current owner's future relationship/agreements
- Discussion of any proposed integration plans or operational synergies. Also, the management of employee retention or reduction in workforce.

Approval process

Each approval will be based on the current approval list. The list is a "minimum acceptable" list and additional approvers may be required. The inclusion of additional approvers is at the discretion of the person preparing the proposal.

Approval sequence

Approvals must proceed sequentially through the approval list in an ascending order of seniority. The proposer is responsible for ensuring that the necessary process is followed.

Sum approved

The sum approved is in local currency unless indicated otherwise either in the proposal or by an approver.

Overspend

Unless a different tolerance level is specified either in the proposal or by an approver, the project is permitted an over-run of 10% in both revenue expenditure and capital expenditure. Any over-spend greater than this tolerance must be re-submitted for approval. This would also apply for a material change in scope.

Project control

Control

Each Division must maintain a central business register of all capital approvals showing the following data:

- Number of the project
- Name of the project
- Status of the request (approved, rejected, withdrawn, in progress)
- Approval value of the proposal (revenue & capital)
- Status of the project (only if approved – in progress or finished)
- Termination date
- Final value of the project (if finished or significantly overdue)
- Operating unit(s) concerned.
- Owner of the proposal

Post-project review

A post project review will occur within one month of the time set in the success criteria. It is the responsibility of the Project team to review the project against the success criteria. Guidance regarding the reviews will be issued. The review should include a summary of the initial project, the success criteria, performance in relation to the criteria, comments on the performance and, if applicable, forward-looking projections and plans.

The review should be lodged with the capital approvals register within 1 month of the success criteria time. Internal audit will have a remit to audit the reviews.

Duplicate payments received

Background

It is expected that there will always be a certain number of customers who make duplicate payments despite the existence of internal processing controls and reporting to prevent this from occurring.

This policy will apply to all Divisions to achieve a consistent and coherent approach to ensuring that the customer is informed of the position of their account.

Duplicate payment policy

Staff must be aware that all credit balances should be regarded as the property of the customer.

All reasonable efforts should be made to alert customers to the existence of duplicate payments to enable them to apply the cash correctly.

The responsibility for the management of the Sales Ledger is vested in the Finance function. In general, customers are advised to offset an overpayment against future Sales Invoices. Where a refund is requested, the necessary authorization must be obtained prior to the relevant cash office effecting the transaction.

If an overpayment is applied to any outstanding amounts, it is essential that the relevant customer's authority is obtained beforehand. Where possible, this authority should be obtained in writing. Alternately, if received verbally, it should be recorded.

Credit balances should not be removed from a customer account unless the following actions have been taken (and documented):

- The customer must be contacted (as a minimum) at the point that the credit balance has occurred and immediately prior to the removal of the balance. At least one of these contacts must be in writing.
- The following process will apply if a customer does not utilize the credit balance on their account:
 - After a period of 24 months, any unmatched credits relating to overpayments appearing on a customer account will be transferred to suspense by inclusion on a dummy ledger.
 - All credit balance items will be tracked on the dummy ledger in order that the item can still be traced in the event of a customer requesting repayment.
 - The items in question will no longer be included in the customer statement.
 - The item will be held in the suspense account for a further period of 12 months after which it will be reviewed by the Finance Head.

The following information must be readily available and reported monthly:

B/fwd. amount credit balances	x
Additions	x
Release	(x)
C/fwd. amount credit balances	x

Purchasing

Background

This policy sets out the QACA Purchasing framework.

The key Purchasing deliverables are identified and defined together with the specification of any relevant deadline requirement.

Purchase evaluation

Responsibility for the evaluation of any proposed purchase transaction is vested with the Divisional Head/Functional Head and Finance Head.

There is no prescribed Company format for the purchase evaluation process (e.g. in terms of the number of alternative supplier quotations which should be obtained) however, authorizing personnel must be satisfied that there has been a sufficient level of evaluation and analysis which allows for the most effective purchasing decision in terms of overall cost and quality to be made. As a general guideline, a minimum of three alternative supplier quotations is preferable in most transactions.

If alternative suppliers are unavailable, an appropriate explanation of the relevant reasons should be included within or appended to the Purchase Requisition.

Prior to the undertaking of any Purchase transaction, appropriate consideration should be made of any existing Supplier arrangement at preferential rates. These arrangements should be communicated to all relevant parties.

Purchase requisition and authorization

A standardized Purchase Requisition form should be used. This will contain all the relevant data which is necessary to generate the corresponding Purchase Order.

Each requisition must be appropriately authorized in accordance with the Approval Matrix which is applicable to the Division/Function.

Requisitions are subsequently submitted to the Finance team which is responsible for the generation of the Purchase Order, which is issued to the external supplier.

The Finance team will ensure that the Purchase Requisition has been accurately completed and correctly authorized.

The Finance team will have no responsibility in relation to the evaluation of any proposed purchase transaction.

Purchase order

The Finance team will utilize the authorized data supplied in the Purchase Requisition to produce the formal Purchase Order which is issued to the external supplier. This will contain the relevant terms and conditions which are applicable to the transaction.

Each Purchase Order will be identified through the allocation of a unique reference number. Appropriate processes should be developed to ensure that accurate sequential control is maintained over the issue of Purchase Order numbers.

Corporate vendor agreements

Various Corporate Vendor Agreements have been developed over time. These falls into two categories:

- Country Level Vendor Contracts: An agreement can be made with a vendor to supply material/services at preferential rates across the country. This agreement will be reviewed annually to check whether terms with vendor are still favorable to company.
- Function or Divisional Level Contracts: Function/Division can enter into agreement with a vendor to supply material/services across the function/division. Local level selection of vendor, criteria, evaluation etc. to be addressed. This aspect must also reflect in the main Purchasing procedure.

A summary of all Contracts should be maintained by the relevant Divisional/Functional team. This should be made available to all Budget Holders who participate in any purchase evaluation activity.

Management of fixed assets

Background

This policy sets out the Company framework in relation to the management of the Fixed Assets portfolio.

The key Operating Unit and Divisional / Functional deliverables in relation to Fixed Assets are identified and defined.

Operating units/division

Prime responsibility for the management of Fixed Assets is vested within the individual Operating Units/Division/Function.

Fixed Assets should only be created or added to the asset register in accordance with the existing Capitalization Policy e.g., to ensure compliance with the current minimum threshold value. The Finance Team should ensure that there is compliance with all aspects of the Capitalization Guidelines policy.

Assets should only be created or added to the Fixed Assets register upon the receipt of suitably authorized source documentation.

Some “Assets under Construction” e.g., in relation to ongoing projects may be built up incrementally over an extended period. Operating Unit/Divisional management will be responsible for maintaining appropriate expenditure summaries for these assets which are periodically reconciled to the Budget Holder records.

A unique Asset Identification number will be assigned for all Divisional/ Operating Units Assets. The Identification number must be physically “tagged” to the asset in question. In the case of IT equipment, the Manufacturer’s serial number (which is already in place) will be cross-referenced to the system-generated asset number.

The Transfer of Fixed Assets between locations within the Division/ Operating Unit should only be undertaken upon the receipt of suitably authorized source documentation. For external transfers (outside the Division/ Operating Unit) there must be agreement between the respective Operating Unit or Divisional management as to the description and values of the assets being relocated.

The Disposal of Fixed Assets should only be undertaken upon the receipt of suitably authorized source documentation.

In the case of any external (third party) disposal an appropriate Sales Invoice will need to be generated.

Where assets are being physically scrapped e.g., as in the case of obsolete IT equipment, an appropriate verification process should be established by Operating Unit/Division/Function Management to confirm this action.

Operating Unit/Divisional Management should periodically (monthly) confirm with the Finance Team the accuracy of the Fixed Asset data being held. This may be achieved through supplying the relevant Asset report to the Finance Team for confirmation.

Operating Unit/Divisional Management should also undertake suitable periodic independent physical verification of a selection of Fixed Assets. This should particularly focus on confirming the existence of High Value or vulnerable assets such as IT equipment.

The Finance Team will apply Depreciation to asset values based on the applicable rate for each fixed asset category. This is applied on WDV basis. Current rates are set out in the Capitalization Guidelines policy.

Finance team

Finance is responsible for the overall consolidation and reconciliation of the Fixed Asset base and its accurate reporting for Monthly, Year to Date and for Statutory purposes.

Finance will determine an overall policy in relation to the deemed economic life of different asset categories together with the Depreciation basis to be applied e.g., WDV.

Finance will periodically instigate a programme of independent verification of selected Fixed Assets.

Internal Audit may undertake selective physical verification of Fixed Assets as part of an agreed annual audit programme.

External Audit may undertake selective physical verification of Fixed Assets as part of the year-end Statutory audit.

Invoicing, Credit Note and Collection

Background

This policy sets out the QACA Billing, Credit and Collections framework.

The key Accounts Receivable deliverables are identified and defined together with the specification of any relevant deadline requirement.

Additional Accounts Receivable requirements may periodically be in force at a Divisional level. These should be regarded as complimentary to the overall Company requirements.

Instructions

Adherence to the established guidelines is essential for QACA to both maintain good relationships with its customer base and to obtain the most beneficial collection terms and conditions.

Credit evaluation

An appropriate system of credit evaluation must be in place within every business unit/Division at the point where a sales order is received from any new customer. This evaluation must be completed prior to the supply of any product or service.

This evaluation may include the credit history and current financial condition of a potential customer. This analysis will normally provide an indication of the creditworthiness of a customer for the proposed level of financial transaction.

The evaluation will lead to the establishment of an appropriate credit limit for each customer. This will represent the maximum financial level of transactions which may be undertaken with the relevant customer.

The acceptance of a new sales order will be subject to whether there is sufficient available credit on a customer account.

The credit limit may be periodically reviewed to reflect an increased level of business or any other relevant change in the customer's financial condition. However, a full re-evaluation of the customer's creditworthiness must be undertaken prior to the authorization of any increase in credit limit.

Invoice & credit note control

Sequential control should be maintained over all issued sales invoices and credit notes. An appropriate control report should be generated which highlights any break in the numerical sequence e.g., invoices which are being withheld from issue due to the lack of certain key data. This will provide a basis for review and investigation and ensure that all supplied products and services are being correctly invoiced.

The applicability of any sales output tax e.g., GST will be determined at the point of order entry. This will result in the automatic calculation of any output tax at the point where the sales invoice is generated.

An appropriate system of Invoice and Credit Note Dispatch control should be established. This should ensure that all requested invoices and credit notes are produced and issued.

Appropriate controls should be established to prevent the issue of duplicate invoices for the same service or product.

Debt recovery

Monthly debtor's statements should be produced and issued. These should accurately reflect both the current and overdue amounts.

Aged Debtor Analysis data should be produced and circulated to all key members of Finance and Operational personnel. This should provide the main platform for all Debt Recovery action.

The techniques which are utilized during Debt Recovery will vary according to the end customer, the amount involved and the debt history. In general terms, the initial phase of debt recovery action will normally include a combination of:

- Fax or e-mail communication highlighting the overdue amount
- Telephone follow-up
- Formal Reminder Letters

Appropriate communication should be maintained at all stages of the Debt Recovery process with the relevant operational personnel who engaged in the fulfilment of the customer order.

If the initial phase of Debt Recovery Action proves unsuccessful, consideration should be given to the utilization of formal legal action. This should only be initiated after both full consultation with operational personnel and having received appropriate authorization.

Credit notes and adjustments authorization

A formal process should be established for the creation and authorization of all Credit Notes and any other account adjustments.

The established authorization levels should be formally documented and updated.

Provision for doubtful debts

During Debt Recovery action, if it comes to knowledge that recovery of certain debts is doubtful, then provision must be prepared. All debts which are older than 90 days must be reviewed to know the chances of recovery. Provision is to be made for all debts if recovery is doubtful. All provision is reviewed on quarterly basis to find out the status of recovery. Debts will be treated as bad debts if recovery is not possible.

Bad debts

If the Debt Recovery action outlined above has been unsuccessful, it may be necessary to consider an overdue amount as a Bad Debt.

A formal process should be established for the review and authorization of a Bad Debt prior to the undertaking of any necessary accounting treatment.

Items should only be written off (as opposed to making a provision) when the debt is deemed to be irrecoverable. The specific reason (e.g., company liquidation) should be documented. Bad Debts should not be written off purely because of reaching a particular milestone age such as 360 days.

Accounts payable

Background

This policy sets out the QACA Accounts Payable framework. Responsibility for Accounts Payable Management is vested in the Head of Finance.

Instructions

There should be detailed work instructions for execution of the key Accounts Payable activities. Adherence to the established process is essential for QACA to both maintain good relationships with its Supplier base and to obtain the most beneficial credit terms and conditions.

Divisions & business units

Each Accounts Payable function within the QACA should contain as a minimum, the following key characteristics:

- The appropriate segregation of detailed tasks which thereby minimizes the possibility of any fraudulent activity occurring e.g., between Purchase Invoice authorization and Cash Payments.
- A suitable organization structure which allows the independent review and authorization of key tasks e.g., Supplier Reconciliations.
- Job descriptions developed for all relevant members of the Accounts Payable team.

A standard Vendor Registration Form should be utilized for the addition of all new suppliers to the Accounts Payable system. This should be completed by the originator, approved by the Line Manager, and submitted to the party authorized to create new supplier accounts within the Accounts Payable system.

Incoming Invoices at a Divisional, Entity or Operating Unit level should be checked and approved at Divisional, Entity or Operating Unit level then it will be submitted to the Accounts Payable function.

Purchase Invoices will be monitored by and entered the Accounts Payable system. However, in the case of other external billing (where no Purchase order may have been raised) appropriate checklists should be established to ensure that all external creditors are being accounted for correctly.

In the case of expenditure, which involves the receipt of physical product, an appropriate Goods Received Note (GRN) should be raised to confirm that delivery has occurred in a satisfactory

condition. The GRN should be passed to Accounts Payable for matching to the Purchase Order and Purchase Invoice. GRN must be prepared for all items required to be capitalized. Division/Function raising purchase requisition is responsible for preparation of GRN.

Controls must be established to obtain the relevant remedial action in the event of receiving an unsatisfactory product or service. There must be appropriate communication between the Department on receipt of the product or service and Accounts Payable, which would prevent invoice payment until product replacement/service correction, or a Credit Note was received.

A number of Invoice processing controls exist within the Accounts Payable system. These include:

- Ability to detect and highlight any supplier Purchase Invoice number which has already been entered into the Accounts Payable system; thereby reducing the risk of duplicate payments.
- Ability to detect supplier invoices for an identical amount which have been input previously to the Accounts payable system.
- Ability to detect any calculation errors present in an external supplier invoice.

Controls should be developed in relation to the authorization of balance write-offs or any other correcting adjustments made within the Accounts Payable system.

The allocation of responsibility for authorizing the payment of supplier invoices should be established, documented, and communicated to all relevant parties.

Controls at a Divisional, Entity and Operating unit level should ensure that there is an adequate segregation between those parties who are responsible for originating and authorizing Purchase Orders and those engaged in the subsequent authorization of Supplier Purchase Invoices.

Controls at a Divisional and Operating unit level should ensure that prompt attention is paid to any supplier invoices to which any form of payment discount is attached.

All Divisions and Operating Units should ensure that there are satisfactory controls in existence in relation to accounting for any input taxation which is attached to supplier invoices e.g., GST.

In order that the monthly Management Accounts accurately reflect the true value of all goods and services consumed, it is necessary to prepare “accruals” for all services and products received for which the relevant external supplier invoice has not been received. In this way, the true value of all services and goods consumed is charged within the latest Accounts, and an accurate position in terms of cost and profitability is reported.

Corporate

Accounts Payable Management at a Company level is a key activity within the wider Treasury Controls, which are directed at the optimization of the Company's liquid resources. Specific Policies and Procedures have been developed within the manual, which address other related topics.

The Head of Finance will review and ensure that the overall consolidated Weekly Cash position is sufficient to ensure the smooth running of the business.

Tax policy

Background

The Finance Head is required to manage and discharge Tax Policy responsibilities within the terms of reference set out below. All Operating Units/Divisions must comply with tax laws and regulations in their jurisdictions. Company tax affairs should be organized so that the Company uses all legitimate means to minimize and defer the amount of taxation payable.

Tax department

The Finance Team based at Noida deals and manages directly with all tax matters.

Operating Units/Divisions are responsible for ensuring compliance with local tax regulations and reporting tax matters as specified below.

Tax reporting

The Head of Finance must appoint a Tax responsible accountant (either internal or external) to manage the Tax process for the Company.

Companies have a number of tax reporting requirements that are specified in various documents distributed by the Finance Team during any financial year.

Tax reporting documentation is developed by Finance Team on a required case by case basis.

Actual risks of tax delinquencies are to be reported by Operating Units/Divisions immediately to Finance Team on a case-by-case basis.

Tax accounting

The head of Finance and accountant responsible for tax should review all accounting transactions periodically to ensure that the most beneficial treatment for tax is used.

The Finance Team is responsible for preparing a consolidated tax provision for the consolidated accounts.

Finance Team perform deferred tax calculations/bookings.

Tax compliance

The company is required for all relevant taxes: to comply with all local tax laws and regulations; to file appropriate tax returns; and to settle related taxes on a due and payable basis. The Finance Department will directly administer the Company tax requirements.

External Consultants may be hired by Company to either prepare or review annual tax returns, unless agreed specific circumstances dictate otherwise.

Transfer pricing

Transfer pricing allows for the establishment of prices for the goods and services exchanged between subsidiaries, affiliates, or commonly controlled companies that are part of the same larger enterprise.

All inter-company transactions between entities should be at arm's length prices. Individuals from each Operating Unit directly involved in the transaction should be involved in setting the arm's length price based on their knowledge of what the price would be had they been dealing with a third party.

The Finance Team is not involved in setting the arm's length price. The Finance Team will review the transfer price and support, where needed, and consult with external advisors on any technical matters.

Contemporaneous (current and relevant) documentation must be produced by the Operating Units/Divisions with Finance Team assistance in advance of the transaction to support the transfer price. Failure to comply may result in heavy penalties on any tax authority inspection. The varying nature of this documentation means that a standard template is not possible. Consequently, the documentation needs to be produced and updated.

Project work

Any proposed new structure (legal or financial), acquisition or disposal must be notified to the Finance Team as soon as the proposal is formulated and before it is submitted to MD for Approval.

This notification to the Finance Team ensures that tax considerations have been fully addressed before the venture is undertaken and to identify the most tax efficient acquisition, disposal, or investment structure.

GST controls

Background

This accounting policy sets out the requirement for each business to account for GST and to prepare GST returns.

Roles & responsibilities

The Head of Finance is responsible for setting in place the rules surrounding GST liabilities and charging.

It is the responsibility of the Finance Manager to ensure that Operating Unit/Division adheres to the rules set down by the Head of Finance and complies with GST legislation in force.

The Corporate Finance Team is the prime point of contact for all GST related enquiries.

All technical queries regarding GST should be directed to the Finance Manager who will either respond directly or will direct enquiries to the appropriate external advisor.

Policy

The Head of Finance must appoint a GST responsible accountant to manage the GST process for the Company.

The GST responsible accountant will prepare a draft GST return (GSTR1 & GSTR3B) and submit it, together with all relevant supporting to the Head of Finance for checking by the 11th of the month and 20th of Month respectively, in which the GST returns are due.

It is the responsibility of the Head of Finance to ensure that their GST liability is minimized and that they fully comply with all GST legislation.

The company will pay GST liability through Net Banking on the normal GST due date.

Bank mandates

Background

This policy sets out the requirements for bank mandates across the QACA. Bank mandates must include specific limits for cheque signing or online transactions by named individuals and must be approved by the MD in advance of being forwarded to the relevant bank. It also includes the name of signatories who will authorize the bank payments.

This policy is designed to cope with the widely varying requirements of bank accounts and condense the approval process for these accounts down to:

- A single form requiring approval at the center for all and any changes.
- A central repository for banking information.

Policy

Every bank account must have a bank mandate in place.

A system of approvals for electronic payment methods including bank to bank transfer systems constitutes a bank mandate for the purposes of this policy and is subject to identical approval requirements.

The issue of blank cheque is prohibited.

This bank mandate must require the name of signatories to each bank payment from each bank account.

An employee cannot be a signatory unless they have been in full-time employment for at least six consecutive months at QACA and successfully completed any probationary period unless the MD has specifically approved their appointment

The bank mandate must set down specific limits for payment approval by named individuals.

Every new mandate or change to an existing mandate needs to be approved by the MD.

Removal of a name from a mandate: in cases where the individual has left the business, has been placed on gardening leave, suspended or is absent from the business for an extended period. In such circumstances the Head of Finance is required to remove the name from the mandate with the approval of Board.

Creation and changes to mandates

The request must be approved by the MD requesting the change.

The request must be routed to the Head of Finance who will ensure that the mandate is in accordance with QACA Rules.

A copy of the approved request will be sent back to the Head of Finance.

BANK RELATIONSHIP MANAGEMENT

Background

The policy sets out the rules that must be adhered to in managing the relationship with banks.

Relationship with banks

Full relationship details are held by Finance who must be consulted before new banking relationships are initiated or an old one terminated.

The initiation and opening of new bank accounts can only be made with prior approval from the Board.

Overdraft and Short-term loan facilities are negotiated by Finance.

Where an individual negotiates any loan or overdraft facility that creates a potential financial commitment without prior approval, such action will be regarded as a disciplinary offence.

Any performance bond, guarantee or other financial commitment to third parties including joint venture partners and associated companies with an actual or potential liability must be authorized by MD.

No operating unit or division is to grant any form of security to third parties without prior approval from the MD of QACA.

Authority for bank payments

Background

This policy sets out the requirements for authorization for any bank transaction. Separate rules should exist to ensure that a transaction, whether revenue or capital, is approved.

Policy

Every payment being made by QACA must be:

- First approved as a transaction. For revenue items this means the transaction has been approved by the appropriate cost center manager. For capital items this means the transaction has been approved by Division Head and MD.
- Then approved as a bank payment.

Transaction approval

Finance will maintain a matrix of approvals showing for each cost center who is permitted to approve a transaction of a given value to be charged against that cost center.

This approval matrix will apply for revenue invoices or capital invoices.

Every transaction must be approved for payment by a suitably authorized person.

Bank payment approval

Every bank transaction needs to be approved in accordance with the bank mandate for that account. The persons approving the bank payment are required to consider the following:

- Has the transaction been approved in accordance with Company Rules? In practice, this usually means ensuring that the manager for the cost center concerned has approved the invoice for payment. Where a large number of payments are being approved, this may be checked on a sample basis.
- It is the responsibility of the Finance department concerned to ensure that the invoice approval is within the approval limits set down for that Division/Function.
- Does the payment is in any way unusual or suspicious? If so, they must inform the Finance Head.
- Do sufficient funds exist to make the payment?

Electronic banking

Electronic banking systems commonly do not place limits on individual approvers. Where such systems are put in place it is the responsibility of the Finance Head to ensure:

- That adequate control systems exist over the approval and access of all users.

- That internal controls exist to ensure that every payment has been approved for payment in accordance with this policy – i.e., that the transaction has been approved for payment in accordance with this policy.

Mandates for electronic approval should be authorized in the same manner as non-electronic mandates by Board.

Treasury management

Background

This document sets out the working structure for QACA treasury functions and defines the roles and responsibilities of the treasury function.

Overall structure

The Finance Head is responsible for:

- Defining the overall treasury structure and strategy.
- Creating the policies and procedures for treasury operations.
- Overall governance responsibility for treasury.

The Finance Head will determine the above in consultation and with the approval of the MD.

The Finance Head is also responsible for:

- Ensuring that the structure defined is implemented.
- Ensuring that the policies and procedures are adhered to.
- Ensuring that the strategic direction determined is implemented.
- Reporting on the above matters to MD, if found any deviation.

The Head of Finance is also responsible for:

- Appointing and managing a Treasury responsible accountant to process the day-to-day Treasury functions.
- Ensuring that a control framework exists around banking, receipts, payments, and all other financial control matters.

Cash management

Background

This policy sets out the QACA Cash Management framework.

Responsibility for Cash Management and the maximization of return on all liquid assets is vested in the Head of Finance.

Instructions

There should be detailed work instructions for execution of the key Cash Management activities. Adherence to the established guidelines is essential for QACA to maximize the return on its cash resources.

Cash management function

Cash Management function should contain as a minimum, the following key characteristics:

- The appropriate segregation of detailed tasks which thereby minimizes the possibility of any fraudulent activity occurring e.g., between Purchase Invoice authorization and Cash Payments.
- A suitable organization structure which allows the independent review and authorization of key tasks e.g., Bank Reconciliations.
- Job descriptions developed for all relevant members of the Cash Management team.
- Cash Receipts at a Divisional or Operating Unit level should be channeled through a recognized central point. Typically, this will be the Cash Management (Cashier) function. Relevant Departments should be made aware of the central point of cash receipts within their part of the organization.

For all identified sources of revenue an appropriate control system should be established to ensure that all cash receipts are being correctly received and processed.

Most of the Cash Receipts will be monitored by and reconciled to the Accounts Receivable system. Customers should be advised to ensure that all remittances being made are transparent and allow the relevant Sales Invoice to be clearly identified.

However, in the case of other revenue sources such as Other Income or Royalty Payments, appropriate checklists should be established to ensure that all income is being correctly invoiced and received. This should ensure that there is no unnecessary delay in the processing of Cash Receipts.

Responsibility for the monitoring of activity on all Bank Accounts should be clearly defined and allocated. A fortnightly Cash Report should be produced and submitted to the Finance Head. This will record the closing actual cash balances on all Bank accounts at the end of the previous period.

All relevant Bank Account receipts and payments must be recorded within the accounting system. Monthly Bank Reconciliations should be undertaken on all accounts. These must be independently reviewed and authorized. Any unexplained differences should be investigated and resolved without undue delay.

Inter-Account Transfers must only be undertaken with the approval of the Finance Head.

Suitable and realistic cheque-signing mandates should be established which define the various levels of authority held by different personnel. These mandates must be approved by Board.

Effective measures should be put in place which ensures that all cheques are authorized by a mandated member of staff before release.

All cheques presented for authorization should be accompanied by the accompanying supporting documentation.

Any Defaced or Void cheques should be attached to the original documentation to which the payment relates.

Appropriate Treasury guidance should be obtained in relation to any significant payments which are subject to foreign currency exchange rate movements.

Any Divisions or Operating Units utilizing a Petty Cash system should develop specific procedures for this purpose and aim to maintain balances at the minimum possible level.

Corporate Credit Cards (typically for business expenses) are utilized within QACA. The Cash Management function should maintain an updated control schedule which records the identity and location of all relevant Cardholders. Separate operating procedures should be developed by the relevant Cash Management function in relation to Corporate Credit Cards.

Advances to employees should only be undertaken in exceptional circumstances. Authorization is required from divisional/operating unit head, Head of Finance and Head of Human Resources prior to sanctioning the advance.

Corporate

Cash Management at a corporate level is a key activity within the wider Treasury Controls directed at the optimization of the Company's liquid resources.

The Finance Head will receive and review the Weekly Cash report from the relevant Cash Management function. This, together with any other relevant data received, will form the basis for assessing whether the Company's liquid resources are being held in the most optimum manner.

The Finance Head will review and ensure that the overall consolidated Weekly Cash position.

On behalf of Quality Austria Central Asia Pvt. Ltd.



Pankaj Rai
(Managing Director)

Revision Number	Date	Revised by	Approved by	Summary of changes
QACA-P-06-Rev00	02 Aug 2023	GM-Finance	QACA Board	Initial Issue
QACA-P-06-Rev01	05 Jan 2026	GM-Finance	QACA Board	Periodic review