AVERY DENNISON

Inspired Brands. Intelligent World.™

“Fixed Assets Management in Avery Dennison Bangladesh”

Internship Report on

Fixed Assets Management in Avery Dennison Bangladesh

Supervisor

Riyashad Ahmed

Assistant Professor

Coordinator, EMBA Program

BRAC Business School

BRAC University

Prepared by:

Farhan Tanvir

ID: 13104079

Date of Submission: 5 July, 2017

Letter of Transmittal

5th July, 2017

Riyashad Ahmed

Assistant Professor

BRAC Business School

BRAC University

Subject: Submission of Internship Report.

Dear Sir,

I would like to take the opportunity to thank you for your guidance and support you have provided me during the course of this report. Without your help the report would have been impossible to complete. With deep gratitude, I would like to acknowledge the help provided by Mr. Atiar Rahman, Manager (Finance), Avery Dennison Bangladesh for providing utmost supervision during my period of internship in the organization.

To prepare this report I have collected what I believe to be the most relevant information to make my report as analytical and reliable as possible. I have concentrated my best effort to achieve the objectives of the report and hope that my endeavor will serve the purpose. The practical knowledge and experience gathered during my report preparation will immeasurably help in my future professional life.

I would really be grateful if you enlighten me with your thoughts and views regarding the report. Also, if you wish to enquire about an aspect of my report, I would gladly answer your queries. Thank you again for your support and patience.

Yours Sincerely,

Farhan Tanvir
ID: 13104079
BRAC Business School,
BRAC University

Acknowledgements

I would like to express my profound gratitude to all those who have been instrumental in the preparation of this internship report. I wish to place on records, my deep gratitude for the support, direction, and supervision in every aspect from, Avery Dennison officials, my faculty, and friends.

I would like to express my deep sense of thankfulness to my organizational supervisor of this Internship Program, A.B.M Ahsan Aziz, Senior Executive (Finance), Avery Dennison Bangladesh for her enormous help and endless support throughout the training period. To get accustomed with the nature of a very dissimilar industry was quite a challenge for me; without her guidance, it would not have been possible for me to continue and then end up with a successful internship.

I would also like to show my utmost gratitude to all the officials of Avery Dennison Bangladesh; especially the teams that I have worked in and all the others teams in the Organization. I would like to mention the name of Mr. Khairul Basher (Assistant Manager, Finance) for facilitating me with all the internal information that helped me to prepare the company overview and industry analysis; the information that I as an intern had no access to. I cannot but mention Mr. Tahsin Rahman (Senior Officer, Credit Control) with utter thankfulness for providing me with the previous internal research reports that helped me to design my own study and then analyzing it. I, here, would like to show my sheer gratefulness to Mr. Atiar Rahman (Manager, Finance) who had been my guide throughout the internship. His guidance made it possible to end the voyage successfully. Additionally, I would also like to thank all the employees who helped me to develop my skills and provide me necessary information during my internship.

Finally, and most importantly, I would like to concede the guidance of Mr. Riyashad Ahmed, Assistant Professor, BRAC Business School, BRAC University, for his expert advice and help in preparing this report.

Executive Summary

Avery Dennison Bangladesh is the leading organization in the industry of garments packaging and labeling and it is being serving a huge range of customers for many years. This company is not only providing its best services to the locally but also is an established brand internationally. Behind being a successful company the employees of the organization have been playing a vital role and the company also values its people the most. By working in the Finance Department I have come across the whole fixed asset management system, tagging requirements of the Finance department of Avery Dennison Bangladesh.

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

This report is a detailed representation of all the mentioned topics and contains a preliminary discussion about Avery Dennison. This company is the market leader in the packaging and labeling sector in Bangladesh. In the overview part the vision, mission, objectives, products and services are described. The Fixed Assets Management starting from the Fixed Asset identification to the Lease process is described in an elaborate manner.

Finally, I have tried to give some recommendations from my learning that I have got from my day to day job at Avery Dennison and from my university lectures as well.

Table of Contents

Introduction

Avery Dennison has been thriving as a global leader by providing labeling and packaging materials and merchandising solutions for the retail and apparel industry for decades. It has business operation in more than 75 countries around the world and continues to expand its footprint in emerging markets. In Bangladesh, a promising country in global economy, Paxar is operating as a subsidiary of Avery Dennison Corporation under the name of Paxar Bangladesh Limited. It has gradually become one of the leading manufacturers of this particular industry in South East Asia. Avery Dennison Corporation completes the acquisition of Paxar Corporation in 2007 which is one of the top MNCs of USA and operating in more 50 countries around the world.

Avery Dennison Corporation (NYSE: AVY) is a FORTUNE 500 Company with sales of $6.3 billion from its continuing operations in 2014. It was established in 1935 by Mr. Ray Stanton Avery. Avery Dennison is renowned for its labeling and packaging materials and solutions all over the world. The head-office is situated in Glendale, California. After the acquisition of Paxar, Avery Dennison now has more than 30,000 employees in over 50 countries worldwide. Avery Dennison Corporation (Avery Dennison) develop, manufactures and distributes pressure-sensitive labeling materials, packaging materials, display graphics, retail graphic embellishments, a variety of tickets, tags, labels and radio-frequency identification (RFID) tags.

Avery Dennison Bangladesh is working with their consumers by adding value for them, creating customer's brand image, building customer's brands, generating new ideas, creating new products, managing their data and distributing their merchandise throughout supply chain. They design and manufacture tickets, tags and labels and provide the technology, including the printers and software controlling systems. Their pressure-sensitive adhesive labels, tags and packaging materials enhance shelf-appeal of readymade garments, beauty products, food items, beverages and health products; simultaneously provides consumers with important information. The customers of Avery Dennison Bangladesh are the world's major RBOs (Retailers& Brand Owners), branded apparel companies and industrial markets.

History

An Ongoing Family Business Became Avery Dennison Corporation (1918)

Avery Dennison Corporation has a long and prosperous history of growth. The Paxar story began with the launch of Meyer Tag and Label Company by two brothers Louie and Jack Meyer in New York City in 1918; though the company started some of its activities back in late 1800 A.D. The founding father of Paxar Corporation, Mr Leon Hershaft was a young immigrant from Europe who worked at Meyer Tag and Label as a pressman. When the company grew gradually and became a reputed company, then Mr Hershaft was appointed as a general manager. In 1940, his brother Mr also joined the company. Later in 1940's, when Meyer borthers split then Mr Leon Hershaft and Fred Hershaft bought the company from Jack Meyer and in 1951 moved their main factory from Brooklyn, NY to Sayre, PA to avoid labor problems in the City. The Hershaft brothers let other members of the family to join the company.

From 1986 to 2006, Mr Hershaft's oldest son, Mr Arthur Hershaft served as Paxar's Chairman of the Board. In 1969, it became a publicly held company and changed its name to Packaging Systems Corporation. The manufacturing activities continued to grow further in later years. In 1971, Paxar introduced its first patented printing system called "FASCO"; the coated fabrics and colorfast inks that chemically cross-linked with the fabric; a label manufacturer could produce 5 million labels a day on an offset paper with this new technology. Paxar soon became the dominant printed fabric label manufacturer in United States.

Global Reach and Further Expansion of Business

With a change in strategic decision in 1987, Paxar started the era of acquisitions. To grow the company's tag and label business, the carded visual packaging division was sold and resources were re-allocated in order to. This landmark facilitated Paxar to its first European operations in England, Germany and Italy. Paxar continued to acquire new businesses over the next 17 years and companies were established in Europe, Asia, Africa, the Middle Latin America and North America. Paxar brought innovation and designed new product and later they introduced woven labels, bar code products, graphic tags, soft apparel labeling, heat transfers and other items. It bought two woven label company in New York and North Carolina also a big operation in Hong

Kong which led us to be the major woven label producer in no only in America but also in Far East.

In 1988, it became the largest printed fabric label company in the world and formed PAXAR after purchasing Rospatch of Lenoir Inc, North Carolina (its largest competitor in the printed label business). Paxar acquired the National Tag Co. of Vandalia, Ohio in 1991. In the meantime, Paxar utilized all the opportunities of NAFTA. Gradually it expanded its businesses and made acquisition in European countries and became MNC through setting up Paxar Poland, Paxar Benelux, Paxar Turkey, Paxar France, a sales office in Athens & Greece, as well as buying a coated fabric company in Italy from early 1994 till late 1998.

In the following years, Paxar acquired/formed companies in Columbia, Mexico, Brazil, Honduras, Canada and Dominican Republic. Among the South East Asian Countries Bangladesh is greatly emerging country in global economy, and by this time it has become the proud beneficiary of Paxar Bangladesh. Paxar Bangladesh Limited is the largest producer of Paxar's type of product for the RMG market among South East Asian countries.

Avery Dennison Corporation Completed Its Acquisition of Paxar Corporation (2007)

Avery Dennison Corporation completed its acquisition of Paxar Corporation following the approval of the transaction by Paxar's shareholders at its Annual Meeting on June 14, 2007.
President and chief executive officer of Avery Dennison, Dean Scarborough said "This acquisition will strengthen a dynamic and important part of our business". Avery Dennison announced a classic agreement to acquire Paxar for $30.50 per share on March 22, 2007, in a cash transaction valued at approximately $1.34 billion. The purchase of Paxar has been funded through the commercial paper market, supported by a bridge facility arranged by JPMorgan Chase Bank, N.A.

The Company is committed in maintain a strong investment grade credit rating and to return its financial ratios to target levels. The Company worked with JPMorgan Chase Bank, N.A., as an arranger; and with the rating agencies to complete the permanent financing in the following months. The acquisition of Paxar was a land marking step, since, it expanded the presence of Avery Dennison Corporation worldwide in the growing retail and brand identification market.

Now, the Avery Dennison is producing finest products and services for the customers and letting us to provide the service within proper time. This acquisition also facilitated us to catch the new segments of the markets including retailers serving local customers in emerging markets such as China and India. With the acquisition of Paxar, Avery Dennison's Retail Information Services (RIS) business was expected to represent about 24 percent of Avery Dennison's revenues which was more than 12 percent of the amount before the combination.

Paxar Bangladesh Ltd is the newest arena of Paxar family. This state-of -the-art factory opened for business in November 2002 but start business from December 1st 2002. The company is set up in Dhaka Export Processing Zone (BEPZ, Savar Factory) and the corporate office is situated at 3/F Uday Tower, 57 Gulshan Avenue, Dhaka 1212. Altogether there are almost 1500 employees and 500 employers working in this organization. Paxar Bangladesh is accountable for report to Paxar Hong Kong.

History of Avery Dennison Corporation (1935) - One Very Bright Idea Created a Large Industry

In 1935, the Avery Dennison story begins with a loan of only $100, a few spare parts and with one very bright idea. The founding father of Avery Dennison is Mr. Ray Stanton Avery who was a struggling clerk in Los-Angeles. He invented a more helpful way for shops and stores to price their products and later became the pioneer of the labeling industry. With some simple materials Mr. Avery created and patented the first self-adhesive, die-cut labeling machine. In 1990, Avery International merged with Dennison Manufacturing and became Avery Dennison.

Expansion, Acquisition, Growth & Becoming the Fortune 500 Company (1945-1975)

During World War II (1945), new industrial uses for self-adhesive labels expand significantly triggering the Company's rapid growth. Later, Avery Adhesive established its first license holder in England and formed a new customer base in abroad. Following this, the Company created a new self-adhesive base materials business, Fasson, and constructed the first base materials plant in Painesville, Ohio. The opening of new manufacturing facilities introduced new technologically superior adhesives. By the end of its second decade, Avery Adhesives obtained sales of $5 million.

In 1955, Avery Dennison established its first overseas subsidiary in the Nederlands. Through the sale of 250,000 shares of common stock, Avery Adhesives went public and issued its first cash dividend in 1964. By the end of third decade, its' sales reached $40 million having 15 plants in the United States and overseas. In 1974, Avery Products was widely recognized because of its inclusion on the Fortune list of the 500 largest U.S. industrial corporations and continued to grow with annual sales at $300 million.

Becoming Avery Dennison through Merging with Dennison in 1990

The company strengthened its market positions and extended its product lines through further acquisitions. Avery Dennison moved the headquarter to a new Corporate Center in Pasadena, California, since, sales move toward $1 billion. In 1990, the Company took a major strategic decision and merged with Dennison Company to become Avery Dennison which made the organization stronger securing global leadership position in labeling and packaging materials, office products, adhesives and label converting technology.

Global Leadership 1995 to present

Avery Dennison got the global leadership in 1995 by rapidly expanding consumer markets in developing economies in Europe, Asia Pacifica and Latin America. Adoption of new technology accelerated its opportunities to a great extent. Avery Dennison made further acquisition of Jackshaft GmbH, RVL Packaging and L&E Packaging in the year 2002.

In 2007, Avery Dennison retained sales of $6.3 billion and ranked 382 on the 2007 Fortune 500 list of the largest U.S. corporations. Combined with Paxar, Avery Dennison now employs more than 30,000 people around the world. Today, we manufacture and distribute labeling and packaging materials in over 50 countries. In just over 75 years, it has grown from one bright idea into a global corporation which has set new standards for quality and innovation in materials science.

Tagline:

To make every brand more inspiring and the world more intelligent.

Mission:

- **Best Quality of Products and Services:** Avery Dennison's innovative labeling & packaging technology frees the imagination of customers to look at the brands with fresh eyes, and unite form, function and messaging. Our product labels portfolio offers a vast range of functional options, from eye-catching finishes, including embossing, to holograms. Avery Dennison provide good quality products within the shortest lead times.

- ***Further Business Growth:*** Avery Dennison is continuously working towards achieving further growth of the business and it greatly focuses on its organizational goals. We share and discuss consumer insights and emerging trends in order to create home and personal care label solutions that can achieve true product differentiation.

- ***Customer Satisfaction:*** Avery Dennison always maintain a good relationship with their customers. Large RBOs and other customers are equally important to us and we are working closely with converters and brand owners. Our customers are so loyal & always think about Avery Dennison first whenever they need to order.

- ***Working Environment for Employees:*** Avery Dennison is committed to ensure best kind of working environment for its employees. The rewards & benefits provided to them are very special than other organization.

- ***Stakeholders:*** Avery Dennison value their stakeholders. Avery Dennison provides the highest possible return to our investors and dividend amount always shows a lucrative figure.

Vision:

At Avery Dennison, our businesses are unified by the shared vision of making brands more inspiring and the world more intelligent. Throughout the world, we focus on making products more engaging, brands more compelling, inventories more productive, information more valuable and our surroundings more understandable. Avery Dennison deeply place emphasis on creating more lucrative brand, increasing brand value, making products more charming, brands more convincing, more productive and fruitful inventories, making information more valuable and worthy and the environment more reasonable. From apparel branding to food and beverage packaging, building graphics and traffic safety signs Avery Dennison play a powerful part in the human life all over the world. Avery Dennison Bangladesh is working to be recognized as the fastest growing organization and to be most profitable unit in Avery Dennison worldwide by generating outstanding revenues in the upcoming years. Avery Dennison Bangladesh will set their high standard by providing excellent product quality, ensuring business ethics, complying the rules & regulations imposed by Bangladesh Export Processing Zone Authority (BEPZA) and also by ensuring better working environment in Bangladesh.

Product Offerings by Avery Dennison

Avery Dennison delivers a broad range of products and services. Avery Dennison has so many activities such as designing, manufacturing and distributing a wide variety of tags and labels, bar-coded labels, RFID tags, tickets etc. Avery Dennison at the forefront of helping customers utilizes RFID technology. Avery Dennison has core competencies that range from graphic design to coating, weaving, and design of mechanical and electronic printers, systems integration and creation of software. Avery Dennison is a part of the garments industry manufacturing the five types of label which are:

a) Woven:

Avery Dennison Bangladesh Ltd produces woven label. Woven department produces woven labels for which the raw material which is needed is called yarns. Yarn is used to weave as Warp ends (horizontal yarn) and Weft ends (vertical yarn). The leather patch which we usually see behind the Jeans pant, jackets etc. are called woven. There are various types of woven label:

- Satin Label
- Damask Label
- Taffeta Label

b) Flexo:

Avery Dennison gets orders of huge quantities of Stickers & Tags on a daily basis from different parts of the world. In The Flexo section stickers and T/T tickets are being produced on a large scale. A board paper or broad 250mm sticker paper is used to print on Flexo machine. The items are:

- Blank Transit Label (TRL)
- Blank Unit Price Label (UPC Blank)
- Hanging Promotional Labels (HPL)
- Hanger Label
- Hook Label

c) Litho:

Avery Dennison Bangladesh Ltd prepares millions of Tickets and Tags in the Litho printing section. This is called offset printing. Different types of offset papers are used for printing Tickets and Tags. Such as:

- Tickets
- Price ticket
- Tags
- Promotional tickets
- Swing tickets
- Inside card
- Hanger tag
- Book label

d) *Thermal:*

Avery Dennison Bangladesh used this printing technology only for semi-finished goods. BY Using the thermal technology, bar code is printed in the colored part of a label though flexography. The ways these bar codes are being printed are called thermal technology. Proper care needs to be taken to use this type of technology. By using Thermal Avery Dennison produces the following items:

- UPC (Unique Price Labels)
- Several types of Tags
- TRL (Usually called Transit Labels)
- BEL (Box End Labels)

e) *RFID:*

Radio frequency identification (RFID) tags have brought tremendous opportunities for manufacturers, retailers and suppliers to improve the track records of their inventory and to facilitate proper customer service. RFID technology uses microchips to wirelessly transmit product serial numbers to a scanner without the need for human intervention. Avery Dennison Bangladesh (Avery Dennison) is a global leader in RFID. These track-and-trace technologies ensures the track record for the movement of inventory, ensures proper management of goods throughout the stages of entire supply chains and also prevent any losses of goods items.

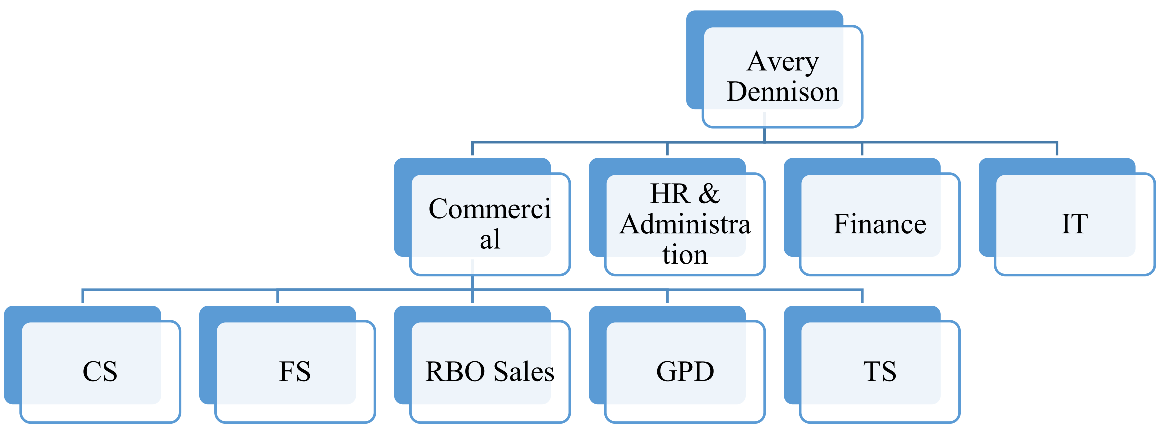
f) Rotary:

Using Rotary Printing System, Fabric Labels are printed and the main technologies which are used in Rotary are mainly Hot Stamp technology & Wet ink technology. Different types of label are being printed using Rotary technologies which include:

- Care label
- Main label
- Fabric label
- Size label
- Age label
- Two ups

An overview of the Department:

Avery Dennison has different activities around the world however in Bangladesh this company basically operates on the foundation of RBIS (Retail Branding Information Solution). All the departments here work based on RBIS. There are several divisions among which the activities of Avery Dennison are divided. The organization follows a horizontal hierarchy for the ease of decision making process and minimization of complexity. Currently the functional departments of Avery Dennison are Commercial, HR & Administration, Finance and IT. The Commercial Division is consisted of five more departments such as Customer Service (CS), Factory Sales (FS), RBO Sales, Global Product Development (GPD) and Technical Sales (TS). For a better overview a précised organogram is given below:



Apart from these departments there are some sub units in each department. On the other hand, the organization has three different levels like Top level posts, Mid-level posts and Entry level posts based on authority, responsibility, technical skills, qualifications, functional knowledge, experience, expertise etc. that the position requires. As an Intern I used to work in the Finance core unit under the finance department. Basically the department has four wings. One is Finance also known as Finance core, Finance planning, Corporate & Regulatory affairs and Credit Control.

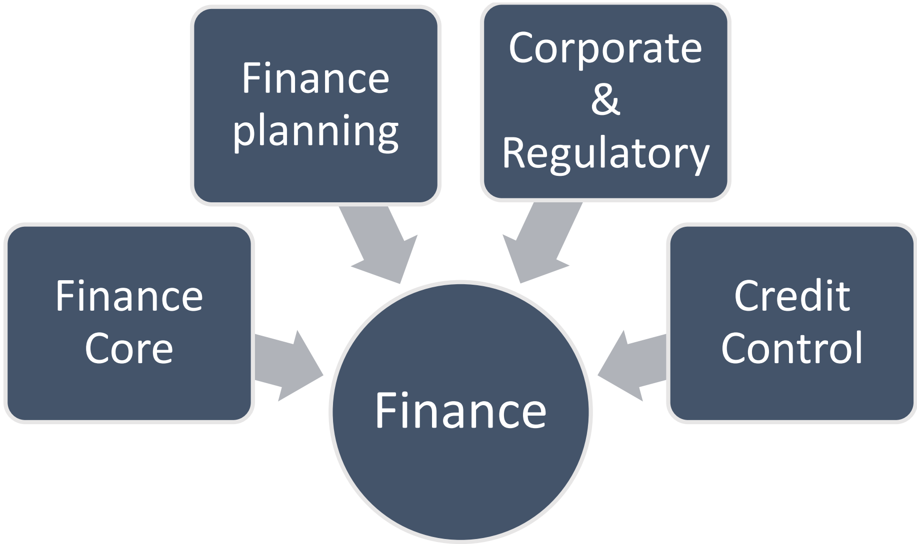


Diagram of Finance in Avery Dennison

The Finance team member of Avery Dennison Bangladesh is twenty-seven. Among them Tusher Bhowmik is the Finance director of Bangladesh. He is the Head of Finance in Bangladesh. In the Finance core of Avery Dennison, there are eight people including me. The members are Atiar Rahman, who is the manager of finance core. Khairul Bashar and Faisal kabir are the assistant Managers of the team. Ahsan Aziz and Mazharul haque is the senior executive of the team Rahana Rumaly and Manash sarker is the executive of the finance team. Lastly I have been working in the position of Intern as a helping hand of this team.

Job Description:

The job I was appointed with was to assist the senior executive A.B.M Ahsan Aziz to collect the asset tag number (containing asset category and tag number among other information) and to verify this data with the existing Fixed Asset Register (FAR) of Avery Dennison Bangladesh. 'Fixed Asset Register' is basically a database containing the various details of a company's fixed assets. This database helps Avery Dennison 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 '17 with FAR of June '17)

At the beginning of the fixed asset tagging process it is needed to identify the untagged asset location wise. In that case my immediate supervisor helps me to identify the untagged fixed asset location. We target each floor of the city office & factory office for data collection. My supervisor used to give me the location, how to go there, when to go there before I went in that particular place. And I also supposed to carry a laptop to collect the data from the different place in the organization. An example of Bar code is given bellow:

Asset tag

BD002-A0000521

My supervisor gives me an excel file in which the fixed asset of IT & Machinery was included with asset tag number, location, user and department. My major task was to find that asset and cross check the data with asset find out if any asset is missing in that file and to inform my supervisor that these particular asset is missing from the excel file.

Now, there is a sample of the sheets that I used to collect information is given

Bellow:

SL	Model	Asset type	PC Type	Serial Number	Asset Tag	Monitor	Username	Department	Location
138	HP ProDesk 600 G2	Computer	Desktop	SGH616R4M9	BD002-A0000521		Stock	IT	3rd Floor

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

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.

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

- Customized reports on fixed assets required by management.
- Disclosure norms / regulatory compliance as per statutory laws applicable to the entity.
- Extent of owned, and assets taken on lease / hire purchase.
- Requirements of insurance company.
- 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.
- 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. (Fixed assets management, 2017)

Last but not the least I also did assist in other finance department by checking the Vat & Tax payment receipt under senior executive Mazharul Haque. I had also checked supplier payment receipt for the finance department. Tax & Vat is an important part of finance department which operate under the supervision of Finance manager Atiar Rahman.

Project

Summary:

Avery Dennison Bangladesh 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).

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 Avery Dennison Bangladesh 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 company like Avery Dennison.

- To describe the various aspects of fixed asset management of Avery Dennison Bangladesh.

- To identify how Avery Dennison 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 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 primary sources as well as from the secondary sources.

Primary Source

- Personal Observation.

- Informal conversations with the supervisor and executives.

- Practical work exposures from the different desks of the department.

Secondary Source

Some 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.

- Various websites
- Relevant papers and
- Published documents

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 Avery Dennison are not updated and available, and no comprehensive in-depth study on the appeal 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:

- No earlier official study is made on the Fixed Assets of Avery Dennison Bangladesh .
- 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 limited scope of primary data
- Unavailability of more practical and contemporary data.
- Internal information of Avery Dennison Bangladesh is mostly confidential & critical.

Fixed Asset Management

A tangible or intangible piece of property owned by a company or business organization for a longer period of time which is used in the production of its income and valued over 20000 and lasts more than one year at the same time depreciated with passage of life time is called fixed asset. Fixed asset provides benefits to business organization over than several years. As example, a business organization may use machinery, tools etc for many years. Fixed assets are differentiated in the company's balance sheet as intangible, tangible, or investments category. The asset that Avery Dennison registers in fixed asset register is given below:

- Building
- Auto Cars
- Other Motor Vehicles
- Building Improvement
- Desktop Computer
- Laptop Computer
- Printer and Scanner
- Network Cabling
- Software
- Machineries
- Other Computer Equipment.
- Office Furniture
- Other type of office Furniture.
- Warehouse Shelving

Among these assets all type of assets are called tangible assets and software is called intangible assets. Building and car type assets are called admin asset. Computer related assets are called IT assets. Machineries and office equipment re called Plant and Machineries assets. In Admin type assets there is approximately one hundred fifty items which is being register in fixed asset register. Under IT Assets around one thousand assets are registered in fixed asset register. Lastly around five hundred assets is registers under plant and equipment assets in fixed assets register.

Fixed Assets Identification

Every capitalized fixed asset is to be recorded in an automated fixed asset management system:

- Numbered tags are to be affixed to each individual capitalized item equal to or greater than $5,000 and all capitalized computer equipment, in line with RBIS specific capitalization threshold of US $ 5,000. In addition, for a single purchase of a group of similar Fixed Assets with a collective cost equal to or greater than $5,000, each similar asset within the group should be separately capitalized and tagged if the individual asset cost is equal to or greater than $5,000.

- Major pieces of equipment or other assets that meet the componentization criteria will require that key components be capitalized and tagged if collective cost of such equipment exceeds US $ 100,000. Related installation costs should be appropriately allocated to the primary components. Components are pieces of equipment or machinery that are likely to be transferred, retired, or upgraded during the life of the project or asset. Spare parts are not to be treated as components.

- Assets should be tagged as soon as possible but no later than 3 months of purchase or 12 months of a business acquisition.

- A single function unit or construction cost that does not meet the criteria for componentization (less than $100,000) but for which the business unit would like to separately track the asset pieces must capitalize only one asset and record only one associated tag number, which will be affixed to the main element of the group within the fixed asset register.
- Maintenance of fixed asset records should be segregated from individuals responsible for control of the assets.

- The records should be reconciled to the General Ledger at least once a quarter.

Each Group/Division is responsible for taking a physical inventory of all fixed assets at least once every five years. The results of this inventory must be reconciled and recorded in the appropriate fixed asset system and associated general ledger system.

Physical Inventory

A physical inventory of all fixed assets, excluding computer equipment, should be performed at a minimum of once every five-year period with adjustment to records as required. Differences between the physical inventory and accounting records must be investigated, resolved and adjusted in the appropriate fixed asset system and associated general ledger system.
In consideration of technological obsolescence, a physical inventory of computer equipment should be performed every three years.

Idling or disposing of Fixed Assets

Approval levels of the disposal of any capital asset. Disposal implies the physical removal of the asset from the property with a book or market value, whichever is higher. Cost less accumulated depreciation should be made in compliance with the signature authority limits of Authorization for Expenditure.
Prior to the sale of a fixed asset, the transaction should be reviewed to ensure that a fair market value is received for the item in question, and that proprietary assets do not end up in the hands of a competitor. Sales of capital equipment should also be reviewed in advance with the following departments to assess the risks of long-term liability arising out of such equipment versus the fair market value:

- Regional /Business Unit Law Department should review capital equipment sales agreement if a potential future liability risk may exist, such as the possibility of equipment defects which may cause harm, or if the Company is being asked to provide any sort of indemnity or indemnification regarding the capital equipment being sold.

- Regional Environmental, Health & Safety should be consulted if potential risk of site restoration and other environmental exit costs may be incurred.

- Global Operations should be consulted for any single group of assets with a total net book value greater than $1 million USD.

When a fixed asset is disposed of, a properly approved AFE must be submitted, the disposition must be recorded in the appropriate fixed asset system and the associated general ledger. Additional processes may be in place for service centers and them in -scope units.
The original capitalized cost of fully depreciated assets must remain in the appropriate fixed asset and accumulated depreciation general ledger accounts until such time the asset is no longer in use, has been retired and has been removed from the property. These assets must also remain in the appropriate fixed asset system as support for these accounts for tax reporting purposes.

Transfer of the Fixed Assets

Fixed asset sales/purchases between any units within the Company are considered transfers, and should be accounted for as follows:

- All movement of fixed assets is to be documented using the relevant Intercompany Transfer Forms and properly recorded in the appropriate fixed asset system and the associated general ledgers. Movement between geographic locations is particularly important for property and income tax purposes as well as risk management.

- In situations where responsibility and control for a fixed asset has shifted from one operating unit to another, the value "transferred" should be the net of the capitalized cost and the accumulated depreciation, with the balancing entry made to I /C Fixed Asset Transfers (ICTFIXA).
- In situations where responsibility and control for an entire plant or product line has shifted from one operating group to another, the value "transferred" should be the net of the capitalized cost and the accumulated depreciation of fixed assets and the remaining assets and liabilities, with the balancing entry made to the corporate investment or common ledger equity balancing accounts.
- Cost incurred in connection with the transfer of fixed assets between locations (such as freight, disassembly, assembly and installation cost), do not in and of them create or add to the future economic value of the asset. Such costs are considered period expenses and should not be capitalized as part of the transferred cost of the asset. Cost related to a

major overhaul or significant modification to the transferred asset, which either continues or extends the useful life of the asset, can be capitalized over the remaining life of the asset.

- Legal, tax and trade compliance considerations should also be taken into account when transferring assets.

- All year-to-date inter/intra fixed asset transfers should be recorded in the PP &E Statistics accounts in HFM. The original gross cost basis of the assets transferred should be recorded in the HFM account PPEINTR or PPEINTRSUM. The related transferred accumulated depreciation balance should be recorded in the HFM account DPRINTR or DPRINTRSUM. Transfers should not be recorded at net book value in the statistics or in the asset accounts. It is the responsibility of the transferee to examine the Intercompany Matching Report in HFM and ensure no variances exist between what they have recorded and the transferor has recorded. If differences exist, the transferee must contact the transferor to resolve any out of balances.

Instruction for the Disposing forms

These forms should be obtained from the SSCs or developed within each division not under SSCs to document asset disposals.

- Asset Description and Serial Number: Include a complete description of the asset including the asset number (tag number). If there is to be a partial disposal /transfer, be sure the description is adequately documented.
- Reason for Disposition/Transfer: A brief description of the reason for asset disposal should be included in this section. The disposition status of the asset is also required in this section by the Tax Department. Examples of this would be sold, scrapped, transferred, or abandoned. All disposals will be considered voluntary unless otherwise stated. Any proceeds received on the sale of assets are due to be noted in this section, including the general ledger account to be credited.
    - Transfers are to be approved and signed by both the receiving and sending divisions. All disposals with a net book value are to be approved by the appropriate divisional personnel in compliance with corporate policies.

- Information regarding asset history and adjustments to the appropriate fixed asset system should be addressed. This information will be completed by the Fixed Asset Accountant or Fixed Asset Management Departments at the SSCs, if applicable.
- Disposal/Transfer Data: Upon completion an Asset Disposal form, obtain the appropriate approval and signatures. The form should be forwarded to the Fixed Asset Accountant or Fixed Asset Management Departments at the SSCs.

Fixed Assets Capitalization

A fixed asset purchase is considered a capital expenditure when its estimated useful life exceeds one year, has future economic benefits and the item is not intended for resale. In addition, the following materiality thresholds should be used in determining when an asset purchase should be capitalized:

- A single function unit or construction cost:
    - Less than $2,000 should be expensed. (A lower threshold may be used for capitalization minimum, if required by local GAAP)
    - Greater than $5,000 should be capitalized.
- A single purchase of a group of similar fixed assets with a collective cost:
    - Less than $5,000 should be expensed.
    - Greater than $10,000 should be capitalized.
- Local management has the discretion to set specific capitalization thresholds within the limits noted above. In addition, anything in the mid-range is capitalizable at local management's discretion.
- It is also the responsibility of the unit 's local management to ensure that proper records are maintained for all asset purchases immediately expensed for purposes of property tax reviews and audits. All units must apply this policy as allowed by local law.
- If an Operational Lease is converted to a Capital asset, a review needs to be done by the FAST Tax Department to determine the potential property tax impact. This tax impact needs to be included with Capitalization

Costs to Be Capitalized:

The purchase or construction cost is to include all expenses involved in making the assets ready for use .

Cost Nature	Capitalized/ Expensed
Design costs, excl. R&D	C
Studies, Consultation, Engineering	C
Freight in	C
Custom Duties	C
Installation/Fabrication	C
Internal Direct Labor	C
General and administrative costs	E
Relocation or Rearrangement	E
Tests/Trial Runs	E
Raw Material used for Test/Trial Runs	E
Interest incurred during the construction phase for AFEs >100,000 and taking longer than 6 months to complete	C

The following list, should be included in the equipment capitalized amount:

- The purchase price less trade discounts (maybe third party title examination, evaluation, and registration. May also include broker's commissions, third party appraisal fees, environmental related fees, etc.)

- Installation costs
- Interest costs
- Freight costs - transportation
- Import duties
- All incoming transportation
- Taxes (sales and use taxes, value-added taxes)
- Direct labor charges (including internal direct labor costs)

Costs which are directly related to the design, fabrication, construction, installation of a capital asset and which are not specifically research and development costs, shall be included in the capitalized cost of a fixed asset. The following procedures apply:

- An estimate and description of all costs (including internal costs) to be capitalized must be included in the initial AFE (Authorization for expenditures) request.

- Capitalizable costs should be captured in a separate project cost center and adequately documented. Timely review (monthly or quarterly) of project costs shall be made to identify potential cost overruns and to exclude costs which may not warrant capitalization.

Internal costs which should be capitalized include :

- Preliminary engineering studies, surveys and designs for projects which are completed. Such costs for abandoned or otherwise discontinued projects should be expensed.

- Direct and/or Supervisory labor costs associated with design, construction or installation of the asset. This may include the payroll costs of a supervising engineer and /or project administrator. It is absolutely essential that accurate time records be kept to ensure that only the time actually spent on the job is capitalized as part of the project cost. Labor cost can only be capitalized on projects in excess of $100,000 and cannot exceed 10% of total internal and external project costs.

- Materials, including a reasonable amount of raw materials, and freight charges used in the design, construction or installation of the asset.

External costs which should be capitalized include :

- Preliminary engineering studies, consulting costs, surveys and designs for projects which are completed. Such costs for abandoned or otherwise discontinued projects should be expensed.

- In determining whether consulting costs are capitalizable, the following criteria should be reviewed:

    - The study's resulting recommendations must directly relate to a capital project which is completed and placed into operation to be capitalizable.

    - If a study is general in nature, the report must be rationally apportioned by the topics covered. Then only the portion which specifically relates to a completed capital project is capitalizable.

    - An overall study that cannot be segregated and related to specific capital projects must be expensed entirely.

- Direct and/or Supervisory labor costs associated with the design, construction or installation of the asset. This may include the payroll costs of a supervising engineer and /or project administrator. It is absolutely essential that accurate time records be kept to ensure that only the time actually spent on the job is capitalized as part of the project cost. However, labor cost can only be capitalized on projects in excess of $100,000 and cannot exceed 10% of total internal and external project costs.

The following types of expenditures can be capitalized provided they meet the below requirements :

- Spare parts acquired within one year of the acquisition of the machinery or equipment they support, are to be capitalized along with that item. Spare parts acquired at any subsequent time, to replace certain of the original complement of spare parts, are to be expensed.

- Major expenditures to upgrade an asset in size or technology and /or extend the life of the asset by more than one year should be capitalized. If an expenditure/upgrade extends the useful life by more than one year of the existing asset, the net book value of the original asset plus the incremental expenditure should be depreciated over the remaining extended life of the asset.

- Plant additions should be considered for capitalization on the basis of remaining life of the original plant as opposed to being treated as a separate unit with a 45-year life.

Interest Capitalization:

Capitalization of interest cost is required for capital projects with approved budgets of $100,000 or more and that are expected to take more than six months to complete. This includes assets constructed for Avery Dennison's own use, and the construction of assets intended for sale or lease that are clearly identifiable projects.

In theory, the amount of capitalized interest is the portion of interest cost during the acquisition period (the period of time to get assets ready for their intended use) that could have been avoided if the asset had not been constructed or acquired.

Since capital projects are funded through internally generated funds or from external general borrowing, the capitalized interest rate should be computed using your entity's capital charge rate. The capital charge rate, which is updated annually and varies by location, can be found in the 'Macro Planning Guidelines' as indicated in the Annual Operations Planning Process.

Interest capitalization begins when the following three conditions are met:

- Expenditures for a specific asset have been incurred.
- Activities to prepare the asset for use are in progress.
- Interest cost is being incurred.

Interest capitalization continues as long as all three of these conditions are present and ends when the asset is complete and ready for use.

Costs Not to Be Capitalized

- Repair and Maintenance Costs
    - Ordinary repair and routine maintenance costs should be expensed as incurred. When considering whether costs are ordinary repairs, consideration should be given to the nature of the cost, the frequency with which it occurs, and its impact on the asset. Maintenance activity are routine if, at the time the property is placed in service, it is reasonably expected that the maintenance activities will be performed more than once during the useful life of the asset.

- Start-Up Costs
    - Start-Up costs are defined as costs incurred after the asset is available and ready for use, but prior to its operating at a commercial level. Initial test/trial runs, excess scrap and related costs incurred prior to the production of marketable goods cannot be capitalized without prior approval from the Corporate Controller in Glendale. In no case should the depreciable life of excess scrap exceed three years.

- Research and Development Costs

- Design, construction and testing of pre -production prototypes and models which will not be held for sale, which will not be used in day -to-day production and which have no alternative future uses.
- Testing to evaluate product or process alternatives.
- Modifications of the design of an existing product.
- Design of tools, jigs, molds and dies involving new technology.

- External costs which should not be capitalized include
  - Patterns and special tools designed for specific products where their usefulness is dependent upon the continued manufacture of the specific product (deemed contingent and/or short term).
  - Attachments, fixtures, cutting tools, etc., having an actual useful life for less than one year.
  - For guidelines on computer software, see Practice Statement 19.01, Deferred Charges - Computer Software.
  - Dismantling, transportation and reassembly costs incurred for assets which had previously been in service by the Company and are being relocated by the same Company Assets.

Componentization:

Componentization is the process by which a building, manufacturing line or expansion project is segregated into the distinct assets and classification of assets which make up the building, manufacturing line or expansion project as a whole.

Componentization is required on any fixed asset project in excess of $500,000. Fixed asset projects less than $500,000 may be componentized, as deemed appropriate. In determining which projects should be componentized, units should consider various factors including, but not limited to, whether components of the project may be relocated to other sites or redeployed to other capital projects.

Every building, manufacturing line or expansion project must be segregated so that assets likely to be transferred, retired, or upgraded during the life of the project are segregated to simplify the retirement or transfer of a portion of the total project.

Where an upgrade or additional equipment is installed on an existing asset or group of assets, there should be a careful review to make sure any equipment replaced or eliminated is properly retired and written off for accounting purposes.

If possible, upon completion of a building, manufacturing line or expansion project, the project manager and engineer must work with the person responsible for capitalizing the project to make sure the project can be properly componentized before final payment to the contractor can be made. The three individuals must make sure all asset segregation and costs can be determined with the billing, engineering reports, architectural reports and invoices available, and obtain any additional information from the contractor necessary to complete such segregation before the asset can be capitalized.

Costs associated with the purchase relating to itemized or componentized group of assets should be allocated to the components or items proportionally to the gross values assigned to the individual components or items.

Replacement of component parts of a complete unit should be expensed, unless the part represents at least 25% of the replacement cost of the asset, and the expenditure is at least $5,000. The ability of the asset to function with or without the component part is not a factor in determining whether an item is to be capitalized. When a component is capitalized, the component replaced must be retired and written off the books.

The process of Componentization is expanded to include assets equal to or in excess of $100,000 whose components are likely to be transferred, retired, or upgraded during the life of the asset to the extent such component value exceeds the capitalization threshold ($5,000)

Type of costs that can be capitalized:

While the intrinsic value of these deferred charges may be higher than the costs incurred , the only amounts that can be capitalized as the book value of these assets are the actual costs to acquire or enforce these rights .

A. Cost to acquire or secure covenants not to compete

B. Cost of acquiring other deferred charges (for example, licenses from third parties)

The above deferred charges should be reported in the Deferred Charges–Covenant /Other (DCCO/GRS) Account/Custom2. Additions should also be reported as part of the statistical roll forward in account DCADDCO in the period capitalized.

Types of costs that cannot be capitalized:

- Patents, copyrights , trade names and trademarks

Patents, copyrights, trade names and trademarks acquired after July 2008 should be expensed as charges are incurred. This includes costs incurred to secure, maintain and enforce these previously capitalized deferred charges. Also, research and development costs to develop the patented product or process cannot be capitalized, and should be expensed as incurred.

Threshold for Capitalization

Deferred charges are considered capitalizable when the estimated useful life (maximum useful life is the contractual or legal life, if applicable) exceeds one year.

Amortization

These capitalized deferred charges should be amortized on a straight -line basis over the estimated useful life of each asset, or the legal life, whichever is shorter. The estimated useful life of the deferred charges should be determined and periodically reassessed based on the effect of obsolescence, technology, competition and other economic factors, as practically possible. When the legal rights of the deferred charges lapse or are abandoned, the life of the asset must be reevaluated and may be impaired.

Accumulated Amortization related to patents acquired prior to July 2008 should be reported in the Deferred Charges, Patents - Accumulated Amortization (DCPAT/AA) Account/Custom2 in HFM, and related to other deferred charges should be reported in the Deferred Charges.

Impairment

If an event or circumstance occurs which destroys the future benefit of an asset , or removes the Company's ability to obtain it, the asset becomes impaired , and the book value should be written off . For instance, if a patent enforcement fails, the legal costs should be expensed and the capitalized value of the patent should be evaluated for impairment.

Intangibles Results from a Business Combination:

Intangible assets may be acquired by the Company through acquisitions of unaffiliated businesses. These acquired intangible assets may include customer relationships, trademarks, non-compete covenants, and know-how. The valuation and accounting for these types of intangible assets are coordinated by Corporate Financial Reporting.

Depreciable Base and Life

The depreciable base is the original capitalized cost of the fixed asset. Any changes to the installed cost must be communicated to the Fixed Asset Management Departments at the SSCs. The estimated useful life of a fixed asset is the primary determinant of the depreciation period for financial accounting. Useful life is defined as the period over which the asset will be of economic benefit to the entity.

Depreciable lives of assets are to be determined by the Finance Manager of each reporting unit. Although experience and informed judgment can serve as a basis, consideration should be given to other factors that impact the useful life. These factors include obsolescence due to technology advances or change in market demand, the term of any related leases and changes in the entity's originally planned usage for the asset.

Useful lives should be reviewed on an individual asset basis. The depreciable life of an asset may be shorter than its physical life. A general guideline for useful lives by fixed asset category is provided below, however, individual assets may warrant shorter or longer lives than this guideline.

Category	**Useful Life in years**
Land	N/A
Land Leased	N/A
Land Improvement	20
Buildings	45
Building Improvements	10
Computer Equipment	3-5
Furniture & Fixtures	10
Machineries(Less than 100000)	10
Machineries(More than 100000)	15

Method

The straight-line method is required for all assets capitalized subsequent to 8/31/1980. In the U.S., assets capitalized prior to 8/31/1980 will continue the method previously elected.

Disposals: When assets with net book value are retired or disposed of, final depreciation will cease in the month in which the disposal/retirement takes place.

Asset Transfers: When assets are transferred via an intercompany transfer, depreciation will cease for the transferee and start for the transferor as of end of the month of the intercompany transfer effective date. For example, an asset is transferred on August 15th, the selling unit last depreciation expense month will be July and the receiving unit will start recording depreciation expense for the entire month of August. To the extent the effective date of the transfer is not explicitly stated, the effective date will be the date the transferor receives such asset at the transferor's location.

The original capitalization cost of fully depreciated assets must remain in the appropriate fixed asset and accumulated depreciation accounts until such time as the assets are no longer in use and are actually removed from the property. These assets must also remain in your unit's fixed asset system as support for these accounts and for tax reporting purposes.

COMMENCEMENT

Exception for intercompany asset transfers, depreciation will commence when the asset is placed in service. Placed in service is defined as:

Once an asset is installed, delivered or available for use for its intended purposes, regardless of whether any of the following issues exist:

- The asset cannot or need not be used until some future date
- An asset is being tested
- Asset is not operating at full capacity

ACCOUNTING PROCEDURES

For each asset group in the unit's general ledger, a separate contra asset account must be used to record accumulated depreciation. These contra asset accounts must be reconciled to your unit's fixed asset system.

Expense Recognition

- Depreciation should be recognized monthly with the following journal entry booked

Dr. Depreciation expense xx

Cr. Accumulated Depreciation xx

- For additional information on the various accumulated depreciation accounts in Hyperion, please refer to the Account Definitions in the Worldwide Reporting Users Guide of the Financial Reporting database.

- Fully depreciated assets should remain in appropriate fixed asset and accumulated depreciation general ledger accounts, until such time as the asset is no longer in use and has been retired.

Retirements

Assets that are no longer in use should be retired with the associated capitalized asset value and accumulated depreciation written off. The following journal entry should be booked when retiring an asset:

Dr. Accumulated depreciation xx

Cr. Asset (based on capitalized value) xx

Disposals

Upon disposal of fixed assets not fully depreciated, depreciation should be treated as follows in the year of disposal:

- Fixed assets acquired subsequent to 1975 should be depreciated through the month in which the asset is retired or disposed of.
- Assets acquired prior to 1975-year end should be depreciated for a half year regardless of retirement or disposal date.

Gain/loss on fixed assets disposals should be recorded in "Other expense /income" on the Income Statement

Lease

An agreement conveying the right to use property, plant, or equipment (land and/or depreciable assets) usually for a stated period of time.

LEASE INCEPTION:

The date of the lease agreement (or commitment, if earlier). The commitment shall be in writing, signed by the parties in interest to the transaction, and shall specifically set forth the principal provisions of the transaction. If any of the principal provisions are yet to be negotiated, such a preliminary agreement does not qualify as a commitment.

NONCANCELABLE LEASE TERM:

That portion of the lease term that is cancelable only under any of the following conditions:

- Upon the occurrence of some remote contingency
- With the permission of the lessor
- If the lessee enters into a new lease with the same lessor

If the lessee incurs a penalty in such amount that continuation of the lease appears, at inception, reasonably assured.

LEASE TERM:

The fixed no cancelable lease term is:

- All periods, if any, covered by bargain renewal options (a provision allowing the lessee, at his option, to renew the lease for a rental sufficiently lower than the fair rental of the property at the date the option becomes exercisable).
- All periods, if any, for which failure to renew the lease imposes a penalty on the lessee in such amount that a renewal appears, at lease inception, to be reasonably assured
- All periods, if any, covered by ordinary renewal options during which any of the following conditions exist:
    - A guarantee by the lessee of the lessor's debt directly or indirectly related to the leased property is expected to be in effect.
    - A loan from the lessee to the lessor directly or indirectly related to the leased property is expected to be outstanding.
- All periods, if any, covered by ordinary renewal options preceding the date as of which a bargain purchase option is exercisable
- All periods, if any, representing renewals or extensions of the lease at the lessor’s option.

MINIMUM-LEASE-PAYMENTS: The payments a lessee is obligated to make for leases with non-cancelable terms

Include:

- The payments the lessee is obligated to make over the lease term. This includes scheduled rent increases and rent increases based on inflation indexes or interest rates existing at lease inception.
- Any payment called for by a bargain purchase option. If no bargain purchase option, include the following:
  - Any guarantee by the lessee (including by a third party related to the lessee) of the residual value at the expiration of the lease term, whether or not payment of the guarantee constitutes a purchase of the leased property.
  - Any payment (penalty) that the lessee must make or can be required to make upon failure to renew or extend the lease at the expiration of the lease term, including the requirement to purchase the leased property, if the renewal or extension appears to be reasonably assured.
  - Payments made before the beginning of a lease term.
  - Fees paid for structuring the lease transaction

Exclude:

- Contingent Rentals: The increases or decreases in lease payments that are contingent on future events such as future sales volume, future inflation, future property taxes, etc.
- Any guarantees by the lessee of the lessor's debt.
- Any portion of the rent payments which represent executory costs, such as insurance, maintenance, and taxes, and any related profit.

SUBLEASE:

A transaction in which a leased property is re -leased by the original lessee to a third party, and the lease agreement between the two original parties remains in effect .

Rent Expense:

Rent Expense is recorded as part of administrative or selling expenses, or if the rented space/equipment was used to manufacture goods, the rent would be part of the cost of the products produced (COGS).

- Straight -line minimum lease payments over lease term

When the agreement requires payments that are not equal in expense (due to free rent or rent escalation clauses), expense should be recognized on a straight-line basis over lease term, with the offset recorded to deferred rent liability.

» Scheduled rent increases and rent increases based on inflation indexes or interest rates existing at lease inception

» Include rent escalation, so long as the lessee takes possession or control of the physical use of the property at the beginning of the lease term.

» Rent expense associated with building/ground leases incurred during construction period but before property commences operations (i.e. before payments are made under terms of the lease). Exception: build-to-suit leases, treat as prepaid rent.

» Lease incentives for lessee to sign lease (reduction of rental expense). Examples: up-front cash payment to the lessee, payment of costs for the lessee (moving expenses), or the assumption by the lessor of the lessee's preexisting lease with a third party.

Executory costs to be paid by lessee:

Common area maintenance, insurance, taxes, repairs to the extent that these are required to be paid by the lessee per the lease agreement. This agreement Do not include services related to operating a leased facility (i.e. utilities, security, landscaping, snow ploughing, etc.), unless it is required to be paid by the lessee per the lease agreement.

- Contingent Rentals.
- Sublease income.

LEASE CLASSIFICATION

Capital Lease Criteria:

Criteria a lease agreement is considered a capital lease if it meets one of the four criteria below:

i) Ownership is transferred to the lessee by the end of the lease.

ii) The lease contains a bargain (less than fair value) purchase option.

iii) The lease term is 75% or more of the leased property's estimated remaining economic life.

iv) The present value of the minimum lease payments is 90% or more of the fair value of the leased property, less any investment credit retained by the lessor.

When to Assess Lease Classification and Documentation

The lease classification assessment must be performed at the beginning of the lease term and when there are significant changes to the lease. The assessments must be retained in the business units accounting records for future reference.

ACCOUNTING REQUIREMENTS

Accounting for Capital Leases

Capital leases are required to be recorded as assets and liabilities at the lower of:

- the present value of the minimum lease payments at the beginning of the lease term, or
- The fair value of the leased property at the inception date.
- The discount rate used in determining present value is the lower of the unit's incremental borrowing rate or the implicit rate in the lease, if it is practicable to learn the implicit rate.

Lease payments are to be allocated between a reduction of the liability and interest expense through the term of the lease. This will result in a remaining obligation at the end of the lease term equal to the amount of any:

- bargain purchase option (a provision allowing the lessee, at his option, to purchase the leased property for a price that is sufficiently lower than the expected fair value at the date the option becomes exercisable)
- residual guarantee, or
- Termination penalty provided the lease term does not include renewal periods reasonably assured because of the penalty.

A capital asset should be amortized consistently with Avery Dennison's normal depreciation policy generally over the lease term. However, if ownership is transferred by the end of the lease or there is a bargain purchase option, the asset should be amortized over the useful life that would be assigned if the asset were owned. When a capital lease is amortized over the lease term, there should remain at the end of that period the amount of the asset's then expected value to the lessee.

Accounting for Operating Leases

Rent expense for operating leases consist of minimum lease payments recognized straight -line to the income statement, executory costs assumed by the lessee, and contingent rentals, offset by sublease income. When appropriate, a liability or asset is recognized on the balance sheet for differences between expense recognized and rental payments.

Asset Retirement Obligations

Certain leases may be subject to asset retirement obligations that are explicitly stated in the lease contract or implicit based on local regulatory requirements, which require the lessor to restore a lease property to its original condition. Asset retirement obligations are also referred to as dilapidations or lease restoration requirements.

Foreign Currency Transaction

Non-U.S. units shall translate capitalized leased assets at historic rates (the rate at the date of lease inception), and capitalize liabilities at current rates. This is consistent with Company policy for translating fixed assets and notes payable. If non-U.S. units do not capitalize leases in their local currency ledger, then reconciliation will be necessary for all leases which must be capitalized.

Findings:

- Knowing about the fixed asset management process of Avery Dennison Bangladesh by being a part of the total fixed asset management process.
- Knowing about the capitalization, depreciation and Lease of the fixed asset.
- Knowing different estimation criteria for useful life of fixed asset.
- Different responsibility of fixed asset management team in terms keeping a proper balance of the fixed asset into the resister book, Bringing accuracy in the financial statement.
- The total Lease policy of Avery Dennison Bangladesh for the fixed asset.

Recommendations:

Like other multinational company, Avery Dennison uses modern technology and IT support. In case of Fixed Asset Management, they are getting more and more systematic day after day as previously it was handled manually and now the total procedure is computerized. Although Avery Dennison uses systematic and computerized systems to manage the fixed assets and reducing the number of mistakes, but there is still some system needed to improve for the betterment of the company and make the system error free and these are:

- At the time of data collection, I had to visit every desk of every particular for identifying fixed asset but sometimes these employees were too busy that they cannot even give us a side immediately and that's why we had to wait which was time consuming. Here, Avery Dennison should inform them to stop their work when anyone visits them for small period of time.
- Avery Dennison does not always keep the update information about the location of their IT Assets. So, it creates problem when I had to search for the particular IT assets in the office.
- Every Department can keep the machine or equipment list which is being used by their department. It will be easier to find that machine in future.

Conclusion:

Avery Dennison one of the successful multinational companies in Bangladesh that has earned its success in short course of time. This is the leading organization in the Labeling and Packaging industry of the country that is serving millions of customers globally with its level best services. All the departments are doing well to reach their goal. The environment of working in Avery Dennison is really different from other organizations. The environment is very friendly and informal. So, there is no communication gap between the superiors and the juniors. There is also no communication gap between the departments. All are very cooperative to solve other problems. If they keep their current growth rate they will capture maximum portion of labeling market of our country.

Through this study I have been able to understand about the practical knowledge of Fixed asset management in big organizations and how the policies are followed in the company. This report has helped me to get a thorough idea about working professionally and this will help me to grow in my future endeavor. In brief it can be said that despite of having some difficulty of asset management, Avery Dennison is following one of the effective ways to manage their fixed assets and working on this report has also enabled to discover the actual scenario of the professional environment.

Bibliography and Internal Sources

- (2015). Annual Report.
- Avery Dennison . (2017, June 17). Retrieved from http://www.averydennison.com/en/home.html
- Avery Dennison Fixed Asset HandBook. (2016).
- Aziz, A. A. (2017, June). Fixed Asset Management. (F. Tanvir, Interviewer)
- Das, D. (2015). Talent Acquisition Process of Avery Dennison.
- Fixed assets management. (2017, February 18). Retrieved from Wikipedia: https://en.wikipedia.org/wiki/Fixed_assets_management