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	Policy Subject	Financial Control	Last Review date	4/10/2022
	Policy Number	FR-15	Next Review date	1/9/2025
	Responsible Entity	Finance Department	Approved By	Vice Chancellor for Administrative and Financial Affairs


## Overview

Financial Control policy addresses the requirement for periodic reconciliation of general ledger accounts, posting of monthly journal entries and having close governance over monthly and annual closure of financial ledgers for the financial and management reporting purposes.

## Scope

The scope of the Financial Control includes the following processes:

- Payroll Processing
- Value Added Tax
- Property, plant & equipment, intangible assets and Investment properties
  - o Recording and Capitalization
  - o Depreciation
  - o Transfer of Assets
  - o Sale/ Disposal of Assets
  - o Revaluation of Property, plant & equipment
  - o Impairment
- Chart of Accounts
- Corporate Customer Master Data Management
- Vendor Data and Payment Terms Review
- Period Closing
- Reporting
  - o Financial and Management Reporting
  - o Monthly Reporting to Government of Sharjah
  - o Research Projects Reporting

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## Purpose

The key objectives are as follows:

- Reviewing and analyze the payroll data received for accuracy prior to disbursements;
- Ensuring accurate filing of VAT returns on FTA portal to ensure compliance with FTA regulations;
- Facilitate appropriate accounting treatment for Property, plant & equipment to ensure recognition of assets, determination of their carrying amount, depreciation to be charged and impairment loss, if any;
- Accounting and disclosing any obligation and potential liability in order to ensure accurate financial reporting.
- Embed controls in the processes of recording accounting entries, running schedules and finalizing financials, to protect UOS from inaccurate reporting.
- Maintain UOS' books of accounts in an accurate and comprehensive manner and ensure compliance with relevant accounting standards; and
- Ensuring appropriate methods and adequate control in assigning and maintaining Chart of Accounts for UOS.

## Abbreviations and Definitions

**UoS:** University of Sharjah

**FC:** Financial Control

**FTA:** Federal Tax Authority

**SLA:** Service Level Agreement

**FMPD:** Facilities Management and Planning Department


**"Account":** refers to classification code as part of UOS' Chart of Accounts to identify line items (such as assets, liabilities, revenue, expenses, etc.) within the Budget.

**"Approving Authority":** refers to the Person/ Committee within UOS who is responsible for approving the activity. The full list of Approving Authorities shall be obtained from the DOA.

**"Capital Expenditure":** as defined in Chapter 3 of this section.

**"Contract":** is an arrangement / promise between the End User and Vendor concerning the supply of materials / services, over a specified period of time, on the basis of predefined terms and conditions.

**"Delegation of Authority":** is the subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

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**“General Ledger”** : is a set of numbered accounts for keeping records for a company's financial data with debit and credit account records validated by a trial balance. The general ledger provides a record of each financial transaction that takes place during the life of an operating company.

**“Financial Consolidation”** : is the process of combining financial data from several subsidiaries or business entities within an organization and rolling it up to a parent company for reporting purposes.

**“IAS/IFRS”**: are accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB). They constitute a standardised way of describing the company's financial performance and position so that company financial statements are understandable and comparable across international boundaries.

**“Invoice”**: is a time-stamped commercial document that itemizes and records a transaction between a buyer and a seller.

**“Journal Voucher”**: is a document that contains essential information about an accounting transaction (such as unique identifying number, transaction date, description, amount, accounts impacted, etc.). It is written authorization to make a transaction entry.

**“Net Realizable Value”**: refers to the net market value of an asset less any expenses associated with sale of the asset

**“Operating Expenditure”**: is an expense incurred through its normal business operations which are defined under Chapter 1 and Chapter 2 of this section.

**“Refund”**: is a repayment of funds from the original payee to the original payer


**“Related Parties”**: A related party may be:

- A person/ entity having control/ joint control/ significant influence over UOS;
- An associate, subsidiary or joint venture partner of UOS;
- Key management personnel of UOS; and/or
- Any entity related to the persons / entities identified above.

**“Revenue”**: refers to money received by UOS from Students and other customers for services provided by UOS.

**“Value in Use”**: refers to the net present value of the cash flows generated by the asset in use

**“VC Council”**: refers to a Council of all Vice Chancellors within UOS.

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## Policy

### Payroll Processing

1. Payroll for UOS Employees shall be processed on a monthly basis.
2. Following salary payments are considered as Payroll
  - Staff Salary and Allowances
  - Bonuses and rewards to Employees
  - Part time Salary for Administration Staff
  - Part time Salary for Research Assistants
  - Summer Course Teaching Salary
  - Honorarium for Internal Trainers/Reviewers
  - Doctor Service Provider Fees
  - Per Diem Allowances
  - Adjunct – Medical College Student
3. Human Resource Department shall be the Custodian of all the documents pertaining to Payroll.
4. The following document requirements shall be taken into consideration at the time of payment processing:

Payment Type	Supporting Documents Required
Staff Salary and Allowances	<ul style="list-style-type: none"> <li>▪ New Joiner Contract approved by Chancellor</li> <li>▪ Increment Letter</li> </ul>
Part time Salary for Administration Staff	<ul style="list-style-type: none"> <li>▪ New Joiner Contract approved by Chancellor</li> </ul>
Part time Salary for Research Assistants	<ul style="list-style-type: none"> <li>▪ New Joiner Contract approved by Vice Chancellor – Research</li> </ul>
Summer Course Teaching Salary	<ul style="list-style-type: none"> <li>▪ Approved Timesheets by Vice-Chancellor Academics</li> </ul>
Honorarium for Internal Trainers/Reviewers	<ul style="list-style-type: none"> <li>▪ Payment Request Letter approved by Center for Continuing Education /Clinical Training Center Director and Vice – Chancellor</li> <li>▪ Approved Timesheets by Respective Director</li> </ul>
Doctor Service Provider Fees	<ul style="list-style-type: none"> <li>▪ Approved Timesheets by Dean/Head of Dental Hospital</li> </ul>


5. Human Resource and Payroll Department shall verify and submit payroll data along with payroll JV for review to Financial Control Head by 25<sup>th</sup> of every month (or the last working day prior to 25<sup>th</sup>).

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6. Financial Control Team shall be responsible for reviewing payroll and pension data received from Payroll Department, performing trend analysis and ensuring any variations as compared to last month are adequately supported.
7. Payroll payment shall be released by 27<sup>th</sup> of every month for regular employees.
8. For part time administration staff and research assistant, the payroll data shall be shared by Payroll Department on the last working day of the month. The same shall be processed by 5<sup>th</sup> of every month after the review by Financial Control Head.
9. Any payroll data that misses the cut-off date (regular employees or part time staff/ researcher) shall be processed in the next month's payroll cycle.
10. Human Resource and Payroll Department shall verify and submit Pension data to Financial Control Head on a monthly basis by 1<sup>st</sup> of the next month (or the last working day prior to 1<sup>st</sup>).
11. Pension payment to General Pension and Social Security Authority (GPSSA) shall be released by Treasury team before 15<sup>th</sup> of next month after obtaining adequate approval.
12. Apart from monthly payroll, Financial Control Team shall also be responsible for reviewing and processing End of Service Benefits (EOSB) payment to resigned/ terminated Employees upon submission of 'Full and Final Settlement Form' from Payroll Department.
13. Treasury Team shall be responsible to disburse payroll and EOSB.

### Value Added Tax

1. VAT Specialist shall ensure all VAT related activities carried out within UOS are complying with the Federal Decree-Law No. 8 of 2017 ("VAT Decree-Law") and its Executive Regulations. VAT Specialist shall also be responsible for ensuring application of any relevant guidelines or clarifications issued by FTA.
2. VAT Returns shall be filed on the FTA Portal every quarter-end. The due every for submission of VAT returns is 28<sup>th</sup> of the succeeding month of the quarter, or the first working day thereafter in case 28<sup>th</sup> falls on a weekend.
3. Receivables and Payables Accounts shall be linked to the appropriate VAT Treatment to ensure accurate application of the respective tax position. Tax positions for UOS' supplies and purchases shall be maintained by the VAT Specialist and reviewed on a quarterly basis to ensure it is up to date.
4. All **Standard Tax Invoices** issued and received by UOS shall contain the following particulars (at minimum):
  - The words "Tax Invoice" clearly displayed on the invoice.
  - The name, address, logo and tax registration number of the registrant making the supply.
  - The name, address, and Tax Registration Number of the Recipient where he is a Registrant
  - A sequential tax invoice number or a unique number which enables identification of the tax invoice and the order of the tax invoice in any sequence of invoices.
  - The date of issuing the tax invoice.

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- The date of supply if different from the date of the tax invoice.
  - A description of the goods or services supplied.
  - For each good or service, the unit price, the quantity or volume supplied, the rate of Tax and the amount payable expressed in AED.
  - The amount of any discount offered.
  - The gross amount payable expressed in AED.
  - The Tax amount payable expressed in AED together with the rate of exchange applied where the currency is converted from a currency other than the UAE dirham.
5. In case the value of supply is less than AED 10,000, or if the Recipient is not VAT registered, than issuance of a **Simplified Tax Invoice** is permitted. A Simplified Tax Invoice shall contain all the following details:
- The words “Tax Invoice” clearly displayed on the invoice.
  - The name, address, and TRN of the Registrant making the supply.
  - The date of issuing the tax invoice.
  - A description of the goods or services supplied.
  - The total consideration and the tax amount charged.
6. In cases where more than one supply of goods or services are undertaken to same person, then issuance of a **Summary Tax Invoice** at the end of each month is permitted. A Summary Tax Invoice shall contain all of the particulars of a Standard Tax Invoice (mentioned above). In addition, a summary of all supplies of goods or services made in the calendar month shall also be specified.
7. Tax Invoices shall be issued within 14 calendar days of the date of supply. Date of supply is earlier of:
- completion of the service.
  - receipt of payment.
  - or issuance of a Tax Invoice
8. Purchases from Unregistered Suppliers
- If the local supplier is not registered under VAT, the supplier cannot charge VAT on the invoice. Further, there is no requirement of paying VAT on Reverse Charge Mechanism (RCM) in such cases.
  - VAT Specialist shall request the Procurement Team to obtain a Self-Declaration from the Non-registered Supplier stating that “UOS shall not have any future liability for payment of VAT due to non-compliance of UAE VAT Law by the Supplier”.
9. Reverse Charge Mechanism (RCM)
- Reverse Charge Mechanism is applicable to UOS while importing goods or services from outside UAE or from a UAE-Authorized Designated Zone.
  - The reverse charge tax is the amount of VAT one would have to pay on the goods or services if the same would have been bought / purchased in the UAE.

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- VAT shall be charged for imported custom-declared goods by UAE Customs during VAT Returns Filing.
- VAT for imported services shall be reported during VAT Returns Filing.
- For foreign currency invoices, VAT shall be calculated at the exchange rate applicable on the date of invoice.

#### 10. Recoverability of VAT


UOS can recover input tax incurred on the purchase of goods and services in the course of business, subject to certain conditions and restrictions. These restrictions are contained in Article 53 of the UAE VAT Regulations. Summary of eligibility and restrictions:

- The supply should be used (directly or indirectly) for making a taxable supply or export of taxable or exempted supply.
- The recipient should be in possession of tax invoice.
- The recipient should discharge the liability towards the supply to the supplier within 6 months of the agreed date. If the payment is not made within such period, the input tax recovered needs to be adjusted and can be recovered in the month in which the payment is made to the supplier.
- Further, supply received should not be in the nature of:
  - Entertainment
  - Motor Vehicle purchased, leased, or rented if the same is available for personal use either in full or in part.
  - Any expenses incurred in operating or maintaining the above vehicle.
  - Goods or Services procured for use by employees for no charge, unless:
    - There is legal obligation to provide the goods/service.
    - There is a contractual obligation or a documented policy to provide which is the normal business practice and the same required for the employees to perform their duties.
    - It is treated as a deemed supply.

#### 11. Proportionate Recoverability of Input Tax (Apportionment)

- Input Tax for mixed purchases (i.e., purchases attributable to both Taxable and Exempt Supplies) shall be calculated as per “Standard Method” described in VAT Decree Law.
  - Calculate Recoverable Input Tax for purchases fully attributable to taxable supplies (including Zero-Rated supplies)
  - Calculate Non-Recoverable Input Tax for purchases fully attributable to Exempt Supplies
  - Apply the below formula to calculate the eligible portion of mixed purchases:

$$\text{Recoverable Input Tax} / (\text{Recoverable} + \text{Non-recoverable Input Tax})$$

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- This calculation is required to be performed for each reporting period, and then for the entire tax year cumulatively. The difference between the sum of input tax recovered in the individual Tax Returns and input tax as per annual calculations, will need to be adjusted in the first tax period of the next year.
- Application for a Special Input Tax apportionment method
- Post completion of the final VAT return for the year, a two-step process is to be conducted for the following tax year-end:
  - First Step: Perform a standard "wash-up" method calculation to determine UoS's overall input tax recovery for the respective year.
  - Second Step: Determine whether the input tax recovered by UoS under the standard method (after applying the wash-up calculation), reflects the 'actual use' of goods and services procured.
- Output based Method is applied to perform 'actual use' calculation  
The eligible portion of mixed purchases is calculated based on the below formula.

$$\text{Taxable Supplies} / (\text{Taxable} + \text{Exempt} + \text{Non-business Supplies})$$

The difference between the two sets of calculations shall be reported as an Adjustment, if it exceeds AED 250,000.

#### 12. Capital Asset Scheme:

Purchases related to Property, plant & equipment with Book Value above AED 5 million shall be eligible for recovery as part of Capital Asset Scheme specified in the Executive Regulations.

Useful life for such Capital Assets shall be:


- 10 Years for Buildings and parts thereof
- 5 Years for all other Capital Assets

Stock Items for resale shall not be treated as Capital Assets.

Expenditure consisting of smaller sums which collectively amount to AED 5,000,000 or more shall be treated as a Capital Asset in the following cases:

- For the purchase of a building.
- For the construction of a building.
- In relation to an extension, refurbishment, renewal, fitting out, or other work undertaken to a building, except that where there is a distinct break between any such works being undertaken, they shall be taken to be separate items of expenditure.
- For the purchase, construction, assembly or installation of any goods or immovable property where components are supplied separately for assembly.



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Adjustments to Capital Assets shall be made in line with *Article 58 of the Executive Regulation to the VAT Decree-Law*.

### 13. Output VAT Adjustments

UOS shall adjust Output Tax after the date of supply in any of the following instances:

- If the supply was cancelled;
- If the Tax treatment of the supply has changed due to a change in the nature of the supply;
- If the fee charged was altered or returned (in full or part) for any reason;
- If the goods/ services provided were not accepted returned (in full or part) for any reason; or
- If the Tax was charged in error.

Output Tax shall be adjusted by raising a Tax Invoice (in case the Output Tax amount due has increased) or Tax Credit Note (if the Output Tax amount due decreased)


### 14. Adjustments for Bad debts

UOS may reduce the Output Tax in a current Tax Period to adjust the Output Tax paid for any previous Tax Period if all of the following conditions are met:

- Goods and Services have been supplied and the Due Tax has been charged and paid.
- Outstanding amount has been written off in full or part as a bad debt in UOS accounts.
- More than six (6) months has passed from the date of the supply.
- UOS has notified the Customer of the written-off amount.

UOS shall reduce the Recoverable Input Tax for the current Tax Period related to a supply received during any previous Tax Period where the amount has not been paid and all of the following conditions are met:

- UOS has received a notification from the Vendor on an outstanding amount write-off and subsequent Tax deduction.
- UOS received the goods/ services and the relevant Input Tax was deducted.
- The amount has not paid in full or in part for the supply for over (6) six months.

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#### 15. Disclosures and Corrections


UOS shall be required to fill in a “Voluntary Disclosure Form” along with the Letter and submit to FTA in case of any errors or omissions related to prior VAT Returns filing. This Letter shall indicate the reasons for the Voluntary Disclosure, the errors as well as the impact on the relevant sections/boxes of the VAT Return. Cases of errors include the following:

- Calculated output tax incorrectly.
- Recovered incorrect amount of input tax; and
- Incorrect tax refund amount claimed.

Mechanism to report Errors		
Net Payable Tax	Error found subsequently and tax payable <b>&gt;10,000 AED</b>	Voluntary Disclosure to be made within 20 business days of becoming aware of the error
	Error found subsequently and tax payable <b>&lt;=10,000 AED</b>	Report in tax return in which error discovered
Net Refundable Tax	Refund filed and error found subsequently	Voluntary Disclosure to be made within 20 business days of becoming aware of the error
	Refund not filed	Refer Net payable tax scenario

The following details shall be submitted while disclosing any errors/ omissions to FTA:

- Date on which the error was identified.
- Previously Reported Amount vs. Updated Amount

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## Property, plant & equipment, intangible assets and Investment properties

### Recording and Capitalization

1. Financial Control Team shall be responsible for ensuring accurate capitalization of Property, plant & equipment while adherence to **“IAS 16 – Property, Plant and Equipment”**.
2. Property, plant & equipment shall be recognized when the risks and rewards of ownership have been substantially obtained and passed to UOS; when it is probable that:
  - The future economic benefits associated with the asset shall flow to UOS;
  - Useful life exceeds one year; and
  - The cost of the asset can be measured reliably.
3. Property, plant & equipment shall be initially recorded at cost. ‘Cost’ includes all costs necessary to bring the asset to working condition for its intended use. This would include not only its original purchase price but also costs of site preparation, delivery and handling, installation and other direct/overhead costs.
4. In case of purchase of identical assets, the total cost of the assets shall be allocated to each item separately on a proportional basis in accordance with the Vendor’s invoice of these assets.
5. If an asset is acquired at no cost or for a nominal cost, the cost of the asset shall be the fair value of the asset as at the date of acquisition. Fair Value shall be determined as per the Market approach i.e., using prices and other relevant information generated by market transactions involving identical or similar assets.
6. New assets shall be assigned a physical location and an Asset Custodian by FAU Team. For Property, plant & equipment assigned to employees for individual use, the relevant employee shall be considered as the Asset Custodian.

### Intangible Assets

7. ‘Intangible Assets’ are identifiable non-monetary assets without physical substance. The three critical attributes of an intangible asset (in compliance with **“IAS 38 – Intangible Assets”**) are:
  - Identifiability (Example: Licensing, royalty agreements, patented technology etc.).
  - Control (power to obtain benefits from the asset); and
  - Future economic benefits (such as revenues or reduced future costs).
8. When software is considered an integral part of the hardware, then such software costs shall be included as part of the fixed asset.

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### Investment Property


9. Investment property is land or a building (including part of a building) or both that is:
  - Held to earn rentals or for capital appreciation or both;
  - Not held for sale in the ordinary course of business.
10. An investment property shall be measured initially at cost.
11. Subsequent to initial recognition, investment properties shall be stated at historical costs less accumulated depreciation less impairment losses, if any.

### Capitalization of Improvements

12. Major Property, plant & equipment repairs and maintenance should be capitalized, if all the following conditions are met:
  - The repair and maintenance costs (assessed on a case-to-case basis) are relatively higher than the current cost of the asset; and
  - The productive life of the asset is increased by more than 12 months.
13. Expenditures that improve the functionality of an asset, enhance the performance of the asset or significantly extend the assets' original useful life (improvements) should be capitalized (increase to the current cost of the asset). Expenditures that do not meet these criteria shall be expensed in the period in which they are incurred.
14. All office improvements are capitalized if they relate to the occupancy of a new office or major renovation of an existing office. Expenditure in maintaining an existing facility shall be expensed as a repair cost.

### Capital Work in Progress

15. 'Capital Work in Progress' (CWIP) account contains all expenses incurred on an asset until it is completed and ready to use. In case of projects under construction such as buildings etc., the value to be recorded under CWIP shall be, all the payments made for that project for various suppliers/vendors/contractors.
16. Borrowing costs refer to any finance costs incurred on the borrowings. Borrowing costs associated with the loan taken for all qualifying assets (i.e., assets that take 12 months or more to get ready for their intended use.) shall be capitalized to the respective CWIP account (in compliance with **"IAS 23 – Borrowing Costs"**).
17. In case the borrowing associated with the qualifying asset is part of a general pool (i.e., the function/usage of the borrowing is not specified), then the eligible borrowing cost is determined by applying a capitalization rate to the expenditure on that asset. The capitalization rate relating to general borrowings is the weighted average of the borrowing costs applicable to UOS borrowings.

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18. Capitalization shall commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress (may include some activities prior to commencement of physical production). Capitalization shall be suspended during periods in which active development is interrupted and cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.
19. Any income earned from reinvestment of specific borrowings related to qualifying assets shall be deducted from the total borrowing cost to be capitalized.
20. CWIP assets shall not be subject to depreciation.
21. Once the asset is completed or the asset is technically capable of operating and providing the service for which it is intended, the appropriate cost of the asset is transferred from CWIP to Property, plant & equipment. Such transfer shall be performed upon receipt of the 'Site Handover certificate' from the Project team.
22. In case completion of the fixed asset has been postponed/ put on hold, Finance Control Team shall provide a disclosure on the amounts of the relevant expenses posted under the CWIP account for the relevant fixed asset during its preparation of annual financial statements.

#### **Government of Sharjah Equity Additions**

23. Any enhancements and developments initiated by Government of Sharjah on UOS land shall be notified to the Finance Control Team and FAU by FMPD Department on a monthly basis.
24. Based on these notifications, Financial Control Team shall be required to request the cost details from the Government of Sharjah to ensure timely and accurate recognition to the corresponding Asset and Equity accounts.

#### **Lease Contracts**

25. UoS shall identify an asset under a lease contract if the contract conveys the right to control that asset for a period of time in exchange for payment.
26. For every lease arrangement, Financial Control Team shall recognize right of use ('ROU') asset and the lease liability measured at the present value of the minimum lease payments.
27. A ROU asset and corresponding lease liability shall not be recognized if the lease term is less than 1 year or low value asset exemption is planned to be availed.
28. Any amendment to the lease contract shall require a recalculation of the lease liability and right-of-use asset based on the amended terms.
29. During the course of operations, UOS may decide to lease out its current assets to an external party. In such a case the relevant Department shall formalize the contract and submit it to the Financial

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Control Team upon approval. Once received, the Financial Control Team shall review the contractual agreement and accordingly classify the lease as a financial lease or operating lease.


- A financial lease shall transfer ownership of all risks and rewards of the asset to the other party, either during the lease term or by the end of it.
- An operating lease allows the other party to utilize the asset; however, ownership still resides with UOS.

30. Financial Control Team shall review lease contracts to identify if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, in which case it recognizes a lease liability.
31. Upon confirmation from the Fixed Asset Unit on the acquisition of a fixed asset under the lease, the accountant shall calculate and record the lease liability as the present value of all future lease payments to be made. The discount rate utilized to calculate the lease payments shall be the interest rate implicit in the lease contract or the appropriate incremental borrowing rate applicable to UOS.
32. The Treasury Team shall support in obtaining the relevant interest rates from the market to accurately estimate the incremental borrowing rate.
33. Lease liabilities shall be automatically adjusted in the system upon lease payments based on the amortized cost using the effective interest method.

## Depreciation

1. Depreciation for Property, plant & equipment shall be charged as expense on 'straight-line basis' and the depreciable amount (cost less residual value) shall be allocated on a systematic basis over the useful life of the asset, in accordance with **"IAS-16 Property, Plant and Equipment"**. The 'Estimated Useful Life' shall be obtained from below table.

Asset Category	Useful Life (Years)
Land	-
Buildings	25
Infrastructure	30
Equipment (Office, Lab, IT, Electrical / Electronic, Air Conditioning)	4
Furniture and Fixtures	4
Dental Equipment	10

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Library Books & CDs	10
Chillers	10
Motor Vehicle	5
Fixed Asset with value less than AED 5,000	1


2. All fixed asset purchases shall be depreciated based on its related useful life. However, no depreciation shall be charged on land, Capital Work in Progress, fixed assets held for sale and capital spare parts which are not installed.
3. Leased Assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that UOS shall obtain ownership by the end of lease term.
4. Depreciation for an asset shall commence from the date the assets are put to use.
5. Depreciation shall be calculated automatically on monthly basis and charged to the depreciation expense account until the Net Book Value (NBV) of the asset reaches zero/ residual value. Assets with a zero NBV or which have been depreciated up to the residual value shall not be depreciated further.
6. The depreciation expense shall be directly allocated to the cost centre where the asset is assigned.
7. The residual value and the estimated useful life of an asset shall be reviewed and adjusted at least at each financial year-end and any changes to it shall be accounted for as a change in accounting estimate.
8. Depreciation for retired (scrapped, sold or lost) assets shall cease from the date of retirement.

#### **Transfer of asset**

1. Transfer of assets shall be reflected by FAU Team.
2. Depreciation shall be automatically allocated upon on the new assignment.
3. Any asset held for sale and not utilized shall be transferred to current asset as held for sale and no depreciation shall be charged.

#### **Sale/ Disposal of Assets**

1. An asset shall be removed from the financial ledgers upon disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal.
2. Any fixed asset held for sale shall not be subject to depreciation.
3. Write-offs over and above AED 10,000 (Written Down Value) must be submitted to Finance Committee for their approval.


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4. Technical approval of the respective departments shall be obtained before considering assets for disposal/ write-off.

Asset Category	Department Technical Approval
IT Equipment and Accessories	Information Technology Center
Building related equipment	Facility Management and Planning Department
Furniture and Fixtures	
AC Equipment / Chiller	
Lab Equipment	Central Laboratories Directorate
Dental Equipment	Dental college /Hospital and Central Laboratories Directorate
Other non-building related equipment	Respective Department
Motor Vehicle	Transportation Department

5. The gain or loss arising on the disposal/sale of any item of PPE/ Investment properties is calculated as the difference between the net disposal proceeds and the carrying value, which shall be recognized in the Income & Expenditure Account.
6. In case the asset is approved for sale, the Financial Control team shall estimate the asset's net fair value (i.e., fair value less costs to sell) and transfer the asset to 'Held for Sale'.
7. Any fixed asset held for sale shall not be subject to depreciation.
8. In line with **“IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations”**, the following information should be disclosed by the Financial Control Team upon confirmation that the asset shall be held for sale:
- description of the non-current asset or disposal group.
  - description of facts and circumstances of the sale (disposal) and the expected timing;
  - impairment losses and reversals, if any, and where in the statement of comprehensive income they are recognized; and
  - the reportable segment in which the non-current asset (or disposal group) is presented, if applicable.




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### Revaluation of Property, plant & equipment

1. Property, plant & equipment held at fair value shall be revaluated to ensure that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date. Finance Director shall define what constitutes the 'material' difference.
2. Property, plant & Equipment whose fair value is expected to be materially different from its carrying value shall be revalued year-on-year whereas, PPE whose fair value is not expected to be materially different from its carrying value shall be revalued over 3-5 years.
3. If an item is revalued, the entire class of assets to which that asset belongs shall be revalued.
4. Revalued assets shall be depreciated in the same way as under the cost model.
5. If a revaluation results in an increase in value, it shall be credited to other income and accumulated in equity under the heading "revaluation surplus" unless it represents the reversal of a revaluation decrease of the same asset previously recognized as an expense, in which case it shall be recognized in Income and expenditure account.
6. A decrease arising as a result of a revaluation shall be recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset.
7. When a revalued asset is disposed of, any revaluation surplus shall be transferred directly to retained earnings, or it may be left in equity under the heading revaluation surplus. The transfer to retained earnings should not be made through Income and expenditure account.

### Impairment

1. On an annual basis, UOS shall assess whether there is any indication that a fixed asset may be impaired
2. If the recoverable amount of an asset (i.e., the higher of Net Realizable Value and Value in Use) is estimated to be less than its carrying amount (i.e., net value of the asset in UOS ledgers), the carrying amount of the asset shall be reduced accordingly and an impairment loss shall be immediately recognized.
3. If it is not possible to determine the recoverable amount for the individual asset, then recoverable amount for the asset's cash-generating unit (CGU) (i.e., the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets) shall be determined.
4. Capital spare parts are not capable for generating economic benefits to the entity by its own and instead do so as part of a CGU, hence capital spare parts shall be considered for impairment within their respective CGU when in use.
5. In assessing whether there is any indication that an asset may be impaired, the following indications, at minimum, shall be considered:


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### External

- During the reporting period, whether an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on UOS have taken place during the reporting period, or shall take place in the near future, in the technological, market, economic or legal environment; and
- Market rates of return on investments have increased during the reporting period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

### Internal

- Evidence is available of obsolescence or physical damage of an asset.
  - Significant changes with an adverse effect on UOS have taken place during the period or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include:
    - the asset becoming idle;
    - plans to discontinue or restructure the operation to which an asset belongs;
    - plans to dispose of an asset before the previously expected date; and
    - reassessing the useful life of an asset as finite rather than indefinite.
  - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or shall be, worse than expected.
6. During the annual impairment assessment, if there is an indication that the impairment loss has been decreased, the recoverable amount shall be re-calculated. If the recoverable amount is found to be greater than the carrying value, the impairment loss recorded shall be reversed.
  7. The increased carrying amount due to reversal shall not exceed the depreciated historical cost (if the impairment had not been recognized).
  8. All impairment loss and reversals shall be reported in the profit and loss statement.
  9. All future depreciation entries shall be adjusted based on the updated carrying value amount.


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## Chart of Accounts

- The Chart of Accounts (COA) structure is the coding structure used to classify, record, and report UOS financial transactions. Chart fields and description used by UOS are stated below:
  - Account:** List of items against which each transaction is recorded for financial reporting purposes
  - Fund:** List of funds maintained by UOS
  - Organization:** List of Colleges and Departments under UOS
  - Program:** List of events, conferences and projects carried out by UOS
- Financial Control Team shall be responsible for the review, maintenance, identifying access control to UOS' Chart of Accounts while implementation of changes shall be the responsibility of Financial System Team.
- Financial Control Team shall ensure each field has an appropriate description for clarity and consistent transaction coding. Chart of Accounts shall not include duplicate account numbers or descriptions.
- Requests for adding a new Program Code related to Research projects shall include the contractual terms, duration, milestones and total budget, and shall be supported by a signed Contract copy.
- Chart of Accounts shall be reviewed on an annual basis by the Financial Control Team to identify new account requirement, or to eliminate any redundant account.
- Chart fields shall not be deleted and/or updated, in order to monitor transaction history and facilitate comparison with prior financial data.
- Disablement shall only occur for Chart field with zero balance.
- New Chart field creation and disablement shall be performed by Financial System team upon recommendation of Financial Control Head and approval of the Finance Director.

## Corporate Customer Master Data Management

- Finance Control Team shall be responsible for the Corporate Customer Master Data Management.
- Customer Creation template shall be obtained from all the credit customers along with required documents prior to entering into any transaction.
- The defined criteria / guidelines for assessment of Corporate Customer shall be adhered by the Finance Control Team.
- Credit limit assigned to each customer shall include both:
  - Number of days allowed for payment post submission of invoice; and
  - Maximum credit value.
- Customer Master Data shall be reviewed annually.
- Customer Accounts with no activity in the past 2 years shall be marked as 'Inactive'.

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### Vendor Data and Payment Terms Review

- As part of Vendor Master File Management, FC Team shall be responsible for validating the TRN, IBAN and other Bank details of Vendors registered within UOS. IBAN validation shall require a confirmation letter from the Vendor's Bank.
- The Standard Payment Terms at UOS for each PO/Contract shall be subject to Procurement and Supply Chain Department's negotiation with the Vendor.
- Prior to Vendor Account deletion, Procurement Team shall be required to coordinate with the FC Team to ensure a zero Account balance, and perform the needful activities to achieve it.

### Period Closing

- Financial Control Team shall be responsible for ensuring timely closure of books of accounts on a monthly basis with the necessary adjustments (if any) made to the accounting records within the relevant period.
- Period-end closing shall be performed based on the 'Closing Checklist', which shall include:
  - List of activities to be undertaken as part of closing process,
  - Periodicity of performing each activity (Monthly/ Quarterly/ Annual),
  - Personnel responsible, and
  - Target date for completing the respective activity.
- The 'Closing Checklist' shall be signed-off by the respective Team Heads and Finance Director, upon which the Financial Control Head shall be responsible for closing the period.
- Any discrepancies noted by FC Head and FP&A Head during Period Closing review shall be notified to the respective Head for immediate correction.
- As part of monthly closing, respective Teams within Finance shall also review the Exception Report to ensure accurate recording of transactions. The Exception Report shall include, but not limited to, the following:
  - Delays in approvals / Non-Conformation to stated SLAs;
  - Invoices with no corresponding PO/Contract or GRN/SRN/MCC;
  - Customers with outstanding invoices exceeding 80% of their credit limit; and
  - Any other Exceptions generated.
- Accounting for corrections to erroneous entries or for booking material missed transactions shall be allowed upon the following exceptional authorization:

Timeline of Rectification	Authorized Personnel
Error made in the same Quarter	Respective Head within Finance Department
Error made in a previous Quarter but same Year	Finance Director


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7. Once audited financial statements have been issued, no revaluation/adjustment of entries shall be allowed. Financial ledgers shall be locked for editing by the IT team and only view access shall be available to users of financial statements.
8. Financial Control Head shall reconcile the final Trial Balance with audited Financial Statement and shall carry forward balances to next year post validation.
9. Financial Control Team shall transfer any Deferred Liability recognized for the Research Grants to Revenue as part of the closing process.

### Journal Voucher

10. Journal Voucher is processed to rectify the errors and to record non-cash transaction. Below table depicts multiple type of Journal voucher and relative description:

JV Type	Recording Description	Features	Notes
<b>Fixed Asset Voucher</b>	Purchase of Property, plant & equipment	Manual	Based on 'Fixed Asset Capitalization' Policy
<b>Depreciation Voucher</b>	Depreciation expense for the year	System Generated	Recorded based on Fixed Asset Register details
<b>Expense Voucher</b>	Expenses against Prepaid Expenses (Asset Account)	System Generated	Based on amortization schedule
		Manual	Based on Utilization of Service
<b>Income Voucher</b>	Income against Deferred Revenue (Liability Account)	System Generated	Based on amortization schedule
		Manual	Based on matching cost incurred for the period
<b>Adjusting Voucher</b>	Period closing entries	Manual	Based on identification during Business operations
<b>Transfer Voucher</b>	Shifting of balances of one account to another	Manual	Based on identification during Business operations
<b>Rectification Voucher</b>	Rectification of an error	Manual	Based on exceptional approval
<b>Provision Voucher</b>	Provision expenses	Manual	Based on calculation and approval of identified provisions
<b>Accrual Voucher</b>	Monthly Accruals	Electronically Imported	Based on the developed Accrual Report

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11. Income from Government Grants shall be recorded in line with **IAS 20 – Accounting for Government Grants**: Specifically, Financial Control shall ensure that Liability recognized against Deferred Revenue from restricted grants are transferred to revenue upon compliance to the precedent conditions
12. All entries related to posting of Manual JVs shall require the approval of the Financial Control Head
13. Journal voucher with negative balances not to be recorded in financial ledgers from control standpoint.

### Accruals


14. Prior to monthly closing, Financial Control Team shall ensure that recurring expenses have been accrued at the end of each month, including (but not limited to):
- Utilities;
  - Telecom;
  - Electricity and Water;
  - Annual Service Contracts; and
  - Employee related benefits (which are annual in nature, such as Ticket Allowance)
15. If the actual amount of the accrued expense cannot be determined at month-end, Financial Control Team shall be required to determine an estimate according to services received previously and discuss with respective Department to obtain their feedback on additional expenses that have to be accrued.

### Contingent Liabilities and Provisions

16. Financial Control Team shall recognize provisions and contingent liabilities in compliance with **“IAS 37 - Provisions, Contingent Liabilities and Contingent Assets”**.
17. The amount recognized as a provision shall be the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation.
18. Each provision account shall be supported by accurate and appropriate supporting documentation that shall be retained electronically to support the validity of the recorded amounts.

### Employee end of service benefits (EOSB)

19. On a monthly basis, Financial Control Team shall record the accrued ‘EOSB Payable’ based on previous year’s EOSB Payable (adjusted for monthly basis).
20. At the end of every reporting year, Financial Control Team shall recognize EOSB Payable basis the report received from Actuary. The expense for the last month of the reporting year shall be computed as follows:

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$$\text{EOSB expense for the last month (August)} = \text{Total expense for the year based on Actuary Report} - \text{Expense booked for the first 11 months (September - July)}$$

21. Annual provision for EOSB shall be calculated as the present value of all payments that UOS is expected to pay to its employees in the future. The following key assumptions shall be evaluated while determining the benefits liability:

- **Salary Escalation Rates:** This includes all salary increments to be made by UOS to its employees under the HR Policy, considering all past trends and future business decisions.
- **Employee Attrition Rates:** UOS employee attrition rate would be estimated on the future recruitment plans and past employment trends.
- **Discount Rates:** The discount rate is determined by referencing the term of the government bond that best reflects the period of the obligation being discounted.

#### Provision for Doubtful Debts

22. Provision for doubtful debts shall be calculated annually based on the Simplified Approach described in “IFRS 9 – Financial Instruments”:

- For each Customer Group (as identified by Financial Control Team based on similar characteristic and loss patterns), derive historic loss rates.
- Adjust the rates based on forward looking information to arrive at the expected loss rate.
- Estimate the expected credit losses using the below formula:

$$\text{Expected Credit Loss for a particular Customer group} = \frac{\text{Outstanding balance for the Customer group}}{\text{Customer group}} \times \text{Expected Loss Rate estimated for the Customer group}$$


- Obtain the total expected credit loss (and therefore the provision for doubtful debts) by summing the expected credit losses for all Customer groups.

23. Finance Director shall review and approve the annual provisions, along with the associated workings.

#### Bad Debts write-off

24. An Accounts Receivable amount is determined to be uncollectible when it meets one of the following criteria:

- All reasonable collection efforts have been exhausted.
- Legal opinion has been obtained on recovering the outstanding amount.
- The cost of further collection action will exceed the amount recovered.
- The debtor cannot be located.
- The debt was discharged in bankruptcy.

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25. Bad debt shall be written-off after obtaining approval as per the below matrix:

Criteria	Recommendation	Approval
Less than AED 10,000	<ul style="list-style-type: none"> <li>▪ Finance Director</li> <li>▪ VCFA</li> </ul>	<ul style="list-style-type: none"> <li>▪ Chancellor</li> <li>▪ Compliance &amp; Internal Audit Team</li> </ul>
Above AED 10,000	<ul style="list-style-type: none"> <li>▪ Finance Director</li> <li>▪ VCFA</li> <li>▪ Chancellor</li> </ul>	<ul style="list-style-type: none"> <li>▪ Finance Committee</li> <li>▪ Compliance &amp; Internal Audit Team</li> </ul>

26. Any Output VAT for the written-off amount shall be adjusted in line with *Policy 14 of the VAT Policy (Section 3.4.2)*.

27. Any amount received after the account is officially written-off shall be recorded as Other income under 'Bad Debt Recovery' Account. A Tax Invoice shall be generated to record the Output VAT in line with *Policy 13 of the VAT Policy (Section 3.4.2)* as applicable.

28. Customer shall be recommended to VCFA and respective Head of Business Centre to be blacklisted in the following scenarios:

- Legal proceedings are initiated by UOS; or
- Any amount related to the Customer is approved for write-off.


#### Annual Stock and Asset Physical Verification

29. Financial Control Team shall form part of the cross-functional Team for carrying out stock counts and physical verification of assets. Based on the results of this exercise, Financial Control Team shall record the relevant adjustments.

30. Provision for slow moving/ obsolete inventory items shall be recorded as follows:

Criteria	Provision %
Stored Items for less than 2 years	0%
Stored Items for 2-3 years	10%
Stored Items for 3-4 years	25%
Stored Items for 4-5 years	50%
Stored Items for more than 5 years	75%
Lost Items/ Items marked for disposal	100%




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## Reporting


### Financial and Management Reporting

1. Financial Control Team shall prepare Management reporting packs and financial statements on a quarterly basis.
2. Financial Statements shall be developed in accordance with the IFRS reporting standards.
3. Financial Control Team shall ensure all information provided in the Management reporting packs and financial statements is complete, accurate, and free from bias and established with references.
4. Financial Control Team shall ensure that the Separate and Consolidated financial statements are developed in accordance with IFRS/IAS reporting standards and includes the following:
  - Statement of Financial Position;
  - Statement of Income and Expenditure;
  - Statement of Cash flows;
  - Statement of changes in equity; and
  - Notes attached to these financial statement
5. In case any asset/ liability is in a currency other than AED, Financial Control Team shall ensure the amount is converted to AED using the applicable exchange rate at the reporting date. Any differences arising from such conversions shall be recognized as unrealized foreign exchange gain/loss.
6. For Subsidiaries, Financial Control Team shall follow **“IFRS 10 – Consolidated Financial Statements”** and ensure:
  - Items of asset, liabilities, equity, income, expenses and cashflows are accurately consolidated,
  - UOS’ equity is offset against the Subsidiaries’ carrying amount, and
  - Intragroup items are eliminated.
7. Financial Control Team shall ensure that the UOS financial statements shall be prepared on historical cost basis.
8. Any estimates or assumptions made by the Financial Control team during the preparation of financial statements shall be clearly documented and highlighted.
9. For each related party with whom transactions have been incurred in the year, the following details shall be disclosed in the financial statements:
  - The amount and nature of the transactions;
  - The amount of outstanding balances, including terms and conditions and guarantees;
  - Provisions for doubtful debts related to the amount of outstanding balances;
  - Expense recognized during the period in respect of bad or doubtful debts due from related parties.
10. Related party transactions shall also include compensation for key management personnel, and UOS shall disclose the compensation provided for the period in total and for each of the following categories:

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- Short-term employee benefits;
- Post-employment benefits;
- Other long-term benefits; and/ or
- Termination benefits;

11. Notes to the financial positions and statements shall include the following:
  - Breakdown and disclosure of related items to financial positions and statements.
  - Any material changes to the accounting policies including the effect of such changes on the financial position of UOS.
  - Any material changes to the accounting estimates for any item.
  - Any significant events affecting UOS that have had a material effect on UOS financial position.
  - Explanations to items included in the financial statements that enable a full understanding and interpretation of the financial position of UOS.
12. In case of change in accounting policy or detection of an error in a previous period, and if found to be material, the financial statements shall be restated retrospectively by restating the comparative amounts for the prior period(s) in which the policy was applied/ error occurred.
13. Any changes in the accounting estimates shall be recognized prospectively in the financial statements for the current and future periods.
14. Financial Control Team shall be responsible for identifying any adjusting events (i.e., events that occur between the end of the reporting period and the date of financial statements issue that provide further evidence on conditions existing at the end of the reporting period) and accordingly adjust the financial statements.
15. In case any adjusting events are identified prior to the date of the issue of the financial statements but after the external auditor's report date, Financial Control Team shall inform the auditor to update the report and accordingly amend the financial statements.
16. Any non-adjusting event (i.e., an event after reporting period that indicates a condition arising after the end of the reporting period) shall be included in the disclosures if found to be material.
17. Prior to finalization of the annual financial statements, Financial Control Team shall be responsible for submitting the Statement of Account for "Equity-Government of Sharjah" to Sharjah Finance Department for reconciliation and finalization.
18. Annual Financial Statements shall be audited by external auditors selected by the Finance Committee on an annual basis.
19. Financial Control Team shall ensure external auditors are provided with timely, accurate, and reliable financial information in the form of final trial balance with full disclosure and coordinate with other functions and departments to provide relevant information.
20. Financial Control Team shall review and subsequently incorporate adjustments proposed by the external auditor to UOS financial statements.

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21. Audited financial statements shall be approved by the Board of Trustees, upon recommendation from Finance Committee.
22. Financial Control Team shall prepare the financial positions and the management reporting pack for each quarter-end within 15 working days after the end of each quarter. During the close of the financial year, Financial Control Team shall also prepare the annual financial statements.

### Monthly Reporting to Government of Sharjah

1. On a monthly basis, Financial Control Team shall extract and fill-in the following information on the “Financial Framework Data” template provided by the Government:
  - **Budget:** Budgeted figures for the current year
  - **Actual Revenue and Expenditures- Cash Basis:** Actual receipts and payments made by UOS during the month
  - **Debt:** Details of all debts taken by UOS
  - **Bank Details:** Details of all Bank Accounts maintained by UOS (including deposits and financial facilities), along with their As-of-date balance
  - **Financial Liabilities:** Details of payables account, along with payable ageing details
2. The Report shall be approved by the Finance Director and submitted to the Government by 15<sup>th</sup> of the following month.

### Research Projects Reporting

1. Monthly meetings shall be conducted between Research Accountant and respective Research Team to evaluate Budget vs Actual Expenses for External funded projects, which shall be reported to the respective Sponsor.
2. Post Project completion, Research Accountant, in coordination with Research Team, shall be responsible for developing a report for the External Sponsors to provide information on the project results, expense details and unused funds, if any.
3. Cost benefit analysis for CAPEX items shall also be performed in order to determine whether research-based equipment shall be used alternatively or disposed-off.