

Internship Report

On

“Fixed Asset Management in Airtel Bangladesh Limited”



Prepared For

**Mr. Saif Hossain
Lecturer
BRAC Business School**



Prepared By

**Naim Hussain Uthsho
ID: 09204037
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Letter of Transmittal

June 16, 2014

Mr. Saif Hossain
Lecturer
BRAC Business School
BRAC University

Subject: Submission of Internship Report, Spring 2014

Dear Sir,

With due respect, I would like to notify you that I have completed my Internship Report.

This report is an analysis of the three months of my internship experience in Airtel Bangladesh Limited, Banani Branch. The topic is “*Fixed Asset Management in Airtel Bangladesh Limited.*”

In order to complete it, I have gathered innumerable information from the Manager of Fixed Assets, who also happened to be my supervisor in office, as well as from the internet resources as secondary data. I have worked and observed their working pattern, management and other company activities, in order to earn experience about the corporate environment. I have prepared it on the basis of these practical observations and secondary data.

I would like to express my gratitude for your support and kind consideration while making it. At each stage, I have given my best effort and without any doubt, this experience enriched my knowledge in a greater degree. If you have any query over any aspect of my report, I would gladly answer them.

Hence, I hope that you would be kind enough to accept this report for analysis.

Thanking you,

Naim Hussain Uthsho
ID: 09204037
BRAC University

Acknowledgement

At first, I would like to express my gratitude to my academic supervisor, Mr. Saif Hossain in preparing my internship report on, “*Fixed Asset Management in Airtel Bangladesh Limited*”. Without his assistance and proper guidance, this study would have been a failure. In every phase, from topic selection to data collection and data analysis, he assisted me to finish it successfully.

I want to heartily thank my main Supervisor Mr. Nil Ratan Karmakar (Head of Fixed Assets, Finance) who welcomed me into Airtel and gave me the opportunity to have a practical working experience, and learn to be more creative and confident.

I also want to thank my other supervisor, Mr. Arif Azim (Assistant Manager, Fixed Assets, Finance) who provided me with all the necessary information, guidance and support that I required in making this report. He also made sure that I have a great working experience in Airtel by delegating me business tasks which I know would serve me extremely well in the foreseeable future.

Lastly, I would thank all my colleagues at Airtel Bangladesh Limited who have made the environment at Airtel an excellent place to work in. The three months of my stay felt much longer because I have learned so much in such a short span of time.

Executive Summary

Telecommunication sector has brought about revolutionary changes in Bangladesh and the first operator to bring such changes was the City Cell in 1989 with a CDM A technology. Later Grameen phone got the license in 1996 and started its journey on 26th March 1997. Grameen phone is the first company in telecommunication sector to cover almost 98% of the subscribers with network. Grameen phone mainly came from the joint venture between the Telenor (55.8%) and Grameen Telecom Corporation (34.2 %). It was the first company to introduce different services to the customers.

Bharti airtel started its telecom services business by launching mobile services in Delhi of India in 1995. From then it has become one of the top telecom companies in the world and it was also in the list of top five wireless operators in the world recently by subscription base. In January 2010, Bharti Airtel Limited, Asia's leading integrated telecom services provider, acquired 70% stake in Warid Telecom, Bangladesh. Since then the journey of airtel in Bangladesh has started. But officially the activities with the brand "airtel" started on 20th, December, 2010 in Bangladesh.

The title of the report is "*Fixed Asset Management in Airtel Bangladesh Limited*". The report is mostly based on secondary data analysis. In the overall report I have tried to focus mainly on how Airtel Bangladesh Limited manages and conducts operations regarding its fixed assets. The fixed assets in the telecom sector holds some unique and distinguished characteristics.

Airtel Bangladesh Limited performs its Fixed Asset Management by adopting highly advanced accounting principles and standards such as IAS (International Accounting Standards) and by maintaining a world class approach to various fixed asset related accounting activities such as capitalization, depreciation, impairment, disposal and last but not least, by maintaining an updated Fixed Asset Register (FAR).

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THE ORGANIZATION

1. Introduction

The Bharti Airtel Limited is a multinational corporation (MNC), under which the Airtel Bangladesh Limited is a subsidiary. Airtel Bangladesh Limited holds the same organogram, vision, mission and other characteristics as its parent organization.

Airtel Bangladesh Ltd. is a GSM-based cellular operator in Bangladesh. Airtel is the sixth mobile phone carrier to enter the Bangladesh market, and originally launched commercial operations under the brand name "Warid Telecom" on May 10, 2007. The company is one of the top mobile operators in Bangladesh with 7.97 million subscribers and a total of 7.3% market share. Bharti Airtel is now the 100% parent owner of the company. Bharti Airtel Ltd. is one of the leading telecommunications operators having a strong global footprint. It is currently operating in 20 countries across Asia and Africa and has GSM network, providing 2G, 3G, 4G services depending on the country of operation. With headquarter in New Delhi, the company boasts as the world's second largest mobile service provider in terms of subscribers having more than 275 million customers (as of July 2013) and it is the largest cellular service provider in India, with 192.22 million subscribers (as of August 2013). The brand 'Airtel' is known for bringing innovation and creativity into the telecom sector by linking telecommunication with financial services, mobile TV-services, wi-fi and other amazing offers. This uniqueness of constantly meeting the ambitions of their customer base continues to give them an edge over their competitors.

The core values of Airtel are in social progress and environment protection for sustainable economic growth. It follows the values of AIR which is "Alive, Inclusive and Respectful."

- a) **Alive:** Alive to the needs of their customers where they act with passion, energy and a 'can do' attitude to help customers realize their dreams. Innovation and a true entrepreneurial spirit drive them – "if it can't be done, we will find a way" (Source: airtel India website- Sustainability File, Our Core Values)

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- b) Inclusive: Airtel is for everywhere diversity and recognizing the breadth and depth of the communities is important. Working, anticipating, adapting and delivering solutions that can enrich lives by having an open mind and embracing change.
- c) Respectful: Airtel lives the same lives as customers, sharing the same joys and the same pains acting with humility, openness and honesty to achieve mutual respect.



The symbol of Airtel is an interpretation of the letter 'a' in Airtel. The curved shape and the highlights on the red color give a warm and inviting feeling, represents a dynamic force of unparalleled energy that brings the company and its customers together. The logo type is modern, vibrant and friendly and signals Airtel's promise to be accessible for the need for humanity. Red represents the company's heritage as this color means energy and passion which made Airtel the success it is today, in India as well as on the global stage.

2. History

In January 2010, Bharti Airtel Limited acquired 70% of shares in Warid Telecom's (a subsidiary of the UAE-based Abu Dhabi Group) operation in Bangladesh. Bharti Airtel made an initial investment of USD 300 million to rapidly expand the operations of Warid Telecom and have management and board control of the company. The investment amount was a cumulative 1 billion USD. This has been the largest investment in Bangladesh by an Indian company. The Bangladesh Telecommunication Regulatory Commission approved the deal on Jan 4, 2010. Bharti Airtel rebranded the company's (Warid Telecom) services under its own *airtel* brand from December 20, 2010. This is Bharti Airtel's second operation outside of India.

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In March, 2013, Warid Telecom sold the rest of the 30% share to Bharti Airtel's Singapore-based concern, Bharti Airtel Holdings Pte Limited. All the funding was utilized for expansion of the network, both for coverage and capacity, and introduction of innovative products and services.

3. Product/Service Offerings

The company has various product offerings in India which include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high speed DSL broadband, IPTV, DTH, enterprise services including national & international long distance services to carriers. In the rest of its geographical operations; Bangladesh, Srilanka and Africa, it offers 2G, 3G wireless services and mobile commerce.

2G offering by Airtel	3G offering by Airtel	4G offering by Airtel (same services just a lot faster than 3G)
Voice Call	Fast Social-Network Connectivity	Fast Social-Network Connectivity
SMS, MMS	Mobile TV	Mobile TV
2G Edge Internet	Video Calling	Video Calling
	App Central	App Central
	HD Online Games	HD Online Games
	Music Store	Music Store
	Video Streaming & Alerts	Video Streaming & Alerts

Other than the services, Airtel provides both post-paid and pre-paid connections. The post-paid plan is branded and marketed across the country under the name airtel Postpaid and the pre-paid segment as airtel Prepaid. The airtel Prepaid category is divided into eleven segments; Dosti, Hoichoi, ManUtd Pack, Adda, Super Adda, Shobai, Golpo, Kotha, Foorti, Dolbol, Bijoy 016. The airtel Postpaid category is divided into three segments; Airtel Exclusive, Airtel Classic and Airtel Advantage. Airtel users enjoy various value added services, such as SMS, MMS, GPRS,

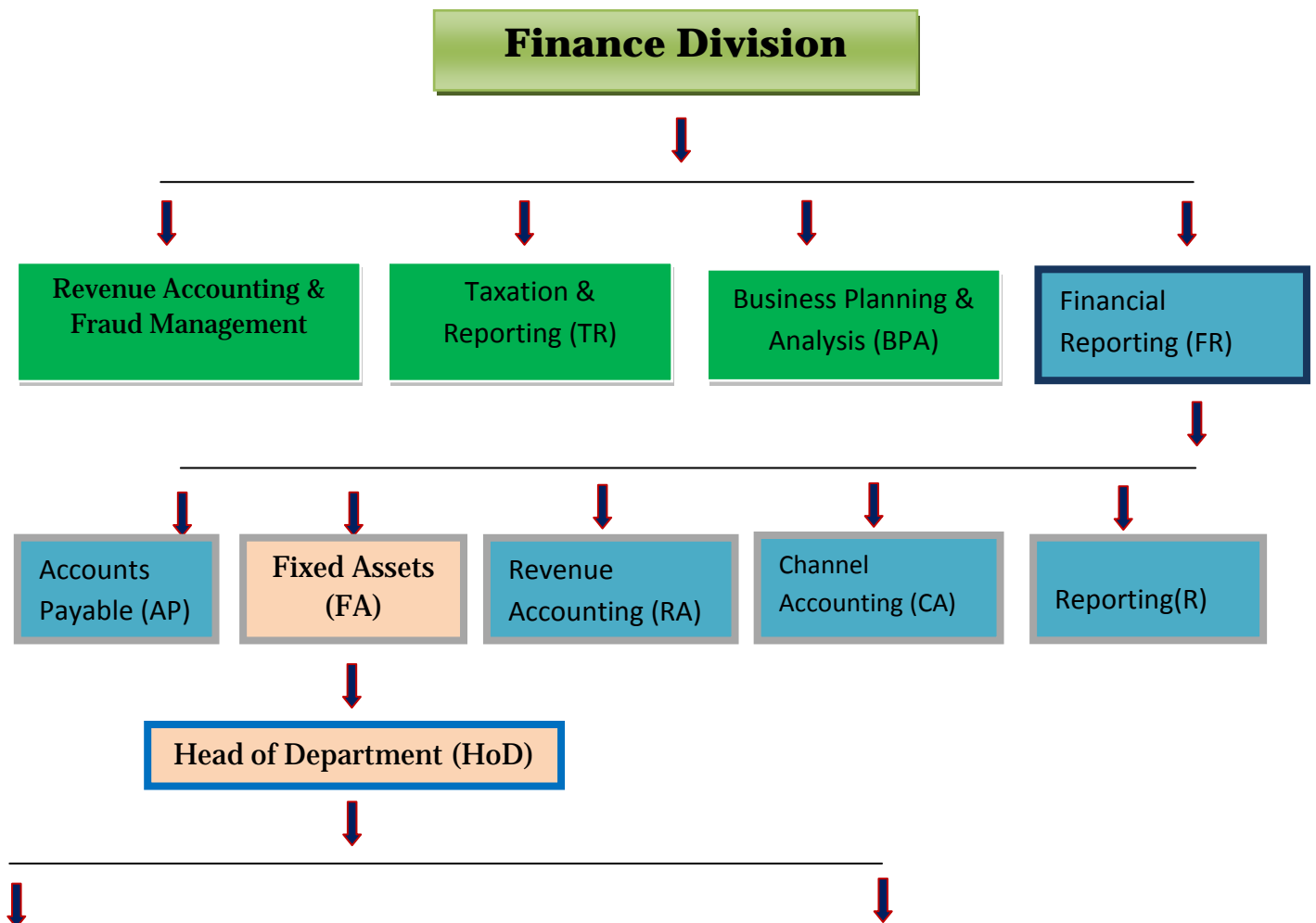
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64K SIM, Dual SIM product, Corporate packages for product advertising via SMS, and a host of other features. However, International Roaming is available only to postpaid users.

4. Operation network organogram

The organogram of the Bharti Airtel as well as Airtel Bangladesh Limited, as a subsidiary, is restricted by the Bharti Airtel One Policy.

The organogram of the financial division of the Bharti Airtel as well as that of Airtel Bangladesh Limited is thus as follows:



Executives

Executives

THE ORGANIZATION

Fig 1.1 : Organogram of Airtel Bangladesh Limited (Finance Division)

5. Visions for the future

Airtel Bangladesh's vision is to "become the most loved brand by 2015 by enriching lives putting the customer at the heart of everything. It is to meet their needs based on deep understanding of their ambitions, wherever they are." Airtel believes that "this focus will not only enrich our own lives but those of other key stakeholders. Only then it will be thought of as exciting, innovative and a truly world class company."

JOB

1. Description/nature of the job

I have been working in the Finance Department of Airtel Bangladesh Limited under the 'Fixed Assets' section. The activities of the finance department include but not limited to: payment collection from vendors, other telecom companies (for sharing network facilities with them) via bank cheques and making payments to third party organizations for contractual works, other telecom companies (for using their network facilities) via processing bank cheques; salary processing to reimburse through DBBL mobile banking service, TAX/VAT calculations, maintaining swift communication regarding accounting updates with the Airtel headquarter in India, adding various inputs in the ERP software, supervising the work progress of third party organizations who are hired on contractual basis for specific projects, preparing different financial statements using accounting software, receiving projected cash flow need information from other departments, solving any financial disputes/confusions, maintaining good liaison with corporate banks, preparing bank reconciliation statements, doing financial dealings with telecommunication device vendors (Huawei and Ericsson) etc.

2. Specific responsibilities of the job

The job I was appointed with was to supervise accounting firm representatives, collect inspected fixed asset data from them (containing asset category and tag number among other information) and to verify this data with the existing Fixed Asset Register (FAR) of Airtel Bangladesh Limited. 'Fixed Asset Register' is basically a database containing the various details of a company's fixed assets. This database helps Airtel have a constructive understanding about their fixed assets, identify them and compare in time series for usage in financial statements and financial analysis (for example: comparing FAR of May '14 with FAR of June '14).

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“The format / details to be provided in a FAR generally depends upon the following factors:

a) Nature of assets:

i. If movable assets constitute a significant portion of total fixed assets, details will be necessary on their movement from one department / cost center / people to another.

ii. Cost of assets. Greater control and security is required for costly equipment.

b) Customized reports on fixed assets required by management.

c) Disclosure norms / regulatory compliance as per statutory laws applicable to the entity.

d) Extent of owned, and assets taken on lease / hire purchase.

e) Requirements of insurance company.

f) Location of fixed assets. If fixed assets are located at numerous locations, greater details will have to be given. In the case of a construction company, the assets are located at different work sites. These work sites maybe in different cities / countries / continents.

g) Maintenance costs. Some fixed assets require regular servicing to keep them running in an efficient and satisfactory manner. It would be necessary to keep a tab on the maintenance costs, dates of servicing etc. during a stated period.” (Wikipedia)

3. Different aspects of job performance

My daily works in the office entailed mainly updating the Fixed Asset Register (FAR) using Microsoft Excel. I had to also compile and format data provided by accounting firm representatives employed on third party contractual basis. I would keep track of their work progress working as their supervisor and solve any problems that they faced as well. Any problem beyond the scope of me would be delivered to the executives by me. The job also required occasional inspection visits to fixed asset sites within and outside Dhaka city. On the verge of my internship tenure, I was lucky enough to be given the role of trainer to train few

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accounting firm interns about a specific task that were delegated to them by Airtel. I am thankful to my supervisor that he trusted me with this role as a facilitator.

4. Critical observations and recommendations

My work experience at Airtel Bangladesh Limited has actually been a learning and fruitful one. I have observed various financial and accounting roles being played by expert professionals on a day to day basis. I have found my supervisor, who is a Chartered Accountant himself, to be a man of ingenuity and incredible aptitude. I have also met an amazing audit intern from North South University, who has helped me learn about SAP (ERP software), RASCI matrix for task management and advanced Microsoft Excel applications such as financial and statistical calculations, VLOOKUP, Pivot table etc.

The workload in Airtel was excessively huge, which was perhaps one of the depressive aspects to my internship. The other being the working hour duration, which was a straight 9 hours! Thus, my first recommendation would be to lessen those two aspects of the job.

The second and final recommendation would be that Airtel should maintain a master key for their fixed asset sites so that it is easier to perform a hassle free inspection of the sites. I am saying so because sometimes the keys get lost or do not work due to rust. In addition to that, it is very difficult at times to acquire each individual key in each site visit from the home owners where the assets are situated.

PROJECT

1. Summary

Airtel Bangladesh Limited performs its Fixed Asset Management by adopting highly advanced accounting principles and standards such as IAS (International Accounting Standards) and by maintaining a world class approach to various fixed asset related accounting activities such as capitalization, depreciation, impairment, disposal and last but not least, by maintaining an updated Fixed Asset Register (FAR).

2. Description of the project

Objective of the project:

Every research has its specific objectives which must be fulfilled in order to attain success for the project. The primary and secondary objective of this report is to provide an overview of my experience and learning as an intern at Airtel Bangladesh Limited so that the theoretical learning can be related with the real life business situation. This report aims to achieve the following specific objectives:

- ⇒ To gain a proper understanding about the fixed assets of a multinational telecom service provider such as Airtel
- ⇒ To describe the various aspects of fixed asset management of Airtel Bangladesh Limited
- ⇒ To identify how Airtel performs operating procedures regarding its fixed assets

Methodology:

It is a qualitative research study. The methodology of this report is slightly different from conventional reports. I basically emphasize on the practical observations I have had while working in the Finance department and seeing the colleagues work on their different roles and activities. All the information incorporated in this report has been collected both from the

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primary sources as well as from the secondary sources.

Primary Source

- ⇒ Personal Observation.
- ⇒ Informal conversations with the supervisor and executives.
- ⇒ Face to Face Interviews.
- ⇒ Practical work exposures from the different desks of the department.

Secondary Source

Certain data for this report have been extracted from secondary sources, since the descriptive nature of the study to prepare this report calls for existing facts and information compilation.

- ⇒ Internal Brochures that was only available for study within the airtel office.
- ⇒ Various websites
- ⇒ Relevant papers and
- ⇒ Published documents both from Airtel Bangladesh Limited and Bharti Airtel Limited

Limitations:

The major limitation for this report was primarily the reluctance and strict adherence to confidentiality maintenance shown by the officials. Most of the relevant literature and study materials on the telecom sector are not updated and available, and no comprehensive in-depth study on the cellular industry could be found. Furthermore, some information was withheld to retain confidentiality of the companies. Exact verifications of some information could not be made owing to this.

Some limiting factors were there while conducting the research and preparing the report. These factors are as follows:

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- ⇒ No earlier official study is made on the Fixed Assets of Airtel Bangladesh Limited.
- ⇒ The study was not done very successfully due to inexperience with accounting nitty-gritty as it takes professionally qualified individuals such as a CAs (Chartered Accountants) to fathom some of the concepts and applications
- ⇒ The data required for sufficient analysis for report writing could not be collected due to excessive workload.
- ⇒ Due to time constraints, I could not go into much depth in research.
- ⇒ The limited scope of primary data
- ⇒ Unavailability of more practical and contemporary data.
- ⇒ Internal information of Airtel Bangladesh Limited is mostly confidential & critical.

3. Main Body

Chapter 1: Fixed Assets and Accounting for Fixed Assets

Fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business.

FASB (Financial Accounting Standards Board) *Concept Statement 6, Elements of Financial Statements*, has more material than any other on the accounting for long-term tangible assets. However, it addresses itself primarily to the definition, the purpose of accrual accounting, and the characteristics of an asset.

In 1985, *Concept Statement 6* added a definition of assets:

Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.

Concept Statement 6 continues, enumerating the three essential characteristics of an asset:

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- It embodies a probable future benefit that involves a capacity, singly or in combination with other assets, to combine directly or indirectly to future net cash inflows.
- A particular entity can obtain the benefit and control others' access to it.
- The transaction or other event giving rise to the entity's right to or control of the benefit has already occurred.

The major thrust is that probable future benefit is the definition of an asset. To reflect it on the balance sheet, the entity must be able to obtain benefit from the asset and control others' access to the asset.

In a discussion of accrual accounting, *Concept Statement 6* discusses assets under a heading "Recognition, Matching, and Allocation." In paragraph 145, it states:

Accrual accounting uses accrual, deferral, and allocation procedures whose goal is to relate revenues, expenses, gains, and losses to periods to reflect an entity's performance during a period instead of merely listing its cash receipts and outlays. The goal of accrual accounting is to account in the periods in which they occur for the effects on an entity of transactions and other events and circumstances, to the extent that those financial effects are recognizable and measurable.

Most of this discussion relates to intangible or nonphysical assets. The FASB, in issuing its *Statement 2, Accounting for Research and Development Costs*, also gives us some information on what makes up tangible physical assets. In their concern for the appropriate accounting for research and development costs, they conclude that all should be charged to expense accounts. However, they do give us their thoughts about which tangible assets should and should not be included in research and development costs.

A prime consideration is that materials, equipment, and facilities that have an alternative future use (in research and development projects or otherwise) shall be capitalized as tangible assets when acquired or constructed. However, the costs of such materials, equipment, or facilities that are acquired or constructed for a particular research and development project and have no alternative future uses and therefore no separate economic values are research and development

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costs at the time the costs are incurred. All research and development costs encompassed by the statement are charged to expense when incurred. This reflects the concept that research and development costs will be used up during the span of the research project. Tangible assets that have a life beyond the current project, however, should be capitalized and depreciated over their useful lives.

The preceding paragraphs summarize the present state of GAAP (Generally Accepted Accounting Principles) relating to property, plant, and equipment.

Most with the significance of long-term tangible assets have been covered in more detail in secondary accounting materials, but few secondary publications provide any in-depth discussion on fixed assets.




The only additional definitive document discussing accounting for property, plant, and equipment was issued by the Institute of Management Accountants (IMA, formerly the National Association of Accountants) as *Statement on Management Accounting (SMA) 4*. *SMA 4* was issued in October 1972 with the title, *Fixed Asset Accounting: The Capitalization of Cost*. Several concepts outlined in the twenty-four-page statement include the following:

- ⇒ Costs through preparation for use
- ⇒ Extraordinary repairs
- ⇒ Base unit
- ⇒ Extended life or increased capacity
- ⇒ Written policies
- ⇒ Capitalization policy
- ⇒ Life greater than one year
- ⇒ Self-constructed assets that include direct overhead
- ⇒ No initial development cost
- ⇒ Depreciation

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Chapter 2: Types and Categories of Fixed Assets of Airtel Bangladesh Limited

Fixed assets of Airtel are classified into the following three categories:

-  **Admin Assets**
-  **IT Assets**
-  **Network Assets**

Admin Assets

Administrative assets are those which are used for proper administrative functioning of the company. This kind of asset includes building, furniture and fixture and office equipment. The table below showcases the list of such assets controlled by Airtel Bangladesh Limited:

Category Group	Major Category	Major Code	Category	Minor Code
Admin	Building	2213	Office Building	001
Admin	Computer	2216	Billing System Software	015
Admin	Computer	2216	Call Centre Equipment	013
Admin	Computer	2216	Computer UPS or IPS	032
Admin	Computer	2216	Desktop	001
Admin	Computer	2216	LAN Cabling	009
Admin	Computer	2216	Laptop	002
Admin	Computer	2216	Other Hardware	012
Admin	Computer	2216	Printers	004
Admin	Computer	2216	Routers	006
Admin	Computer	2216	Scanners	005
Admin	Computer	2216	Server	003
Admin	Computer	2216	Software Licences	011
Admin	Computer	2216	Switches	007
Admin	Furniture & Fixture	2217	ARO Furniture	006
Admin	Furniture & Fixture	2217	Chairs/ Tables	002
Admin	Furniture & Fixture	2217	Furniture and Fixture	007
Admin	Furniture & Fixture	2217	Other office Furniture	003

Admin	Land	2211	Freehold Land	001
Admin	Prepaid Expenses-Licence Fee	3881	Amortization of License Fee	999
Admin	Vehicles	2218	Vehicles for Company	001

Table 1.1: Admin Asset of Airtel Bangladesh Limited

IT Assets:

Information Technology assets are used for an efficient flow of information among different divisions and departments of the organization. It includes computer, different softwares, accessories etc. The table below showcases the list of such assets controlled by Airtel Bangladesh Limited:

Category Group	Major Category	Major Code	Category	Minor Code
IT	Office Equipment	2215	Accessories - Office Equipment	012
IT	Office Equipment	2215	Electric Works Office Equipments	014
IT	Office Equipment	2215	Employee Handsets	001
IT	Office Equipment	2215	Fax Machines	004
IT	Office Equipment	2215	Other Office Equipments	006
IT	Office Equipment	2215	PBX Systems	002
IT	Office Equipment	2215	Photocopier	005
IT	Office Equipment	2215	Sound System Office Equipment	011
IT	Office Equipment	2215	Telephones	003

Table 1.2: IT Asset of Airtel Bangladesh Limited

Network Assets

Network assets are those assets which are used for providing mobile phone network facility to the customers of the company. This kind of assets includes network tower, cables, antenna,

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computer, different accessories etc. The table below showcases the list of such assets controlled by Airtel Bangladesh Limited:

Category Grop	Major Category	Major Code	Category	Minor Code
Network	Plant & Machinery	2214	Airconditioners	024
Network	Plant & Machinery	2214	ARO (Asset Retirement Obligation)	155
Network	Plant & Machinery	2214	Batteries	023
Network	Plant & Machinery	2214	BSC Hardware	005
Network	Plant & Machinery	2214	BSC Software	006
Network	Plant & Machinery	2214	BTS / WLL Antennas	015
Network	Plant & Machinery	2214	BTS / WLL Hardware	008
Network	Plant & Machinery	2214	BTS Implementation Charges	010
Network	Plant & Machinery	2214	BTS Installation Material	014
Network	Plant & Machinery	2214	BTS Software	009
Network	Plant & Machinery	2214	Capital Spares	066
Network	Plant & Machinery	2214	Civil Works at Site	032
Network	Plant & Machinery	2214	DC-DC Convertors	050
Network	Plant & Machinery	2214	DG Sets	022
Network	Plant & Machinery	2214	Duct	083
Network	Plant & Machinery	2214	Electricals	033
Network	Plant & Machinery	2214	GPRS - HW	064
Network	Plant & Machinery	2214	Infrastructure Towers	020
Network	Plant & Machinery	2214	Microwave Communication Eqp Hardware	016
Network	Plant & Machinery	2214	MSC Hardware	002
Network	Plant & Machinery	2214	Multi Media Services (MMS)	088
Network	Plant & Machinery	2214	Optic Fibre Cables	058
Network	Plant & Machinery	2214	OSS Hardware	041
Network	Plant & Machinery	2214	OSS Software	042
Network	Plant & Machinery	2214	P&M - Lease Line IRU - Group	174

Network	Plant & Machinery	2214	P&M Electric Equipment	185
Network	Plant & Machinery	2214	P&M Electricals	141
Network	Plant & Machinery	2214	P&M Infra Equipment	188
Network	Plant & Machinery	2214	P&M MW Equipment	183
Network	Plant & Machinery	2214	P&M Radio Equipment	184
Network	Plant & Machinery	2214	P&M Site Accquisition	187
Network	Plant & Machinery	2214	P&M Switch Equipment	186
Network	Plant & Machinery	2214	P&M Transport NEW	134
Network	Plant & Machinery	2214	P&M VAS Equipments	189
Network	Plant & Machinery	2214	P&M.Air conditioners NEW	129
Network	Plant & Machinery	2214	Plant & Machinery - active infra < 5000	163
Network	Plant & Machinery	2214	Plant & Machinery - IBS	158
Network	Plant & Machinery	2214	Plant & Machinery - Others	127
Network	Plant & Machinery	2214	Plant and Machinery - Batteries	987
Network	Plant & Machinery	2214	Power Interphase Unit	025
Network	Plant & Machinery	2214	Prepaid MSC Hardware	044
Network	Plant & Machinery	2214	Repeaters	053
Network	Plant & Machinery	2214	Short Message Switch Centre (SMSC)	047
Network	Plant & Machinery	2214	Transmission Equipment	082
Network	Plant & Machinery	2214	TRUs	059
Network	Plant & Machinery	2214	Ultra Isolation Transformers	028
Network	Plant & Machinery	2214	UPS/ Stabilisers	051
Network	Plant & Machinery	2214	VMS Hardware	039
Network	Plant & Machinery	2214	Yagi Antennas	057

Table 1.3: Network Asset of Airtel Bangladesh Limited

Chapter 3: Scope of the Fixed Assets division in the finance department

The Fixed Assets department is headed by Mr. Nil Ratan Karmakar, the Head of Department under whom several fixed assets related functions are performed. There are two executives to support the operating procedures of FA.

The Fixed Assets, as a department in Airtel Bangladesh Limited covers the following areas:

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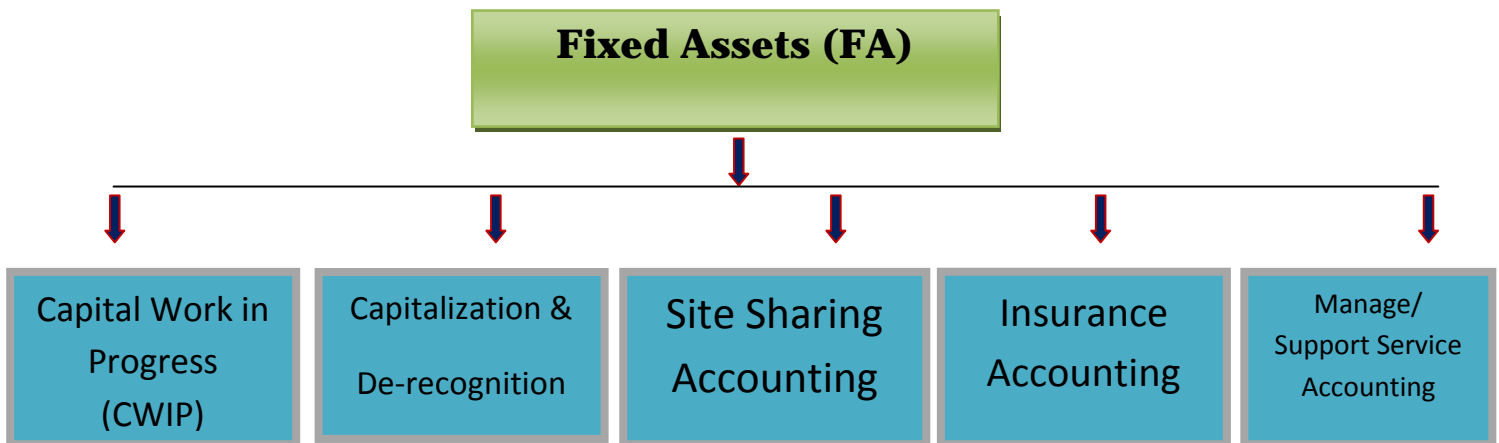


Fig 1.2 : Scope of Fixed Assets under the function of Financial Reporting

Capital Work in Progress (CWIP)

The Capital Work in Progress covers the materials of capex (Capital Expense) in nature to be declared as assets yet to start generating revenues and as well as depreciation.

Capitalization & De-recognition

Capitalization and De-recognition process covers procedures and items from the acquisition to retirement along with the retirement obligations of the fixed assets Airtel Bangladesh Limited currently hold.

Site Sharing Accounting

The Site Sharing Accounting covers the revenues that are generated under the five thousand network tower sites of Airtel Bangladesh Limited throughout the country.

Insurance Accounting

The accounting procedures maintained for insurance are aligned with the general insurance accounting practiced all over the world.

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The function is performed through the three steps process:

Step 1: Creating cover note

Step 2: Policy adopting and

Step 3: Claim Receivables

The Insurance accounting is categorized under five broad areas, as described below:

1. Property Insurance
2. Cash insurance
3. Feudality Insurance
4. Marine Insurance and
5. Vehicle Insurance

Manage/ Support Service Accounting

Manage/ Support Service Accounting covers most of the outsourced functions performed by the third parties such as accounting firms and financial consultancy firms etc.

Chapter 4: Tangible Assets Accounting Policy of Airtel Bangladesh Limited

Tangible assets are stated at cost of acquisition and subsequent improvements thereto, including taxes and duties, freight and other incidental expenses related to acquisition and installation. Capital work-in-progress is stated at cost.

Site restoration cost obligations are capitalized when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

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All other repair and maintenance costs are recognized in the statement of profit and loss as incurred.

Gains and losses arising from retirement or disposal of the tangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in statement of profit and loss on the date of retirement and disposal.

Chapter 5: Nature of Expenditures

Capital Expenditure (CAPEX)

Capital expenditure is regarded as funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment. This type of outlay is made by companies to maintain or increase the scope of their operations (<http://www.investopedia.com/terms/c/capitalexpenditure.asp>). These expenditures for a telecom business would include expenditure on telecoms infrastructure and distribution. Most telecom companies expand their networks to improve capacity, quality and coverage; modernise the network and make it more efficient; stimulate and support the development and launch new products. Usually big telecom operators would undertake to rollout more new 2G base transceiver station (BTS's) and new 3G BTS's to expand their coverages. They also undertake in capital intensive project like providing additional capacity to both the circuit switch (voice) and packet switch (data), and rolling out fibre optic metropolitan network in the high-traffic zones.

This is usually driven by heated competition in the market as well as by subscribers' demand pushing the operators to seek new locations where their network needs to reach. This index is of major concern to operators of telecom business as it must be justified for shareholders through efficient return on asset performance on a yearly basis. Hence, telecom is seen as a capital intensive sector.








In accounting terms, an expense is considered to be a capital expenditure when the asset is a

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newly purchased capital asset or an investment that improves the useful life of an existing capital asset. If an expense is a capital expenditure, it needs to be capitalized; this requires the company to spread the cost of the expenditure over the useful life of the asset. If, however, the expense is one that maintains the asset at its current condition, the cost is deducted fully in the year of the expense (<http://www.investopedia.com/terms/c/capitalexpenditure.asp>).

Usually, the managers and analysts of a telecom business would like to have this figure optimised in such a way as to justify expenditure through measuring the asset usage performance. Therefore, metrics like return on assets are major tools used to evaluate this expenditure in relation to returns to shareholders and other stakeholders of the telecom business.

Typical capital expenditure for a telecom business would be the following:

-  Cost of purchasing new BTS equipment from their vendors
-  Cost of buying or leasing buildings, landed properties or shelters and towers for their telecom equipments
-  Cost of buying or procuring new Base Station controllers (BSC)
-  Cost of purchasing new switches or MSC
-  Cost of purchasing new transmission equipment like microwave radio and antennas
-  Cost of procuring and installing fibre metropolitan networks
-  Cost of procuring intelligent network equipment such as SDPs, SCPs











Operating Expenditure (OPEX)

OPEX is a category of expenditures that a business incur as a result of performing its normal business operations. One of the typical responsibilities that management must contend with is determining how operating expenses can be reduced without significantly affecting the firm's ability to compete with its competitors (http://www.investopedia.com/terms/o/operating_expense.asp).

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The payment of employees' wages and funds allocated toward research and development are operating expenses. In the absence of raising prices or finding new markets or product channels in order to raise profits, some businesses attempt to increase the bottom line purely by cutting expenses (http://www.investopedia.com/terms/o/operating_expense.asp).

Typical opex costs for a telecom operator would be as such below:

-  Engineering staff salaries and allowances
-  Staff relocation fees
-  Staff recruitment
-  General staff welfare
-  BTS rent and taxes
-  Other buildings and technical premises rent and taxes
-  Engineering offices' rents
-  Rent of switches
-  Rent due to accommodation contractors
-  Utilities such as water, electricity and fuel

Chapter 6: Asset Capitalization and Recording Process

Recognition Criteria for Property, Plant, and Equipment (IAS-16)

Items of property, plant, and equipment should be recognized as assets when it is probable that:
[IAS 16.7]

- the future economic benefits associated with the asset will flow to the entity, and
- the cost of the asset can be measured reliably.

This recognition principle is applied to all property, plant, and equipment costs at the time they are incurred in Airtel. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

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IAS 16 does not prescribe the unit of measure for recognition – what constitutes an item of property, plant, and equipment. [IAS 16.9] Note, that each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. [IAS 16.43]

IAS 16 recognizes that parts of some items of property, plant, and equipment may require replacement at regular intervals. The carrying amount of an item of property, plant, and equipment will include the cost of replacing the part of such an item when that cost is incurred if the recognition criteria (future benefits and measurement reliability) are met. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions of IAS 16.67-72. [IAS 16.13]

Also, continued operation of an item of property, plant, and equipment (for example, transmission equipment) may require regular major inspections for faults regardless of whether parts of the item are replaced. When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant, and equipment as a replacement if the recognition criteria are satisfied.

Capitalization Procedures of Fixed Assets in Airtel Bangladesh Limited

The capitalization of fixed assets in Airtel is a process of recognizing and recording of fixed assets according to the underlying standards through Po Issue, LC Opening, Capital Work in Progress, making Site on Air and finally paying the liability out. The fixed assets capitalization procedures followed by the company are as follows:

Purchase Order (PO) Issue: The first step in the fixed asset capitalization process is the issue of purchase order to any of its two strategic network partners, Ericsson and HUAWEI.

L/C Opening: The second step, after the placement of a PO, if the vendor of the asset agrees to sell the materials to the company, is to proceed on to open letter of credit (LC).

Goods in Transit: At this stage, the vendor sends the asset/s to the company

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Goods Received Note: If the material sent satisfies the particulars noted in the purchase order, the reception department takes it and prepares a goods received note for the vendor

Invoice Booking: In this stage, the goods are considered to be included into the Inventory Module.

Issue of Materials to Site: According to the requisition of assets for different sites of the company, it issues the inventory of assets to those sites.

Site on Air: When assets are used in a site and the site becomes on air, meaning that the sites are ready to be used as intended by the management, the acquired goods as well as the capital work in progress is capitalized.

Payment: To complete the capitalization process, Airtel Bangladesh Limited, at last makes payment to the vendor/s.

Steps for Capitalization	
1	Po Issue
2	LC Opening
3	Goods in Transit
4	Goods Receive Note
5	Invoice Booking
6	Materials Issue to Site
7	Site On Air
8	Payment

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Chapter 7: Modules and Tools for Capitalization

Types of Module

Types of module available for the recognition procedures of Fixed Assets are:

1. Inventory Module
 2. Payable Module
 3. FA Module
-
1. Inventory module considers all the materials received for the purpose of using in different sites or to be used as assets. Supply Chain Management decides for materials that are to be issued on each site. Just after the purpose of the materials is set, the file is transferred to the FA Module.
 2. Payable module takes into account the expenditure incurred for the purpose other than the purpose of capitalization as assets. The typical issues are dealt by the AP division (Accounts Payable).
 3. Fixed asset module considers the materials that has been issued by the SCM through the inventory module.

Tools Used for Capitalization

Provisioning is an accounting technique that takes into account the gross cost of materials (Gross Block), or assets to be considered for capitalization. Under this technique, the assets yet to include under FA module are accounted for. For instance, Airtel issued a purchase order (PO) comprising five materials at tk. 5 lac worth. Since the accounting month in Airtel is closed at 25th of each month, this often happens that two of the materials ordered are yet to come. The costs of these two materials, according to Bharti Airtel One Policy, are considered for provisioning.

And this process is known as the **provisional capitalization**. The date or information required for the provisioning come from the two strategic partners, 1) Ericsson and 2) HUAWEI. Now,

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the upcoming materials are provisioned based on the value that the similar and equivalent materials incurred in the immediate last month.

The journal entry to record the provision is:

Gross Block (Assets) Account.....Dr.

Provisional Capitalization Account.....Cr.

Chapter 8: Depreciation and Impairment of Fixed Assets

Underlying International Accounting Standards for depreciable assets (IAS-16)

The depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life [IAS 16.50].

The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate. [IAS 16.51]

The depreciation method used should reflect the pattern in which the asset's economic benefits are consumed by the entity [IAS 16.60];

The depreciation method should be reviewed at least annually and, if the pattern of consumption of benefits has changed, the depreciation method should be changed prospectively as a change in estimate [IAS 16.61]

Depreciation should be charged to the income statement, unless it is included in the carrying amount of another asset [IAS 16.48].

Depreciation begins when the asset is available for use and continues until the asset is derecognized, even if it is idle. [IAS 16.55]

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Underlying International Accounting Standards for Impairment (IAS-36)

Impairment: An asset is impaired when its carrying amount exceeds its recoverable amount.

Carrying amount: The amount at which an asset is recognized in the balance sheet after deducting accumulated depreciation and accumulated impairment losses

Recoverable amount: The higher of an asset's fair value less costs to sell (sometimes called net selling price) and its value in use.

Identifying an asset that may be impaired:

At each balance sheet date, review must be made of all assets to look for any indications that an asset may be impaired (its carrying amount may be in excess of the greater of its net selling price and its value in use). IAS 36 has a list of external and internal indicators of impairment. If there is an indication that an asset may be impaired, then calculation of the asset's recoverable amount must be made. [IAS 36.9]

Indications of Impairment [IAS 36.12]

External sources:

- market value declines
- negative changes in technology, markets, economy, or laws
- increases in market interest rates
- company stock price is below book value

Internal sources:

- obsolescence or physical damage
- asset is part of a restructuring or held for disposal
- worse economic performance than expected

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These lists are not intended to be exhaustive. [IAS 36.13] Further, an indication that an asset may be impaired may indicate that the asset's useful life, depreciation method, or residual value may need to be reviewed and adjusted. [IAS 36.17]

Airtel's Policy for the Depreciation & Impairment:

Depreciation on tangible assets

Depreciation on tangible assets is provided on the straight line method based on useful lives of respective assets as estimated by the management or at the rates prescribed under the Companies Act, whichever is higher.

The site restoration cost obligation capitalized is depreciated over the period of the useful life of the related asset.

Assets costing up to Rs. 5 thousand (other than identified Customer Premise Equipment) are being fully depreciated within one year from the date of place in service.

Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount.

Accounting for Retirement and disposal of Assets

Underlying International Accounting Standards for De-recognition (Retirements and Disposals) (IAS-16)

An asset should be removed from the balance sheet on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognized in the income statement. [IAS 16.67-71]

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If an entity rents some assets and then ceases to rent them, the assets should be transferred to inventories at their carrying amounts as they become held for sale in the ordinary course of business. [IAS 16.68A]

Asset De-recognition by Airtel Bangladesh Limited:

When the book value an asset equals the accumulated depreciation, the de-recognition process starts. Progressively, after the date when the book value of asset becomes zero, if the asset is used in the site, no depreciation cost is charged against revenues of the continuing period and is maintained at zero value in the books of accounts. However, if the responsible person in the site, thinks it to be logical to dispose off the asset, he shall start the asset retirement process. He should recommend to the fixed accounts module (FA Module) of the company for the retirement of the asset. The FA module will then verify the asset physically and if it is satisfied to dispose the asset off, it recommends it to the CFO and then CEO of the company. Then after the approval from the CEO and CFO for the retirement of the asset, the asset is disposed off and the amount of revenue from the disposal is recorded as gain or loss and classified as non-operating income.

Accounting for Small Materials

The cut off amount for small materials are set by the judgment of professionals at BDT 5000.

There are two types of small materials:

1. **Dependent/Active/Direct Materials** are those without which the intended use of the asset/s stops. These types of small materials are capitalized.
2. Contrarily, **Independent/Passive/Indirect Materials** are those without which the intended services or revenues can be generated; that is, the normal procedures are not hampered or delayed. Such materials are all materials other than the dependent materials. These types of small materials are not capitalized.

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Chapter 9: Maintenance of Fixed Assets Register (FAR)

The company maintains a Fixed Asset Registrar that contains all the current status of the company's fixed assets. It is updated monthly. This update includes three sections—fresh provision, previous provision and expansion. To make the provisions, two reports are required: the infrastructure report (list of materials needed by the sites), and the asset addition report (against the sites on air).

“The format / details to be provided in a FAR generally depends upon the following factors:

a) Nature of assets:

i. If movable assets constitute a significant portion of total fixed assets, details will be necessary on their movement from one department / cost center / people to another.

ii. Cost of assets. Greater control and security is required for costly equipment.

b) Customized reports on fixed assets required by management.

c) Disclosure norms / regulatory compliance as per statutory laws applicable to the entity.

d) Extent of owned, and assets taken on lease / hire purchase.

e) Requirements of insurance company.

f) Location of fixed assets. If fixed assets are located at numerous locations, greater details will have to be given. In the case of a construction company, the assets are located at different work sites. These work sites maybe in different cities / countries / continents.

g) Maintenance costs. Some fixed assets require regular servicing to keep them running in an efficient and satisfactory manner. It would be necessary to keep a tab on the maintenance costs, dates of servicing etc. during a stated period.” (Wikipedia)

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Analysis

Since, this is a qualitative research work on the fixed asset management procedures of Airtel Bangladesh Limited, no numeric financial/accounting analysis was delved into. However, it can be said that seriousness with which this company keeps track of it's fixed assets and manages them, is arguably a rarity in the accounting practices of Bangladesh.

Results and Discussion:

Fixed Assets in Airtel Bangladesh Limited comprises of almost 94% of it's yearly balance sheet value on average. The model here used for Fixed Assets Management is of significant importance. Though the procedures are in line with IAS 16, 38 and 36, Bharti Airtel One Policy makes balances in between the IASs, operating country's rules (like NBR in Bangladesh) and its policy guidelines.

The report is a unique outline in terms of explaining and analyzing the Fixed Assets in this multinational company and reveals the Fixed Assets' nature, compliance with the International Accounting Standards in terms of accounting procedures of:

- ➔ The Capitalization and De-recognition of Fixed Assets
- ➔ Recognizing and accounting for impairment cost
- ➔ Depreciation accounting

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4. Conclusion

A conclusion can be drawn out of my research into the descriptive fixed asset management and the application that I have observed by working in Airtel Bangladesh Limited, that the company does seem to be growing in terms of ongoing investments into telecom equipment and new technologies such as 3G. The age old complaint that Airtel's network is the poorest of all the other telecom operators in Bangladesh is slowly fraying while the company swiftly grabs higher shares in the market, especially among the youth aged between 15-30 years. In my opinion, even though the company has not yet reached its break-even point operating in Bangladesh, the continued capital investments to improve in quality of network and services, will perhaps only pave the way for insane amount of future returns in terms of increased revenues and brand loyalty.

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