



*Manual on
Commercial Accounting System*

VOLUME III – CAPITAL EXPENDITURE AND FIXED ASSETS

KERALA STATE ELECTRICITY BOARD

VOLUME III : CAPITAL EXPENDITURE AND FIXED ASSETS ACCOUNTING

FOREWORD

1. PURPOSE AND SCOPE

The purpose of the manual is to establish consistent and effective policies and procedures in the area of capital expenditure and fixed assets accounting at all levels in the Board. The policies and procedures contained in this manual shall be followed in the Board unless specific exception is given under certain peculiar circumstances and the deviation has been approved in writing by Financial Adviser and Chief Accounts Officer (FA. & C. A. O)

2. STRUCTURE AND COVERAGE

The volume is divided into six parts and organised with chapters within each part.

Part I - General

Covers : Introduction, Organisation and Accounting Policies

Part II - Operating System and Procedures:

Covers Incurring Capital Expenditure and Project Accounting

Part III - Accounting System

Covers : Financial Accounting and Transformer and Meter Accounting

Part IV - Information System and Internal controls

Part V - Standard Journal Entries

Part VI - Forms, Returns, Registers

3. UPDATING

A system being dynamic, it may become necessary to update procedures and other contents of this manual. Hence the recommendations and suggestions are to be sent to the F. A. & C. A. O. who in turn takes steps to amend the manual. The amendments will supersede the relevant portions of the manual to which they pertain.

4. DEVIATIONS

Deviations are not normally entertained. However, there can be occasions where deviations are a must, to suit local conditions/requirements etc.

Requests for deviation should be prepared in writing stating the following

- nature of deviation
- the reason for deviation
- the time span for which deviation is required
- procedure that will be followed if deviation is authorised.

Requests for deviation are to be submitted to F. A. and C. A. O. who in turn decides the necessity for deviation. A register of deviations granted will be maintained at Head Office.

5. **SECURITY OF MANUALS**

The Manual is the property of the Board which should be used only by authorised employees, authorised auditors and other authorised persons. The manual is issued to the Head of each ARU. He should see that it is always kept in the ARU/Subordinate offices for use by authorised persons. The Manual should be received back from its holder on his/her leaving the office consequent on leave/transfer/retirement.

ACCOUNTS MEMBER

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VOLUME	III	CAPITAL EXPENDITURE AND FIXED ASSETS
PART	I	GENERAL
CHAPTER	I	INTRODUCTION AND HIGHLIGHTS

1.1 INTRODUCTION

This manual seeks to explain the various aspects of recording transactions related to capital assets on accrual basis. The major components of the system of accounting for capital expenditure transactions are,

- an integrated system and set of procedures to record transactions on
 - (a) the acquisition, construction and installation of capital assets
 - (b) expenditures/movements subsequent to their first use
 - (c) retirement/scrapping/sale of fixed assets.
- a comprehensive coding structure for capital expenditure transactions
- a system of standard journal entries

1.2 HIGHLIGHTS

1.2.1 *Highlights of Accounting Policies*

1. Fixed assets to be recorded and disclosed only at Historical cost - No revaluation of fixed assets permitted.
2. Cost components of capital assets defined and linked to capitalisation based on
 - location
 - purpose of expense, or
 - timing of expense
3. Point of capitalisation is based on (i) receipt of technical certificate on commissioning (ii) purchase (iii) first use
4. Full value write - off of low value items permitted under certain conditions.
5. Specific accounting policies for treatment of contribution, grants to capital assets.
6. Bases of allocation of overhead costs prior to capitalisation to costs of various assets defined.
7. Specific accounting policies introduced for
 - (i) Capital spares at generating station
 - (ii) Take - over of assets from licensees
 - (iii) Spare units/service units.
 - (iv) Assets of common retirement date
 - (v) Assets awaiting conveyance to Board or in transit.

8. Expenditure /Income during trial stage to be adjusted from the cost of the capital asset.

9. Depreciation policy – straight line method – 90% cost to be depreciated over estimated useful life of assets.

10. Specific accounting policies for retirement, sale and scrapping of assets,

1.2 .2 *Highlights of the Financial Accounting System*

1. New coding structure which is comprehensive and flexible has been introduced.

2. Project - wise accumulation of costs is permitted a procedures defined therefore.

3. The system provides for different modes of incurring capital expenditure.

— contracted work order

— internal construction order and

— supply - cum contracted work order

4. Sound interface with other accounting sub-systems like materials accounting and personnel cost accounting.

5. Separate accounting procedures for transformers.

6. Documentation procedures for movement of assets within, and out of the Board defined.

7. Analysis of project costs into major cost groups and further into works permitted through the project accounting system which is operated in parallel with the financial accounting system.

8. Use of standard journal entries to facilitate speed in accounting for various transactions

9. Disclosure of fixed assets in annual accounts according to their nature and also according to the function for which they are used.

VOLUME	III	CAPITAL EXPENDITURE AND FIXED ASSETS
PART	I	GENERAL
CHAPTER	II	ORGANISATION

2.1 INTRODUCTION

ACCOUNTING POLICY ENVISAGES TWO TYPES OF ORGANISATION UNITS

CATEGORY (I) Location under which only capital construction activities are carried out.

CATEGORY (II) Location under which capital construction as well as O & M are carried out.

Since capitalisation of costs depends on the location where the costs are recorded, these locations are defined in the following paras.

- (i) the concept of Account Rendering Unit (ARU) is defined, and
- (ii) which ARUs fall under category I and which ARUs fall under category II is explained.

2.2 ARUs DEFINED

An ARU is an organisation unit which carries out the following activities.

- (i) Accumulates financial information through documents
- (ii) Analyses the financial information.
- (iii) Journalises transactions
- (iv) Posts journal entries into ledgers
- (v) Prepares and reports a trial balance on a monthly basis

2.3 ARUs CLASSIFIED

In the Board, the following ARUs fall under category I ie. “Construction Units”

- A. Civil Circles
- B. Investigation Circle
- C. Project Circles
- D. Project Central Stores
- E. Transmission Central Stores
- F. Project Account Closing Units

The following ARUs may be classified as “O & M cum Construction Units”

- A. Distribution Circles
- B. Distribution Divisions
- C. Transmission Circles
- D. Generation Circles
- E. Load Despatch Circle
- F. Regional Store Divisions

Besides ARUs referred to in paras 2. 3, the other ARUs are

1. Billing Supervision Units
2. Head Office ARUs
3. Chief Engineer (Distribution) Office (s) functioning as separate ARUs

These are not directly concerned with construction/ maintenance activities. Capitalisation of expenses in respect of the above ARUs will be determined on the basis of the purpose for which expenditure is incurred.

VOLUME III CAPITAL EXPENDITURE AND FIXED ASSETS

PART I GENERAL**CHAPTER III ACCOUNTING POLICIES**

Following are given in this chapter

Excerpts from Annexure III of the Electricity (supply)

(Annual Accounts, Rules 1985) -

Excerpts from Annexure V (Procedural matters) of the Electricity (Supply) (Annual Accounts), Rules 1985.

3.1 EXCERPTS FROM ANNEXURE III - POLICIES

1. Transactions of a Board shall be accounted for in accordance with the Accounting Policies laid down herein below. The prescribed Accounting Policies are classified under the following sections:

- | | |
|--|------------------------------|
| (1) Capital Expenditure and Fixed Assets | |
| (2) Fuel and Materials Accounting | Items (2), (3) and (4) |
| (3) Borrowings and Investments | not included in this volume- |
| (4) Other Accounting Areas | |

CAPITAL EXPENDITURE AND FIXED ASSETS

Disclosure at Historical cost and

No Revaluation of Fixed Assets

2. Fixed Assets of a Board shall be recorded in the books of account and disclosed in annual accounts at Historical cost. This policy implies that no revaluation of fixed assets shall be done for adjusting them to replacement cost, current cost etc. Similarly depreciation on replacement cost shall not be permitted.

Expenditure on Project identification

Survey and Feasibility Studies

3. Expenditure incurred on identification, survey and feasibility studies of a project before the project is considered for sanction or rejection, shall be accumulated in an account provided for this purpose.

Later, if the project is rejected, the full amount of expenditure shall be charged to revenue as infructuous capital expenditure in the year in which the project is rejected. If the project is sanctioned, the expenditure shall be charged to capital work-in-progress account for that project. Any expenditure incurred on detailed feasibility studies etc., after a project is sanctioned shall also be charged to the capital work-in-progress account for that project. The aggregate of the expenditure incurred before and after sanction of a project shall be allocated over the 'tangible' assets acquired/constructed under the project, in the same manner as the revenue expenditure chargeable to capital works are to be allocated.

Cost of Capital Assets

4. Cost of a capital asset shall include all 'actual costs' incurred to prepare the asset for use subject to the exceptions and the bases of determining costs prescribed in the following paragraphs.

Treatment of Materials related Costs

5. All materials related costs recorded at an accounting unit under which only capital construction activities are carried out shall be charged to capital works.

6. At a location under which capital construction as well as O & M activities are being carried out, only the following costs shall be charged to works :

- (1) Inland freight on imported capital equipment
- (2) Freight on Local Capital Equipment
- (3) Testing charges - Capital Equipment
- (4) Incidental Stores Expenses - Capital Equipment
- (5) Octroi on Capital Equipment
- (6) Advertisement for tenders etc. for purchase of capital equipment

Imported Equipments

7. Capital equipments, spares and other materials imported by the Board shall be valued as follows for receipts and issues accounting:

- (1) Cost
Freight
Insurance

PLUS

- (2) Customs Duty

Outside Labour /Contractor Charges

8. All labour charges or contractor charges payable to outsiders for work done by them in respect of capital jobs shall be included in the cost of concerned capital assets.

Employee Costs of Board's Staff

9. All employee Costs in respect of construction units shall be fully charged as cost of capital assets.

10. For an O & M cum capital unit, the procedure for accounting Employee Costs shall be as follows

- (1) Temporary employees - monthly payments such as salaries / wage, dearness, overtime and other allowances shall be capitalised. Some temporary employees may be entitled to retirement benefits. Monthly contribution to Provident Fund and Family Pension Scheme should also be capitalised. If, however, any temporary employee is entitled to annual payment like bonus, no part of it should be capitalised because by the time of bonus payment, the relevant capital jobs/project that they worked on might have been completed and closed and the asset cost already determined and transferred to fixed assets. For the sake of uniformity no capitalisation of such annual payments shall be done even if the jobs are not closed.

(2) Additional emoluments (e.g. Project allowance) to O & M staff for working additionally on a capital project shall be recorded in a separate account on accrual and shall be fully capitalised.

(3) A separate payroll shall be prepared for a group of permanent staff members, if any, deployed exclusively or largely on capital jobs. The costs should be booked under a distinct department code such as 'construction or 'project section' etc. All monthly payments (salaries, overtime, D. A. and other allowances) recorded under such departmental codes shall be fully capitalised. However, no part of retirement benefits and annual payments should be capitalised.

(4) In respect of other permanent employees who work on both capital and O & M jobs without additional emoluments, no part of the employee costs shall be capitalised.

Expenses Chargeable to Capital Works

11. All expenses in respect of construction units shall be fully chargeable as cost of capital assets.

12 At an O & M-cum-capital location only the following expenses shall be capitalised.

(1) Insurance on assets under construction.

(2) Legal charges and stamp fees in connection with agreements with capital suppliers/ contractors.

(3) Fees payable to foreign technician for capital projects.

(4) Expenses incurred for foreign technician for capital projects.

(5) Technical documentation and design charges.

(6) Other consultancy charges - Projects (which includes architectural fees).

(7) Power consumed for construction.

No part of any other Administration and general expenses shall be charged to capital works.

Capitalisation of Depreciation

13. Depreciation on construction facilities (earthmovers, cement mixers etc.) shall be capitalised. Similarly, depreciation on fixed assets used for construction of other assets (eg. depreciation on vehicles transferred to a project, depreciation on building, furniture & fixtures, vehicles and office equipments at construction division or construction circles) shall also be charged to capital works.

No Capitalisation of Losses

14. Some losses may be involved in execution of capital projects (for example, irrecoverable advances to contractors, loss of assets or damage to assets at construction stage and shortage observed upon physical verification of stores of construction divisions). No part of any loss should be capitalised and included in the cost of assets.

No Capitalisation of Income

15. No income shall be capitalised and reduced from the cost of any asset. Even in cases where the income is identifiable to one or more specific assets, no capitalisation

of such income shall be done. The policy is however, subject to a different treatment prescribed for revenue during trial stage.

Subsequent Increase / Decrease in Costs

16. All subsequent increase or decrease in capital expenditure shall be identified to relevant assets and the cost accounted for earlier for that asset shall be changed accordingly.

Subsequent Increase / Decrease in Staff Costs and other Expenses

17. Any subsequent increase or decrease in the staff costs and other expenses which were charged to capital works in the past shall be treated as follows:

(1) If the increase or decrease has taken place during the same accounting year (the year in which the expenses were originally charged to works), the amount of increase or decrease should be added to, or deducted from, the staff costs and expenses chargeable to works *for the period in which the increase/decrease has taken place*.

(2) If the increase/decrease has taken place in the accounting years subsequent to the accounting year in which the relevant staff costs and other expenses were incurred, the amount of increase/decrease shall be ignored for the purpose of capitalisation of expenses in the subsequent years.

Land and Land Rights

18. Land cost shall comprise of the following:

- (1) Purchase price of land
- (2) Compensation for acquisition of land
- (3) Compensation for trees and crops on the acquired land
- (4) Legal charges, stamp duty etc, incurred in order to secure effective
- (5) Land revenue and other taxes paid during the stage of land development
- (6) Site preparation costs such as cost of levelling hills or filling low spots, clearing trees, etc.
- (7) Cost of demolishing an unwanted structure if the land is acquired with structure.

19. Cost of land improvements having a limited life such as cost of landscaping, gardens, sidewalks, fences and digging for sewage system shall also be added to Cost of Land as “Cost of Land development”.

Buildings

20. In case of purchase /acquisition of a building, the building costs shall include the following items:

- (1) Purchase price
- (2) Compensation for acquisition of building
- (3) Payments to tenants to cancel their tenancy rights
- (4) Expenses such as legal charges, stamp duty etc., incurred for securing

an effective title

- (5) Repairs, alterations and improvements to put the building in usable condition
- (6) Architect's fees for remodelling, alterations, improvements before the building is first put to use.

21. Cost of a constructed building shall include the following items:

- (1) Cost of construction comprising of materials, labour, contractor charges and depreciation on construction machinery
- (2) Surveying
- (3) Cost of obtaining permits, sanctioned plans, occupation certificates from Municipal or other bodies
- (4) Architectural fees
- (5) Insurance on incompleting structure
- (6) Cost of excavation (excavation is not a cost of land development).

ADDITIONS, IMPROVEMENTS, REPLACEMENT & REPAIRS

22. Expenditure on additions, improvements, replacement and repairs and maintenance shall be treated in accordance with the policies prescribed in the following paragraphs.

Repairs before commissioning of assets

23. Any expenditure on repairs or rehabilitation of an asset purchased by the Board (whether second-hand or new) incurred before commissioning the asset 'for putting the asset in usable condition' shall be treated as a cost of that capital asset.

Repairs and maintenance

24. Any expenditure *on restoring an asset* back upto the level of output/efficiency/performance at which it was, when it was first put to use is repairs expenditure Any expenditure on maintaining the asset upto the level of output/efficiency/performance at which it was, when it was first put to use is maintenance expenditure.

25. Expenditure on Repairs and maintenance shall be charged to revenue in the year in which it is incurred. This shall be done regardless of the amount of any repairs or maintenance expenditure.

Additions

26. Additions may bring into existence a new asset or increase the physical size of an asset through expansion, extension etc. All expenditure on additions shall be capitalised.

Improvements

27. An expenditure having the effect of extending the useful life of an asset or increasing output or capacity of efficiency of an asset or decreasing operating costs of an asset is 'Improvement'. Expenditure on improvement may involve replacement of old (e. g. replacing a transformer by another transformer of higher capacity) or may

not involve replacement of old (e. g. expenditure on acid resistance lining in a tank in water treatment plant). All expenditure on improvements shall be capitalised.

Alterations/Renovations

28. In case of alterations or renovations of building or plant, the treatment of expenditure shall be similar to that for improvements.

Rearrangement

29. All expenditure on rearrangement (of plant layout, office layout etc.) shall be charged to revenue in the year in which the expenditure is incurred.

Replacements

30. Replacements can be defined as 'Substitution of one fixed asset by another particularly of an old asset by a new asset, or of an old part by a new part'. Expenditure on minor replacements shall be charged to revenue as Repairs and Maintenance Expenditure Major replacement expenditure shall be capitalised. However, the cost and accumulated depreciation of the old replaced asset shall be withdrawn when the expenditure on the new replacing asset is capitalised. A board criterion of distinguishing minor and major shall be that replacement of any asset or part of the asset for which a separate fixed asset record is required shall be considered major replacement.

Piecemeal Rebuilding

31. An asset may be rebuilt by replacement of its components over a period of time instead of at one time. The criteria fixed for 'minor' and 'major replacements shall in such cases be applied to the aggregate of expenditures on replacement in an asset and accounted for accordingly.

Shifting an asset to another place

32. Any expenditure incurred on shifting assets from one place to another place shall, regardless of the amount of expenditure, be charged to revenue in the year in which the expenditure is incurred.

CONTRIBUTIONS, GRANTS & SUBSIDIES TOWARDS COST OF CAPITAL ASSETS

33. Contributions, Grants and Subsidies towards cost of Capital Assets shall be treated in accordance with the policies laid down in the following paragraphs.

34. Amount receivable as consumers' contribution, subsidy or grant towards capital assets shall be credited to appropriate account set out in Chart of Accounts only if the following conditions are satisfied.

(1) the amount is not subject to any conditions to be fulfilled by the Board or the conditions attached to the amount have been fulfilled by the board

(2) no part of the amount is refundable nor likely to become refundable by the Board.

35. Consumer's Contribution, subsidies and grants towards cost of capital assets shall not be treated as a reduction in the 'cost' but as a capital receipt to be credited to capital reserve account.

36. Accounting for cost of a capital asset shall be done in the normal course without considering any contribution, subsidy or grants towards the cost of the asset. Depreciation shall also be charged in the normal course on the 'full cost' of the asset.

FULL WRITE OFF OF SMALL AND LOW VALUE ITEMS

37. Full cost of all small and low value assets each costing As. 500 or less shall be fully charged to revenue in the year in which the assets are put to use. No part of the cost of such items shall therefore be included in the cost of fixed assets nor shall any depreciation be charged thereon.

Exceptions

38. The policy for full write-off stated in paragraph above shall not apply to:

- (1) items of a type for which a specific classification has been prescribed for the purpose of depreciation under the Electricity (Supply) Act, 1948.
- (2) items included under the classifications 'Furniture & Fixture' and 'Office Equipments'

39. The accounting policy for write-off of small and low value assets prescribed in paragraph 37 shall not apply to cost of granting each service connection.

Criteria to apply to whole Asset and not to individual components

40. In applying the accounting policy for full write-off of small and low value items, the asset as a whole shall be recognised and the individual spare parts or components of the asset shall not be treated separately. The criterion of ₹500 should therefore be applied to the aggregate expenditure.

Piecemeal Buildings of Assets

41. Assets may be completely built over a considerable period of time rather than at one time. The cut-off criteria for write-off should in such cases be applied to the aggregate of expenditure and accounted for accordingly.

COMMISSIONING OF ASSETS

42. All capital expenditure shall be accounted for through capital work-in-progress accounts. On commissioning of the assets, the expenditure shall be transferred to appropriate fixed assets accounts. Transfer from capital work-in-progress accounts to fixed asset accounts is referred to in this section as 'Capitalisation of Assets'. The accounting policies prescribed for capitalisation of assets are laid down in the following paragraphs.

Capitalisation when Asset is 'first put to use'

43. An asset shall be capitalised when it is first put to use.

Assets which are 'commissionable' but not actually commissioned

44. An asset which is installed/ constructed and is in 'usable/commissionable' condition but is 'not commissioned/ put to use' shall not be capitalised until it is actually put to use.

45. All costs incurred on capital assets (including costs incurred on maintaining the assets which are ready but await the actual commissioning) shall be charged as the cost of the assets.

No waiting for Finishing Touches

46. Cost of an asset incurred upto the stage of commissioning of the asset should be capitalised when it starts being used without waiting for any finishing touches which may not be significant in work and value. Costs of such finishing touches when completed, should be accounted for and added to the cost of the asset capitalised earlier.

Technical Certificate

47. Commissioning of an asset is technical matter which involves consideration of various factors such as trial, testing to ensure whether the asset is in usable condition etc. Capitalisation of assets shall therefore be done on issue of Asset Commissioning Certificate from the relevant Technical Authority of the Board.

Capitalisation regardless of disputes with contractors

48. Mere disputes with contractors/suppliers regarding the fulfilment of the terms and conditions of contract with them shall not be permitted to withhold or defer capitalisation of assets concerned. Cost of the assets determined on the basis of the contract should be capitalised by making necessary provision for liability to contractors/suppliers acknowledged by the Board.

Capitalisation regardless of Non - finalisation of Contractors' Bills etc.

49. Mere non-submission of interim or final bills by suppliers or contractors shall not be permitted to withhold capitalisation of assets. In cases where bills are not received or are received but not passed, a provision should be made for an amount as per the contract. The cost of assets concerned shall be determined accordingly and capitalised when assets are first put to use.

Escalation Claims

50. Cost escalation claims made by suppliers and contractors should be provided for to the extent the claims are acknowledged by the Board and cost of assets inclusive of such provision shall be capitalised when the asset is first put to use.

Rural Electrification Schemes

51. Cost of assets forming basic infrastructure for an electrification scheme shall be capitalised, when the infrastructure is first put to use and lines are energised. The subsequent expenditure on granting service connections shall be capitalised as and when each service connection is granted. Capitalisation of individual service connections shall not be withheld or deferred until the targeted number of service connections are granted.

Full Capitalisation of Common Facilities

52. Certain assets may constitute common facilities, such as coal handling plant at power station project which would provide services to say 3 units. Full cost of such common facilities' assets shall be capitalised when the assets are first put to use,

Full Capitalisation of Underutilised Assets

53. An asset once put to use, even if underutilised, shall be capitalised for its full cost.

Commissioning of Power Station

54. The proscribed accounting policy for capitalisation of power station assets is laid down below:

- (1) All costs incurred prior to commencement of trial stage shall be capitalised
- (2) All costs and revenue during the trial stage shall be treated in the manner prescribed in paragraph 56 titled “Costs and Revenue at Trial Stage”.
- (3) At the end of the trial stage, the generating plant shall be treated as ‘commissioned’.

Commissioning of Transmission Lines and Sub-stations

55. On commissioning of a transmission line, all the assets which are put to use shall be capitalised and the total cost of such assets shall be transferred from capital work-in-progress accounts to Fixed Asset Accounts. All expenses incurred before commissioning of transmission lines and substations shall be included in the cost of the assets.

Cost and Revenue during Trial Stage

55. Costs incurred and revenue earned (from sale of power generated by the unit under trial) during the period of trial stage shall be treated as follows:

- (1) Full period of trial stage or the period of three months from the commencement of trial stage (whichever is shorter) shall be called capitalisable period.
- (2) Trial stage costs incurred during the capitalisable period shall be treated as capital costs of assets involved.
- (3) Revenue earned from the sale of power generated (by the unit under trial) during the capitalisable period shall be treated as reduction in capital costs.
- (4) The excess of costs as per (2) above over the revenue as per (3) above shall be added to the costs of the assets involved at the trial stage. If the amount of revenue is greater than the amount of costs, the excess shall be deducted from the cost of the assets involved at trial stage.
- (5) All trial stage costs incurred or revenue earned after the end of capitalisable period shall be taken to Revenue Account without capitalisation of any part of it.

Capitalisation of Capital Spares at Generating Stations

57. ‘Capital spares at a Generating Station’ purchased prior to commissioning of the generating station shall be capitalised upon ‘Capitalisation of the Generating Station’ for which the spares are purchased.

58. Capital spares purchased subsequent to the commissioning of the generating station shall be capitalised upon purchase.

Capitalisation of Spare Units/Service Units

59. Assets which are to be classified as Spare Units/Service Units in accordance with the accounting policy recommended under the section ‘Other accounting Policies’ shall be capitalised when they are ‘Put into usable condition’ regardless of whether they are actually used or not.

DEPRECIATION

60. The accounting policies relating to depreciation on fixed assets are laid down in the following paragraphs:

- (1) The Board shall charge as depreciation on the fixed assets in use in the beginning of the year, such an amount as is required to write-off 90% of the cost of an asset, on a straight-line method over the 'estimated useful life of the asset'.
- (2) Depreciation charge on an asset shall cease from the year following the year in which
 - the year's depreciation along with the depreciation charged in the previous year(s) becomes equal to or more than 90% of the cost of the asset or
 - the asset permanently ceases to be used by the BoardWhichever is earlier.
- (3) Depreciation charge on a newly commissioned asset shall commence in the year immediately following the year of commissioning.

Depreciation on Leasehold Assets

61. In respect of leasehold assets, the depreciation to be charged every year shall be such an amount as is required to write off 100% (unlike 90% for other assets) of the cost of leasehold asset, on a straight line method.

- over the estimated useful life of the asset or
- over the period of the lease

Whichever is shorter.

62. Expenditure on development/improvement on leasehold assets shall be depreciated in such a way that full amount of such expenditure can be written off, on straight-line method over

- the estimated useful life of the asset or
- the balance of the lease period whichever is shorter.

In considering the lease period, the renewal clause, if any, in the lease agreement shall be ignored.

Second - hand Assets

63. Second hand assets i.e. assets used by the previous owner (for what number of years) and acquired by the Board shall be depreciated over

- the estimated useful life of those assets ascertained by the State Government and
- where no such period is ascertained by the State Government, 'Half of the estimated useful life of new assets of that class' (as if half the life is expired).

Assets of Common Retirement Date

64. Assets which are of use only collectively in a group and an individual asset in that group is of no use in isolation after the other assets of the group are retired/scrapped, are defined as 'Assets of Common Retirement Date'. The 'period of estimated useful life' adopted for the purpose of charging depreciation shall be 'common' for all the assets in the group of 'Assets of Common Retirement Date'.

Retrospective Reworking of Depreciation

65. Retrospective reworking of accumulated depreciation owing to change in the amount of cost of an asset shall be made only where the increase/decrease in the amount of cost is more than

- Rs. 50,000 for an asset, and
- 20 % of the cost booked earlier.

In all other cases, the depreciation in the balance life of the asset should be increased or decreased proportionately so that 90 % of full cost (or 100 % in case of lease-hold assets) is depreciated over the estimated useful life of the asset.

Depreciation of Assets used for construction.

66. Assets used for construction are classified as under:

- (1) Construction facilities
- (2) Project Assets
- (3) Fixed Assets

67. By 'construction facilities' is meant those assets which are intended for use on one or the other capital project.

68. Depreciation shall be charged on assets classified as construction facilities in the normal as this charged on assets used for O & M except that the amount of depreciation shall be debited not to Depreciation Account but to '*Capital WIP-Revenue Expenses Reclassified Account*',

69. Certain assets *acquired/constructed as a part of a project may be used for Construction of other assets of the same project.* Such assets should be capitalised when they are first put to use. Capitalisation should not be withheld till commissioning of say power plant itself. Depreciation is not chargeable in the first year of commissioning. From the subsequent year, depreciation should be charged in the normal manner. However, the depreciation so charged shall be reclassified and charged to cost of other assets of the project.

70. Fixed Assets used for construction means those assets which have been, on their commissioning, transferred to Fixed Assets accounts and are now deployed on any project at construction stage.

71. Depreciation on such assets shall be charged in the normal manner. The amount of depreciation charged on such assets shall be later reclassified and charged to capital works

Provisional Depreciation

72. Board shall ensure that there is no asset which in service not depreciated for reasons such as

- (1) Precise cost not known
- (2) Estimated useful life not known or
- (3) The responsibility for maintenance and/or accounting of newly constructed/acquired assets not known

Board shall endeavour to remove any such reasons at the earliest and shall in the meantime charge at least provisional depreciation on the assets concerned.

RETIREMENT, SCRAPPING, OBSOLESCENCE AND SALE OF ASSETS

73. The accounting policies relating to retirement, scrapping, obsolescence and sale of assets are laid down in the following paragraphs.

Cost of Retirement, Scrapping, Sale of Assets

74. All costs incurred on retirement, scrapping and sale of assets shall be charged to Revenue Account in the year in which the costs are incurred. Examples of such costs are:

- (1) Building/Civil Works demolition costs
- (2) Plant decommissioning costs
- (3) Site restoration costs
- (4) Expenses like Legal Charges and stamp duty for transfer of title to the purchaser
- (5) Freight etc on transfer of assets to any Asset/Scrap Disposal Authority in the Board
- (6) Expenditure on freight etc., on delivery of the sold assets/scrap to the purchaser.

Withdrawal of Cost and Depreciation

75. On retirement, scrapping, obsolescence of an asset, the cost of the asset and the accumulated depreciation on it shall be withdrawn from the fixed asset base and transferred to a separate account provided for this purpose.

Loss on Scrapping of Assets

76. In case of scrapped asset for which no scrap/salvage value is realised, the written down value of such assets shall be charged off as "Written down value of assets scrapped" in the Revenue Account for the year in which the scrapped assets are found unrealisable.

Gain or Loss on Sale of Assets

77. Gain or loss arising on sale of capital assets shall be treated as a revenue item. The gain shall, subject to paragraph 78, be credited to Revenue Account for the year in which the asset is sold and the loss on sale of a capital asset shall be debited to the Revenue Account for the year in which the asset is sold.

78. The gain on sale of assets shall be treated as a Revenue item only to the extent of total depreciation charged on the sold asset. Gain, if any, in excess of the accumulated depreciation charged by the Board on the sold asset shall be treated as a capital gain and credited to capital reserve

79. For the purpose of computing gain or loss on sale of an asset also the contributions, grants and subsidies towards cost of any capital asset sold shall not be reduced from the cost of the asset sold.

Date of Acquisition not known

80. In the case of an asset scrapped/destroyed/sold the date of acquisition of which is not known, it shall be assumed for the purpose of withdrawal of cost and depreciation that the asset concerned was the oldest asset of that type in use at that accounting unit.

LOSS OF ASSETS

81 In the event of loss/destruction of an asset, the cost and the accumulated depreciation on that asset shall be withdrawn from the fixed assets block and provision for depreciation respectively.

Write-off of Loss

82. Excess of the written down value of the lost/destroyed asset over the amount of insurance claim granted shall be charged to revenue in the year in which the insurance claim is settled.

OTHER ACCOUNTING POLICIES

83. The accounting policies for all other matters in relation to capital assets are laid down in the following paragraphs.

Capital Spares at Generating Stations

84. The accounting policy in respect of capital spares at generating stations is given below:

- (1) The capital spares at generating stations should be treated as a capital asset
- (2) Accounting shall be done together for the entire 'lot' of spares and not item by item
- (3) The total cost of all the spares shall be capitalised
- (4) No accounting shall be done at the time of issue of such spares for replacement in the generating plant
- (5) However on the other hand, depreciation shall be charged on the total cost of the entire lot of spares
- (6) For the purpose of charging depreciation, the estimated useful life of the spares shall be assumed to be equal to the estimated useful life of the generating plant

- (7) On this basis, depreciation equal to 100% (not 90% as in the case of other assets) of the cost of spares shall be charged by the time the generating plant is to be retired.
- (8) On expiry of the life, the spares will therefore be valueless.
- (9) The spares remaining unutilised may be sold along with the retired generating plant. Entire sale proceeds should be treated as gain on sale of assets since 100% depreciation is charged in the past.
- (10) In respect of the stock of spares remaining unsold on retirement of the plant, no accounting shall be necessary.

- (11) If some spares are sold and some are not sold, the accounting is necessary only for spares sold i.e., treat the sale proceeds as gain on sale of assets.
- (12) If some spares are transferred by the generating station to another generating station requiring them, no accounting is necessary in such case.

Takeover from Licensee

85. In respect of the assets taken over from licensee, the amount of compensation payable for an asset shall be treated as and accounted for as the cost of the asset.

86. Even where the takeover itself or the compensation determined by the Board for takeover has been disputed by the licensee, the assets shall be provisionally valued at the compensation determined by the Board.

87. Depreciation shall also be charged as in the normal course based on the provisional valuation. Estimated useful life shall be as fixed by the State Government. If State Government has not fixed any life half of normal life shall be adopted.

Spare Units/Service Units

88. The accounting policies prescribed for spare units/service units are given below. The term 'spare units' covers both spare units and service units.

- (1) All spare units shall be capitalised when they are purchased and put into 'usable' condition (ignoring the fact that they are not actually being used and lying in stores unutilised).
- (2) Depreciation on spare units shall be charged in normal course as charged for the same type of assets which are 'in use'.
- (3) When the original units are removed for repairs or maintenance and the spare units are installed, no accounting adjustments are necessary.
- (4) Expense on repairs or maintenance on the removed units shall be charged to revenue.
- (5) No accounting entry will be passed.
 - when the removed unit is put back into usable condition.
 - when it is actually used again in place of some other unit removed to repairs or maintenance
 - when the repaired unit is installed back in its place and the spare unit installed earlier (Step No. 3 above) is removed and brought back to stores
- (6) When the removed unit is considered irreparable, it will be considered to be a retired asset (if the estimated life is over) or scrapped asset (if estimated life is not over) and accordingly the subsequent accounting for retirement, scrapping and sale shall be done.
- (7) Simultaneously with retirement/scrapping of the original unit, the cost and accumulated depreciation on the spare unit shall be transferred to Fixed Assets account.
- (8) If one new spare unit is purchased (so as to keep total stack at its position) it will be capitalised and thereafter the above procedure shall again be followed in respect of it.

- (9) Thus essentially, the capital asset additions shall be recognised when a new unit is purchased and a deduction is recognised when any unit is retired /scrapped. All transfers within the entire stock of installed units plus spare units would not involve any accounting.

Formation of a New Board

89. On formation of a new State Electricity Board, the geographical territories of an existing Board may get transferred to the new Board. The fixed assets of the existing Board may also get transferred at Book value (cost less accumulated depreciation) to the new Board. In all cases of transfers, the new Board shall not account for the book value at the net cost but shall incorporate gross cost as well as accumulated depreciation in its books of account. Depreciation on such assets should also continue to be charged on the gross cost in the same manner as the Board holding that asset hitherto would have charged.

Finance related Costs

90. The accounting policies for treatment of costs related to funds utilised for the purpose of construction/acquisition of assets are prescribed in the following paragraphs.

Costs relating to Borrowings

91. Guarantee charges, commitment charges, legal charges/stamp duty for loan agreements / bonds/debentures, advertisement costs in public issues commission on issue of bonds/debentures and such other costs shall be charged to revenue in the year in which the costs are incurred.

Discount / Commission/Redemption Premium on Bonds/Debentures etc.

92. Discounts on issue of bonds/debentures shall be charged to revenue in the year in which bonds/debentures are issued. Premium payable on redemption of bonds/debentures shall be charged to revenue in the year in which the premium becomes payable.

Capitalisation of Interest on Funds utilised at Construction Stage

93. No capitalisation of an imputed interest cost (notional interest) on the Board's own funds and interest free finance shall be permitted.

94. Every year, a portion of the interest payable on the interest bearing borrowings which relate to financing of capital assets at construction stage i. e. till the point of commissioning of assets shall be computed in the manner prescribed in the paragraph 42 of Annexure V, and if so directed by Central Government, be capitalised.

95. The amount of interest so computed and capitalised shall be reduced from the amount of interest for the year and only the balance amount shall be chargeable to the Revenue Account for the year.

96. No part of interest shall be capitalised in respect of assets which involve no time period or involve insignificant time periods for bringing the asset into usable condition.

Examples of such cases are :

- Purchase of new vehicles
- Purchase of furniture items
- Purchase of office equipment

97. The amount of interest capitalised shall be included in the cost of the assets which involve significant time periods at construction stage and the same shall along with the basic cost assets, be depreciated in normal course, over the expected useful life of the assets

3.2 EXCERPTS FROM ANNEXURE V-PROCEDURAL MATTERS

PROCEDURAL MATTERS RELATING TO ACCOUNTING TRANSACTIONS

The procedural matters relating to accounting transactions of the State Electricity Boards are classified under the following sections.

CAPITAL EXPENDITURE & FIXED ASSETS

I. The procedural matters regarding expenditure on construction, acquisition and maintenance of capital assets are laid down in this Section.

Cost of Capital Assets - Departure from 'Actual Cost' basis

2. Reference is invited to paragraph 4 of Annexure III wherein it is stated that the cost of capital asset shall include at 'actual costs' incurred to prepare the assets for use. However, a departure from 'Actual Cost' basis of accounting capital assets shall be made in the following cases:

(1) *Assets received as donation / grant*

An asset received as donation shall be accounted for at its fair market value. The fair market value shall be debited as the cost of the asset and credited to 'Donated Capital Assets Account', which shall be included under the Main Account Head 'Capital Reserve' and be treated in the same manner as Contributions. Grants and Subsidies towards cost of capital assets. Donated assets which are subject to certain conditions shall nevertheless be treated as fixed assets but be disclosed with prefix 'contingent', for example 'contingent building' 'contingent plant' etc. and when a clear title is received (on fulfilling the conditions) the prefix shall be dropped. Assets received as grant shall also be accounted for in the same manner as donated assets.

(2) *Exchange of Assets*

Where an asset is exchanged for another asset, the asset surrendered shall be deemed to have been disposed off at its fair market value. Gain or loss based on the fair market value shall be accounted for in the normal course. The cost of the asset acquired in exchange shall be deemed to be having the fair market value of the asset surrendered plus any additional consideration given or minus any additional consideration received.

(3) *Leasehold Assets*

Lease premium payable on acquiring lease rights for assets shall be treated as the cost of leasehold assets. Depreciation shall be charged on such cost in the manner prescribed for Depreciation on Leasehold Assets. Periodic rentals payable on leasehold assets shall be charged to Revenue in the year in which the rentals accrue. If the Board acquires leasehold rights for an asset with no or negligible lease premium, the fair market value of the asset shall be determined and the amount required to state the asset at its fair market value shall be debited to the asset and credited to an account 'Liability for Leasehold Assets'. The fair market value of the leasehold assets shall be depreciated over the lease period. Simultaneously, extinguishment of a proportionate amount of liability set up in the books shall also be effected. By the end of the

lease period, the liability in accounts would have been fully extinguished and a provision for depreciation equal to the amount of fair market value booked as cost would have been created. On returning the assets to lessor, the provision shall be set off against the amount of cost of the asset so as to close the two accounts.

3. *Employee Costs Chargeable to Works*

For the purpose of determining employee costs chargeable to capital works, the following classification of employee costs shall be adopted :

- (1) Employee costs recorded at construction divisions/construction circle / construction stores division/ construction workshops etc, where no activities relating to O & M are carried out shall include :
 - (a) cost of temporary staff
 - (b) cost of permanent staff deployed at the location throughout the year
 - (c) Cost of permanent staff deployed for part of the year. In such cases it may happen for example that an employee's two month's salaries etc, is booked here when he was deployed here but the annual payments like bonus and LTA or earned leave encashment, (part of which is relating to these two months) is paid and recorded at some other location where he is deployed at the time of such payments. In case of some other employee, full year's annual payment like Bonus may be paid and recorded at construction unit although he has worked there only for say 4 months. No adjustment need be made for such minor inaccuracies.

(2) At accounting units which have both O & M and construction work, employee costs shall include:

- (a) Cost of temporary labour/supervisors retained specifically for one or more capital jobs.
- (b) Additional emoluments (such as project allowance) given to O & M staff at a location for doing the work related to capital projects also.
- (c) Cost of permanent staff members deployed exclusively or largely on construction jobs for example Project Section, Design Section etc., at Head Office, Project Accounting Staff, at a division, construction engineers at a power station where two units are in operation and a third unit is being set up capital stores staff if such a separate stores is set up and so on.
- (d) Staff which works on both capital as well as O & M without any additional emoluments to them, need not be capitalised.

4. *Method of Allocation of Staff Cost and Expenses over various Assets*

Staff Costs, materials related expenses and expenses which are chargeable to capital works shall be:

- (1) identified to specific capital job wherever possible
- (2) failing which, identified to a specific group of capital jobs wherever possible (and within the group allocated on an ad-valorem basis).
- (3) failing which, identified to a project wherever possible (and allocated on ad-valorem basis over various jobs within the project).

(4) failing which, allocated on an ad-valorem basis over various projects and various jobs within each project.

Identification to one or more jobs should be done only if possible to identify without any allocation. In all other cases, ad-valorem allocation shall be adopted

5. By ad-valorem basis is meant allocation of capitalisable expenses as a % of the capital expenditure *incurred during the period* on that job project (and not as a % of total capital expenditure on that job/project including the expenditure incurred in previous periods of allocation).

6. For the purpose of allocation, the term capital expenditure would include progress payments on supply-cum contracted work order which are to be recorded in a separate account.

7. No part of the staff costs or other expenses chargeable to capital works shall be allocated over the capital expenditure on furniture, office equipments and vehicles or on capital expenditure for take-over of licensee.

8. The work of capitalisation of assets commissioned during the period cannot be expected to be kept pending merely for determination of total capitalisable expenses incurred during the period. Methods of allocation using fair estimates of such capitalisable expenses may be adopted, where necessary.

9. *Cost of Development on Leasehold Assets*

The cost of development on leasehold assets shall be accounted for under a separate account and not added to the cost of leasehold assets.

Land as Future Plant Site

10. Land may be purchased or acquired as a future plant site for projects which are yet to be taken up (e.g. Land purchased for a project which is sanctioned in principle but detailed survey and investigation is continuing). Cost of such land shall be debited to capital work in-progress account (project code 99 – Not identifiable to any specific project code).

Purchase of a Building along with Land

11. When a building is purchased along with the land, the purchase cost shall be allocated between the land and building based upon a technical and commercial appraisal. If a part of the purchase consideration towards land is for lease rights to the land, that part should be appropriately classified as leasehold land.

Assets Awaiting Conveyance in favour of the Board

12. In the case of purchased assets, wherein formal conveyance is delayed and the Board has in meantime put the asset to use, the cost of the asset shall be shown as fixed assets. The fact of pending conveyance of the asset may be disclosed by way of a note to the accounts

CONTRIBUTIONS, GRANTS & SUBSIDIES TOWARDS COST OF CAPITAL ASSETS

13. Accounting procedures relating to contributions, grants and subsidies towards cost of capital assets are laid down in the following paragraphs.

Consumer Contribution

14. Amount receivable as consumers' contribution shall be credited to consumers' contribution account if -

(I) the amount is not subject to any conditions to be fulfilled by the Board

or

the conditions attached to the amount have been fulfilled by the Board

and

- 2) no part of the amount is refundable nor is likely to become refundable by the Board.

15. Any amount received by a Board as consumers' contribution or deposit shall be accounted through "Deposit for Deposit Works A/c" until the above two conditions for treating the amount as Consumers' Contribution mentioned above have been met, at which time the amount will be transferred to Consumers' Contribution Account. Amount, if any, becoming refundable shall be debited to the 'Deposit for Deposit Works A/c'.

Certain Amounts may not be Grants/Subsidy

16. Certain amounts receivable by the Board may be computed with reference to the cost of capital assets or progress on a capital project but in fact are actually in the nature of interest free loans. Such amounts shall not be treated as grants or subsidy towards cost of capital assets.

Treatment of Small and Low Value Items (each costing Rs. 500 or less) for accounting purposes

17. For the purpose of project cost estimation, for reporting of total project cost, or for deciding competent authority for project approval and execution, the cost of all such small and low value items shall be included in the amount of cost of the project and be treated in the same manner as large value assets which are to be capitalised. Similarly the controls regarding records, custody, numbering and verification of such assets shall remain the same as is presently exercised over those assets.

Commissioning of Power Station

18. The various aspects connected with commissioning of Power Station and therefore related to the accounting policy for capitalisation of Power Station assets are set out herein below:

- (1) Activities like flushing of pipes, acid cleaning of boiler, acid cleaning of pipes, steam blowing of lines, moisture drying of generator etc. shall be deemed to be before commissioning.
- (2) Testing of *individual* segments of the plant, for example, testing of protective system, testing of cooling water system etc. shall be deemed to be before commissioning.
- (3) On the collective testing of the entire plant (which is also known as rolling of the machine - when Turbine - Generator is put on trial along with Boiler and all other plants) the 'trial stage' shall be deemed to have commenced.
- (4) The trial stage shall be deemed to have ended at the end of the month during which the new generating station achieves for the first time on '**Availability Factor**' which is equal to or more than the 'Average Availability Factor' of all other generating stations of the Board in the previous month.

For this purpose, Availability Factor shall be computed as follows:

Total Running Hours during the Month X 100

Total Clock Hours during the month

(i. e. No. of days in the month X 24 hours)

Average Availability Factor of all other Generating Stations of the Board shall be worked out as follows:

Aggregate of the total running hours of each other generating stations x 100

Total clock hours during the month x number of other generating stations

- (5) The end of the trial stage of a new generating station shall be certified by the highest technical authority in the Board.
- (6) On the receipt of such a certificate all the assets at the new generating station which are put to use shall be capitalised. Cost of the assets shall be transferred to Fixed Assets Accounts. In this regard full cost of common facilities, assets and under utilised assets shall also be capitalised.

Commissioning of Transmission Lines & Sub-Stations

19. Commissioning of transmission lines and substations also involves trial stage. However, unlike generating stations, no revenue is generated and the costs incurred are not very large during the trial stage. No trial stage shall therefore be recognised for defining commissioning of transmission lines and sub-stations.

20. A transmission line shall be deemed to have been commissioned at the end of the month during which it achieves an availability factor which is equal to or more than the 'Average Availability Factor of all other Transmission lines of the Board'.

21. Sub-stations shall also be deemed to have been commissioned on achievement of the availability factor as in case of transmission lines. In both cases, commissioning shall be certified by the highest technical authority of the Board.

Determination of Revenue during Trial Stage of Generating Station

22. Revenue during the capitalisable period which is the full period of trial stage or the period of three months from the commencement of trial stage (whichever is shorter) shall be computed as under

Units generated during the capitalisable period	XX
Less: Auxiliary Consumption	<u>X₁</u>
Net Units sent out	X X ₁
Less: T & D Losses computed at a % of T & D Loss in the Board during the previous year	X ₂ -----
Units treated as sold	XX ₂

Multiplied by

Board's average realisation per unit during the previous year Y

The resultant amount shall be deemed to be the Revenue during the capitalisable period.

DEPRECIATION

23. Procedural matters connected with the accounting policy on depreciation on fixed assets are set out in the following paragraphs.

General Framework for charging Depreciation

24. The General framework for charging depreciation is outlined below:

- (1) The existing practice of charging depreciation on straight line method shall continue
- (2) 90% of the cost of a fixed asset shall be depreciated over the estimated 'useful life of the asset'.
- (3) "Estimated useful life of the asset" shall be
 - as prescribed by Central Government in consultation with Central Electricity Authority
 - as prescribed by the State Government in respect of assets where Central Government has not prescribed any period or
 - 20 years in respect of assets where neither the Central Government nor the State Government has prescribed any period
- (4) No depreciation shall be provided on an asset in the year in which it is first put to use by the Board.
- (5) Depreciation shall be charged on an asset even if during the year, it permanently ceases to be used by the Board.

Periodic Review of Prescribed 'Estimated Useful Life'

25. Central Government shall periodically carry out an exercise to assess the need for any change in the 'estimated useful life of assets' prescribed by it, required in view of technological changes in the assets normally used by various Boards of the country. Based on the findings of exercise, such changes shall be made to the schedule of prescribed period of estimated useful life of assets as are considered necessary by the Central Government. All changes to the schedule of prescribed period of estimated useful life, shall be prospective and shall be applicable only for depreciation chargeable in subsequent years.

Assets of Common Retirement Date

26. An area where the concept of 'Assets of Common Retirement Date' would become operative is subsequent additions at a generating plant, sub-stations or transmission lines, resulting in assets which would be retired alongwith the assets installed earlier, although as such, the number of years of estimated useful life of the newly added assets would not expire by then.

This concept is illustrated below:

Example:

- (1) Estimated life of water circulating system is say 25 years and generating plant also 25 years.
- (2) A totally new arrangement of water circulating system at a generating plant. felt necessary in say 11th year of the generating plant with balance life 15 years (i. e 25 years less 10 years expired)
- (3) The water circulating system in this case would be required to be depreciated over 25 years. However the expenditure on new water circulating system in this case would be required to be depreciated over the balance 15 years since it would not be of any use after the generating plant itself is retired in the 15th year from now.

Subsequent Change in the Purpose of use of an Asset

27. Any change in the purpose of use of an asset shall be recognised only prospectively for charging depreciation in the years subsequent to such change. For example Building containing Diesel Generating Sets is to be depreciated over say 30 years, the DG sets are scrapped earlier since they were obsolete in technology and the building is, after some modifications, used for say office purpose (for which estimated life is say 50 years). The change in the estimated useful life of the asset owing to a change in the purpose for which the asset is used, shall be recognised only for future depreciation.

Wear & Tear during Construction Stage

28. In a project period of say 4 to 5 years, assets which were constructed in say first year but *lying idle until completion of other assets*, do suffer wear and tear during the following 3 to 4 years. No depreciation shall be charged towards such wear and tear of such idle assets at construction stage.

Assets Transferred to Other Divisions / Circles

29. In respect of the assets transferred between accounting units during the year, the accounting unit which held the assets at the beginning of the year, shall charge full year's depreciation on the transferred asset and no depreciation on the assets shall be charged for the year by the transferee location (s),

RETIREMENT, SCRAPPING, OBSOLESCENCE AND SALE OF ASSETS

30. Procedural matters connected with the accounting policies relating to retirement, scrapping, obsolescence and sale of assets are set out in the following paragraphs :

Sale of Assets for which written down value is not known

31. Fixed Assets sold by the Board for which written down value is not known, shall be deemed to have been sold without any loss or gain. The written down value shall be deemed to be equal to the sale proceeds.

Provision for Loss or Obsolescence

32. Provision shall be made for loss, if any, expected to arise from the obsolescence, determined by the Board, of any of its capital assets whether in service or removed from service. Similar provision shall be made for loss from obsolescence of capital spares. The provision shall be utilised to meet the loss arising on disposal/scrapping of those assets.

Assets taken over from Licensee

33. The accounting policy prescribed for assets taken over from licensee requires adoption of provisional valuation in case of disputes. On final valuation of the taken over assets the following procedures should be adopted:

- (1) Any increase or decrease from the provisional valuation shall be adjusted to the cost of the assets.
- (2) Small and low value assets shall be written off
- (3) Depreciation on all the balance assets which are capitalised shall be reworked from the date on which the assets were vested in the Board.
- (4) Difference between the provisional depreciation and the reworked depreciation shall be credited or debited (as the case may be) to the Revenue Account for the year in which final valuation of taken over assets is done. Such debit or credit shall be disclosed in the Revenue Account as Prior Period Gain or Charge.

34. The reworking of depreciation referred to in the above paragraph shall also incorporate change if any, made to the estimates of useful life of the assets which were adopted for charging provisional depreciation. This may be necessary when the State Government has finally fixed the estimated useful life. If however, the final estimate of useful life is made after the reworking of depreciation then the changes in life shall be recognised only for future depreciation without any retrospective reworking.

Disputed Claims under Warranty for Repairs

35. Suppliers/contractors of capital equipments may have provided warranty of repairs of assets. Board's claims under such warranties may get disputed by suppliers/contractors. Repairs expenditure incurred by the Board for which reimbursement is claimed but is disputed shall be fully charged to Revenue Account for the year in which the costs are incurred. Reimbursement when granted by the supplier should be credited to Revenue Account in the year of receipt of reimbursed amount.

Excess / Deficits observed on Physical Verification

36. Any excess observed on physical verification of assets shall be brought into Board's books by valuing each excess item at one rupee each. The credit will be given to miscellaneous income account.

37. The written down value of assets not found on physical verification and establishment after investigation as deficit shall be written off by transferring the cost and accumulated depreciation on such assets to the Revenue Account.

Certain Disclosure required in Board's Accounts

38. Board's accounts shall disclose by way of a note :

- (1) Book value of assets, if any, which are likely to require surrender of the assets by the Board to the suppliers/lenders since the Board has failed to make certain payments in respect of purchase price of the asset or loans raised on the security of such assets.
- (2) The Assets in respect of which an effective title is not vested with the Board.

Liability for Capital Supplies/Capital Works.

39. The accounting procedures relating to providing of liability in respect of Capital Supplies / Capital Works shall be as follows:

- (1) Liability to supplier/contractor shall be created by the Board on acceptance by the Board of the goods supplied by supplier or works carried out by contractor.
- (2) Capital supplies in respect of which, the ownership of the goods has passed to the Board although the Board has actually not received the goods shall be accounted for at the year end as capital supplies in transit and correspondingly the liability towards the supplier shall be created in Board's books.
- (3) At the year end, the capital works completed by contractors in respect of which bills are not received by the Board or received but not passed shall be identified and certified by Board's engineers and provided for in accounts to create liability to contractors as ascertained on the basis of the contracts. The requirement shall not apply to contracts with total contract value of less than Rs.25 lakhs.
- (4) In respect of imported capital equipment kept in bonded warehouse, no provision need be made for the customs duty which will become payable on removal of the equipments from the bonded warehouse

Cash discount

40. Cash discount earned by the Board on making timely or early payments to suppliers/contractors shall not be reduced from the cost of the assets but shall be credited to Revenue Account as an income for the year in which the cash discount is earned.

Interest on Advances to Suppliers / Contractors

41. Interest receivable by the Board on advances to suppliers and contractors for capital supply/ works shall not be deducted from the cost of the assets purchased or constructed but shall be credited to Revenue Account as an income for the year in which the interest income accrues.

Capitalisation of Interest of funds utilised during construction stage:

42. In computing the interest on funds utilised during construction stage of capital assets, the following factors shall be taken into consideration:

- (1) The full amount of interest payable for the year would be considered for this purpose.
- (2) Arrears of interest shall not distort the computation of interest on funds utilised for construction as these arrears are required to be debited to a Restructuring Account and then adjusted to surplus/losses.
- (3) In view of the difficulties in identifying a source to its use, no attempt shall be made for source-use identification.
- (4) The exercise of computation of capitalisable interest shall be carried out at Head Office of the Board.

- (5) This exercise shall be carried out considering rupees in thousands only.

43. **Interest on funds utilised during construction stage of capital assets** shall, for the purpose of capitalisation of such interest be computed as outlined below :

- (1) The Net Assets shown in the Balance Sheet should be split into:
 - (a) Assets at Construction Stage (ACS) (This would be established with reference to Schedule 21 to the Balance Sheet).
 - (b) Balance Net Assets (BNA)
- (2) The ACS computed under 1 (a) above shall be reduced by excess, if any, of Liability for Capital Supply/Works over Capital Stores and Advances for Capital Supply/Works.
- (3) BNA shall be derived after the balance current liabilities are netted off against the current assets.
- (4) Total funds as per balance sheet will be first classified as under:
 - (a) Borrowing for Working Capital
 - (b) Payments due on Capital Liabilities.
 - (c) Loans having an initial period of interest-holiday
 - (d) Other interest-free liabilities.
 - (e) Reserve funds
 - (f) Reserve and surplus
 - (g) interest –bearing capital liabilities.
- (5) Matching of each of the above mentioned different items of funds with the Assets for the purpose of determining ‘Interest-bearing ACS’ and ‘Interest-bearing BNA shall be carried out as under:
 - (a) Borrowings for Working capital and payments due on capital liabilities shall be deemed to be financing BNA and therefore deducted from BNA.
 - (b) Capital loans which provide an interest-free period for the first few years shall be fully appropriated against the ACS on the grounds that interest-holiday is specifically to provide interest-free finance at construction stage.
 - (c) Interest-free capital liability, if any, shall be proportionately divided over ACS and BNA.
 - (d) Reserve funds shall be set-off against the investments made against the funds.
 - (e) Reserves, surplus and the excess of Reserve Fund over its investment as per 5 (d) above shall be added up to determine ‘own funds’. Own Funds’ shall be derived proportionately over ACS and BNA.
 - (f) Where the Board has negative ‘Own funds’ in its Balance Sheet because of accumulated losses no adjustment of own funds shall be made (meaning that a part of the funds of capital liabilities is sunk by way of losses).

- (6) Balance ACS and BNA after carrying out the matching as described in (5) above would represent 'Interest-bearing ACS' (IB-ACS) and 'Interest-bearing BNA (IB-BNA). The aggregate of the two should be equal to interest-bearing capital liabilities (as reduced by negative own funds, if any).
- (7) Interest-bearing ACS at the beginning of the year and at the end of the year shall be used to determine 'Average Interest Bearing ACS'. Similarly Average Interest- Bearing BNA shall be computed.
- (8) The interest payable for the year on capital liabilities shall be proportionately divided over the average IB-ACS and average IB-BNA.
- (9) The portion of interest payable allocated to IB-ACS would represent the amount of interest to be capitalised.

VOLUME	III	CAPITAL EXPENDITURE AND FIXED ASSETS
PART	II	OPERATING SYSTEM
CHAPTER	I	INTRODUCTION

1.1 *Scope and Coverage:*

The activities that underly the system of accounting for Capital Expenditure transactions are described in this part.

In particular

- the modes of incurring Capital Expenditure
- the administrative processes arising from these modes and
- the allied record keeping aspects are described

1.2 *Reference to other systems*

In the case of materials transactions the following have been covered under the manual on materials accounting:

- capital materials received by stores
- issues from capital stores debited to Capital-work-in progress (CWIP)
- issues to Materials at Site Account (MASA)
- issues to contractors
- returns to stores from capital jobs/contracts

In the case of personnel costs, the recording of the same has been discussed in the manual on 'Personnel Costs'.

VOLUME	III	CAPITAL EXPENDITURE AND FIXED ASSETS
PART	II	OPERATING SYSTEM
CHAPTER	II	MODES OF INCURRING CAPITAL EXPENDITURE

2.1 INTRODUCTION:

Capital expense be incurred

- i) Through outright purchase of an asset
- ii) Through construction of an asset

Construction of an asset may be carried out either

- a) By the Board's own staff or
- b) By an external contractor, with work being carried out

under supervision of the Board's staff. Capital expenditure is incurred not only for the construction / acquisition of assets but also for their erection/installation. Such erection / installation may be carried out

- a) By the Board's own staff
- b) By an external contractor under the supervision of the Board's staff.

2.2 MODES OF INCURRING CAPITAL EXPENDITURE

The Board categories of activities which result in the acquisition/construction of assets by the Board are

- i) Acquisition of Land (Freehold/Leasehold)
- ii) Levelling of site and related pre-construction/pre-erection activities
- iii) Activities resulting in the construction of a dam
 - a) Diversion and care of river during construction
 - b) Excavation
 - c) Drilling, grouting and draining
 - d) Masonry
 - e) Concreting
 - f) Spillway outlet works and energy dissipation arrangements
 - g) Installation of gates and Mechanical Equipment
- iv) Manufacture, delivery, erection, testing at site of equipment forming part of Hydroelectric system including reinforced concrete pipe lines and surge tanks, steel pipe lines, service gates, penstock, steel surge tanks, hydraulic control valves and other equipment.

- v) Purchase of buildings and renovation thereof.
- vi) Construction of Buildings
- vii) Construction of Roads, approaches, bridges and other civil structures
- viii) Manufactures, delivery, erection, testing at site of transformers, substation equipment, switchgear, communication equipment.
- ix) Manufacture, delivery, erection, testing at site of generation equipment
- x) Acquisition of Material handling equipment/Construction equipment
- xi) Acquisition and erection of other plant and equipment
- xii) Supply of towers and erection of overhead transmission lines
- xiii) Laying of underground cables
- xiv) Erection of poles and distribution overhead lines
- xv) Purchase of vehicles, furniture and fixtures & office equipment
- xvi) Installing service connections and Metering equipment.

Operating System for Capital Expenditure transactions is discussed under the following heads :

- i) Construction of Capital Assets by External Contractors
- ii) Purchase of Capital Assets
- iii) Internal Construction of Capital assets

2.3 Construction of Capital Assets by External Contractors

Capital expenditure transactions result in a sequence of activities of a technical, administrative and financial nature.

Activities / aspects which have a relevance to the accounting system are :

- i) Adjudication of tenders
- ii) General conditions of contract
- iii) Contract documents
- iv) Site records and their use

2.3.1 Adjudication of Tenders :

Where Capital Work is to be carried out by an external party, a contractor is to be selected. The object to be aimed at in placing a contract is to ensure the satisfactory execution of the work at the lowest possible cost. Three methods of selecting a Contractor are :

- i) Advertising for competitive tenders
- ii) Inviting tenders from selected contractors
- iii) Negotiating a contract with a selected contractor

The adjudication of tenders in the Board is governed by the K.S.E B. Tender Regulations, as amended from time to time. These regulations are reproduced in the Manual on Material Accounting.

Accounting entries for tender transactions are given in the Chapter Standard Journal entries.

2.3.2 General Conditions of Contract :

In K. S. E.B., these fall into two categories

i) General Conditions of Contract for plant, machinery and manufactured equipment

ii) General conditions of Contract for Civil Works.

Aspects of the conditions of contract that directly have an effect on accounting for Capital expenditure transactions are:

- i) Prices
- ii) Deductions from Contract price
- iii) Terms of payment
- iv) Supply of materials and other facilities by the Board
- v) Taking over

2.3.2.1 Prices :

In the case of contracts for plant, machinery and other manufactured equipment, price normally consists of -

- cost of Design, manufacture and supply
- cost of delivery at site
- cost of erection, testing and commissioning

Contracts for execution of civil works may be classified into –

- i) Piece Work Contract - Under this method the Piece Worker merely agrees to execute specific items of work at specific rates without reference to total quantity or time.
- ii) Schedule Contract

In this contract the total approximate quantities of the respective items of work and the time of completion are specified and the contractual obligations cover the rate, the approximate quantities involved and the time of completion.

(iii) Lump sum Contract :-

Here the total cost of the completed works as per drawings and specifications and the time of completion form the essence of the contract. In adopting the contract the drawings and specifications must be complete in order to prevent claims arising for variations due to any ambiguity in these. Cases, may however, arise where some modifications to the designs or specifications are found necessary due to site conditions or other reasons. The contract should make provision for evaluating any adjusting the cost of such modifications.

(iv) **Percentage rate contract :-**

In this type of contract the departmental rates for the different items of work in an estimate are published and the contractor quotes his rates at a percentage above, or below or at par the estimate rates so published. Only a single percentage applicable to all the items is quoted and this percentage rate is applicable to extra items, if any, found necessary during construction. Other conditions of contract are similar to those applicable to schedule contracts.

(v) **Guaranteed ceiling Contract:**

Here the contract price is specified as a ceiling and aggregate payments to contractor shall not exceed the ceiling price. Hence contractor charges may in aggregate, be less than or equal to the ceiling price.

2.3.2.2 **Deductions from contract price :**

All costs, damaged or expenses, which the Board may have paid and which under the contract the contractor is liable, may be deducted/recovered by the Board- Thus during and on finalisation contract any or all of the following recoveries may be made by the Board.

- (i) Advances to contractors
- (ii) Materials/facilities issued to Contractors.
- (iii) Tax deduction at source
- (iv) Sales effected to contractor
- (v) Other Expenses recoverable from contractor
- (vi) Interest on Advances to Contractors
- (vii) Hire charges recoverable from contractors.
- (viii) Any other recoveries, as directed by the appropriate authority

The above may be deducted from any amount due/amount becoming due to the contractor at the time of paying of Bills.

In addition to the above recoveries a specified percentage of the value of the bill may be withheld by the Board as retention money

2.3.2.3 **Terms of payment :-**

These are regulated by the General Conditions of Contract and deputed on

- (i) Actual execution of work
- (ii) Certification of the same by the appropriate authority Engineer

Further, terms of payment may require the Board to effect advance payment (90% or 100%). The procedures for passing of contractor's bills are given under Section 2.5.1

2.3.2.4 **Supply of materials and other facilities by the Board:-**

The following may be supplied by the Board to the Contractor to facilitate execution of work :

- (i) Cement

- (ii) Steel
- (iii) Compressed Air
- (iv) Power
- (v) Tools and Plant
- (vi) Explosives
- (vii) Other materials
- (viii) Accommodation
- (ix) Medical facilities

Recovery rates for the above may be specified in the schedule or may be at actual cost or at Board's issue rate. Materials are normally supplied from the Board's Store. However, in Distribution Sections, issue may be made from out of the site Engineer's stock.

2.3.2.5 Taking over/Work completion

In the case of supply-cum-erection contracts, the question of take over of erected plant or machinery by the board arises. The point of takeover by the Board is deemed to be the point when,

- i. Plant is erected on site
- ii. The competent technical authority has certified in writing that the plant has fulfilled the contract conditions.

Where a contractor executes work and the supervising engineer in charge is satisfied that work has been executed in accordance with the terms of contract, he has to certify the fact by recording the fact in the measurement book (For details on measurement book see para 2.3.4 of this Chapter and Appendix I).

Where, as a result of the completion of works assets come into being, the engineer has to prepare a technical completion certificate. This certificate is to be prepared after carrying out such tests as are necessary. It indicates that the concerned asset (s) is/are in a usable condition. The certificate is to be prepared in triplicate. One copy will be issued to the Drawing Branch of Division/Circe Office. One copy of the same will be issued to the Accounts Branch of the Account Rendering Unit and one copy will be retained as book copy. The various standard journal entries arising from contractor related transactions are given in the chapter on standard journal entries.

2.3.3 CONTRACT DOCUMENTS

Contract documents consist of

- I Form of contract (i. e.) Agreement
- Ii General conditions of contract
- Iii Specifications
- Iv Bill of quantities
- V Contract drawings

2.3.3.1. The form of contract constitutes the formal agreement between the Board and contractor for the execution of the work in accordance with the contract conditions

2.3.3.2. **The General conditions of contract define**

- a) the terms under which the work is to be carried out
- b) Duties and responsibilities of the contractor
- c) Powers of the engineer
- d) Terms of payment

2.3.3.3 The specifications describe in detail the work to be executed under the contract and the quality of materials and workmanship. It also contains the order in which various portions of the work are to be executed the methods to be adopted and any special facilities to be afforded to the contractor.

2.3.3.4 **The bill of quantities** contain various schedules that list.

- i) All items of works to be executed
- ii) Quantity of materials
- iii) Unit rates for usage of materials

2.3.3.5. Contract drawings should show the whole of the work to be executed under the contract in sufficient detail to enable the contractor to estimate the cost of the work.

2.3.4. **Site Records and their use**

Maintenance of site record measurement of work is necessary so that contractor's claims are correctly assessed in accordance with the terms of the contract.

Payments are made based on the measurements recorded in the measurement Book (M-Book). A register of M-Books is also required to be maintained by technical personnel. Regulations governing the recording of transactions in the M-Book are given in Appendix. 1. Every Engineer having responsibility for materials issued to him must maintain a Material at Site Account (MASA). This must be maintained work wise, showing receipts for the works and issues to contractors/works. Where materials are drawn, for which end use is not known, a separate Material at site Account must be maintained. This Account is useful for monitoring issues to contractors and for verifying physical stock at site. Form of MASA and procedures are given in the manual on 'Material Accounting'.

2.4. **Purchase of Capital Assets**

This category of transactions is normally governed by the following sequence:

- i Invitation of tenders.
- ii Evaluation of tenders
- iii Selection of supplier
- iv Delivery of asset
 - at stores
 - at site

v. Payment

Erection of the asset may take place on delivery.

The procedures governing tenders are covered by the KSEB (Tender) Regulations, 1968 and given in the manual on Materials Accounting.

2.4.1 *Delivery of Asset*

Delivery of Asset in the case of supply cum erection contracts are governed by the contract.

In the case of other assets such as vehicles, office equipment, furniture etc, which do not require erection, the following procedures may be followed.

- (i) Where assets are received at store, the same procedure as that followed for receipt of materials is to be followed. Copies of Goods received Note and Inspection report must be forwarded to the Stores Accounts Section. Based on an analysis of GRNs, the Stores Accounts Section will transfer relevant documents to the person responsible for maintaining Fixed Asset records.
- (ii) Where assets are delivered at site or other place a GRN marked "site" (SGRN) may be prepared. The site GRN is to be forwarded to Storekeeper. The Storekeeper will re-forward the same to the Accounts Department.

Ownership of the asset shall be deemed to pass to the Board

- (i) In accordance with the terms of the purchase order.
- (ii) Where the Purchase Order is silent, when the Site Engineer inspects the asset and certifies that the asset received is in accordance with the Purchase Order.

Erection will be governed by the terms and conditions of contract between the Board and the contractor.

2.5 *Internal Construction of Capital Assets*

Where the Board carries out the construction of assets by itself it will employ.

- (i) Its own labour or hire labourers
- (ii) Its own materials
- (iii) Its own facilities

The authority for any departmental construction is the work authorisation issued by the appropriate technical authority. The work authorisation is to be issued only on receipt of an application for work authorisation from the person responsible to carry out the work. The application should be accompanied by a work estimate. After scrutiny of application and estimates with reference to various sanctions, the relevant technical authority shall issue work authorisation in 3 copies. One copy shall be issued to the executing officer, one copy shall be retained by the controlling officer, one copy shall be issued to the accounts branch. The work authorisation number shall be assigned by the controlling officer. The controlling officer shall maintain a register of work authorisation. The accounts department shall post details of work authorisation in a work authorisation ledger.

Progress of work will be recorded in the Measurement Book maintained by the site engineer. A material at site statement has to be forwarded on a monthly basis to the controlling officer. The statement should be prepared work wise.

On completion of work, the site engineer must inspect the completed work, and take a physical count of the erected works. He must then reconcile the physical count with quantities as per work authorisation. If satisfied, he must then prepare a work Completion Report, sign it and forward the same to his controlling officer, along with measurement book.

2.5.1 BILL PASSING:

Bill passing is detailed in Manual on Material Accounting but contractor's bills preparation and passing is unique which is detailed in this section.

2. Preparation :

(1) Bills for making payments for works done by contractors may be prepared either by the contractor himself or by the field engineer in charge of the work. Bills prepared by the contractors should give all the details required in the form prescribed by the Board. When the field engineers prepare the bill, it should be in the prescribed form of contractors bill.

(2) The contractor's bill form has four parts, in addition to the facing sheet. Part I gives details work done, part II contains various certificates. Part III is the memorandum of payments which contains details of the sums to be paid and recoveries effected. Part IV of the bill is the materials account.

(3) The bill form used for making payments for works done may also be used for making payments for supply of items like road metal, sand etc. In such cases receipt of such materials are recorded in the M. Book.

(4) The bill is prepared on the basis of measurements recorded in the M. Book and the rates provided in the agreement. The bill preparing officer should record all relevant certificates in the bill. Certificates relating to check measurement and counter signatures of his controlling officer should also be recorded in the bill.

(5) The bill should be prepared in quadruplicate. Fourth copy will be retained by the field engineer as his office copy. The other three copies will be sent to the ARU along with the M. Book for accounting and making payments. After passing the bill the ARU will retain the third copy as its office copy. The second copy will be sent to the Project Accounting Section. The first copy will be sent to internal audit along with other vouchers.

3. Passing the bills.

Payments to contractors may be either on running account or in final settlement of all claims. Running account is a term applied to the account with a contractor when payment for work is made to him at convenient intervals, subject to final settlement of account on the completion of determination of his contract.

The bill passing section will check the bill with reference to the measurements recorded in the agreement. It should be ensured that all the terms and conditions of the agreement are complied with. Arithmetical accuracy should be ensured. The bill will be passed for payment for the gross amount. Part IV - Material Account should be checked with reference to source documents to ensure its correctness. Quantity of materials consumed should be verified with reference to the data furnished in the estimate. Clarification for any discrepancy should be obtained and rectified before admitting the claim. All necessary recoveries such as those relating to advance payments, cost of materials issued by the Board, Income-tax and other taxes to be deducted at source, hire charges, electricity charges, retention money and any other

sum due from the contractor to the Board should be recorded. Details of such recoveries should be recorded in the appropriate place in the memorandum of payment. The net amount payable should also be recorded in the memorandum of payment. Before effecting payment it should be ensured that the contractor has duly receipted the bill after affixing revenue stamps wherever necessary. Payments will be made through the medium of payment voucher. The bill as passed should be recorded in the contractor's bill passing register for creating liability on account of the work done by the contractor. It should be done even if payment cannot be effected immediately on account of any dispute with the contractor.

4. **Payment of Contractor's bill by another ARU**

Contractor's bill may at times have to be paid by an ARU other than the one which passes the bill for payment. The ARU which passes the bill will make all the usual entries as if it is going to make the payment direct. Then the bill along with an IUTN will be sent to the other ARU which will make the payment.

5. Adjustment of difference in cost of materials:

When materials are agreed to be issued by the Board to the contractor the agreement will specify the rate at which recoveries/accounting adjustment on account of the cost of materials will be made. This rate need not necessarily be the issue rate prevailing at the time of issue of the material. Hence there will be some difference in the contractor's material control account when accounting is done for materials from the contractor's bills. This difference will be transferred to CWIP for adjusting the difference in the contractor's material control account.

6. Miscellaneous Service Bills :

This is a simple form of Bill intended to be used for all miscellaneous payments for which the contractors' bill forms are not suitable or too elaborate. This bill form is prepared by the person who has rendered the services or the supplies made or is prepared by the officer concerned. It should contain all the details of work/service and the same should be recorded in the Measurement Book. This bill is used for creating liabilities in the books of accounts and is duly recorded in the contractors' bill passing register. Payee's acknowledgement may be obtained in this bill. Payment is made through payment voucher. Number of copies required and circulation of the same is similar to contractor's bill.

NOTE: This bill form superseed the old Hand Receipt Form in all respects. Every transaction posted in any of the columns mentioned above should also be recorded in the project accounting system of financial accounting system for capital assets.

7. Capitalisation :

Capitalisation time, recording etc. are detailed in the chapter on Project Accounting system.

1.1 *Scope*

This chapter covers accounting for

- (i) Acquisition of Assets
- (ii) Depreciation and Fixed Asset Records
- (iii) Disposal of Assets

The relevant accounting policies, accounting procedures and forms and registers are discussed in this chapter Accounting for construction of assets and accounting for ‘Transformers and Meters’ are covered under Chapters II and III of this part respectively.

1.2 *Acquisition of Assets*

Accounting for acquisition of assets is discussed under the following heads

- (i) Cost of an Asset
- (ii) Capitalisation
- (iii) Accounting procedures
- (iv) Other Accounting policies

1.2.1 *Cost of an Asset*

Fixed assets of the Board are recorded in the books and disclosed in the accounts at Historical cost. For this purpose cost of an asset shall include all costs incurred to prepare the asset for use. The cost composition of a few assets have been explicitly defined under Electricity (Supply) Annual Accounts Rules, 1985 (ESAAR).

(a) Land cost comprises of :

- (1) Purchase price of land
- (2) Compensation for acquisition of land
- (3) Compensation for trees and crops on the acquired land
- (4) Legal charges, Stamp duty etc. incurred in order to secure effective title.

Land is normally acquired for future project site i.e., the project for which land is acquired may not be identified. In such cases, the cost of land may be debited to 14.991 (Capital Work in Progress - Project not identified - Land). Amount to be debited to CWIP will be represented by payments made from time to time to the relevant Government Authority. On sanctioning of project the cost of land may be transferred to the relevant project code. Capitalisation of land shall be done when the Board take possession based on possession Certificate issued by the relevant Government Officer. The Account Code to be debited on capitalisation is 10.101 (Land owned under full title). Procedures governing land acquisition and tree cutting compensation are given in Para 1.2.3.3. Where development expenditure is incurred

on land it should be debited to a separate account head (10.104). A similar distinction is to be maintained between expenditure on leasehold land and development expenditure on leasehold land.

(b) Land Development Expenditure shall comprise of :

- (1) Land revenue and other taxes paid during the stage of development.
- (2) Site preparation costs such as cost of levelling hills or filling low spots, cost of clearing trees etc.
- (3) Cost of demolishing unwanted structure, if land is acquired with structure.
- (4) Cost of landscaping gardens, sidewalks, fences and digging for sewerage system.

(c) Cost of purchased building shall include

- (1) Purchase price
- (2) Compensation for acquisition of building
- (3) Payments to cancel their tenancy rights
- (4) Expenses such as legal charges, stamp duty etc. incurred in order to secure effective title.
- (5) Repairs, alterations and improvements before the building is first put to use.
- (6) Architect's fees for re remodelling, alterations, improvements before the building is first put to use.

When a building is purchased along with land, the purchase cost shall be allocated between the land and building based upon a technical and commercial appraisal.

(d) In respect of other assets the cost components may normally consist of

- (1) Original contract or invoice cost.
- (2) Freight inward, import duties, handling and storage costs.
- (3) Specific in - transit insurance charges.
- (4) Sales and other levies imposed on the acquisition.
- (5) Cost of preparation of foundation, protective apparatus and other costs in connection with making a proper site for the asset.
- (6) Installation charges
- (7) Charges for testing and preparation for use.

Where second hand plant or equipment is purchased any additional reconditioning costs incurred to prepare the asset for use may be added to the cost of the asset.

(e) Deviations from policy of accounting of assets at historical cost are specified in para 1.2 of Annexure V of ESAAR.

(f) Accounting policies and procedures for allocation of overhead charges to cost of capital asset are given in chapter on Project Accounting.

1.2.2 *Capitalisation*

“All capital expenditure shall be accounted for through capital work-in-progress accounts. On commissioning of the assets, the expenditure shall be transferred to appropriate fixed asset accounts. Transfer from capital work in progress accounts to Fixed Asset accounts is referred to as ‘[Capitalisation of Assets](#)’. The point of capitalisation is determined based on

- (i) Commissioning
- (ii) First use, or
- (iii) Purchase and putting into usable condition. Commissioning of an asset is a technical matter which involves consideration of various factors such as trial, testing etc. to ensure that the asset is in a usable condition. Normally, the question of ‘commissioning’ will arise in respect of assets falling under ‘Plant and Machinery’ and Lines, Cables Network etc’ and hydraulic works. For such assets capitalisation shall be done on issue of Technical Completion Certificate by the relevant Technical authority.

All other assets purchased by K. S. E. B. and which are ready for use, shall be capitalised on the point of first use.

Capital spares at Generating Stations and spare units/service units shall be capitalised when they are purchased and put in a usable condition. It is possible that they are not actually being used and lying in stores unutilised. Nevertheless, they will be capitalised on being put in a usable condition. Immovable property such as land and buildings may be capitalised when the Board takes possession. Acquisition of immovable property consists of two stages of importance for the purpose of capitalisation - formal conveyance and actual physical possession.

When property rights in the land or building passes to the Board through a conveyance deed or land acquisition award, the cost of land or building may be accounted through capital work in progress. On taking physical possession the cost of land/building may be capitalised. However, in the case of purchased assets, wherein formal conveyance is delayed and the Board in the meantime put the asset to use, the cost of the asset shall be shown as fixed asset. The fact of pending conveyance of the asset may be disclosed by way of note to the accounts.

1.2 .3 *Accounting*

For the purpose of accounting, purchased assets can be classified into

- (i) Movable assets not requiring erection
- (ii) Movable assets requiring erection
- (iii) Immovable property

1.2.3.1 *Movable assets not requiring erection*

This category includes vehicles, furniture & fixtures and office equipment. On receipt and acceptance of such assets, Goods received Note (GRN) will be prepared. Copy of the GRN will be forwarded to Store Accounting Section who will value the same based on Purchase Order. GRNs will be analysed and the following journal entry will be passed.

Dt	Capital work in progress - General (14.90 GROUP)
Cr	Liability for supply-Capital (42.1 GROUP)

A copy of GRN will have to be forwarded to Bill Passing Section. Another copy of GRN will be issued to the section responsible for Fixed Asset Records. The GRN value will be posted in the Work Authorisation Ledger, cost Group Record under the folio for the concerned asset. Procedure for the preparation and use of GRN are described in the manual on "Material Accounting. Procedures for maintenance of Work Authorisation Ledger and Cost Group Record are given in Chapter 11 of this part on Project Accounting. All expenses incurred prior to or on receipt of Asset and which relate to the purchase of asset will be capitalised. Such expenses include.

- (i) Freight on capital equipment
- (ii) In - transit Insurance
- (iii) Testing charges
- (iv) Advertisements for inviting tender for purchase of capital equipment.
- (v) Octroi on capital equipment.

These expenses will be added to the cost of the Fixed Asset by Records section by passing the following entry.

Capital work-in-progress	Dr
Freight on capital equipment	Cr
In-transit insurance	Cr
Testing charges	Cr
Advertisement	Cr

Earlier, these expenses would have been debited to their natural heads at time of payment.

Based on the value of completed cost group record, the asset shall be capitalised by passing the journal entry,

Fixed Asset (10 XXX GROUP)	Dr
Capital Work in progress (14 GROUP)	Cr

'XXX' stands for the code for the asset in the chart of accounts. A capitalisation sheet will be prepared on passing this journal entry. This sheet will be

the basis for preparing the Fixed Asset Record. The capital work in progress account code to be operated would vary with circumstances.

‘14.90’ will be debited when vehicles, furniture or office equipment are procured for ‘general’ i.e. non-project purposes.

‘14.99’ will be debited when an asset is purchased for a project which has not been sanctioned.

‘14.XX’ (where XX stands for project code) will be debited when asset is purchased for specific project.

1.2.3.2 Movable assets requiring erection

The accounting procedure to be followed is similar to that in the case of movable assets not requiring erection. However the following points require consideration.

(i) Erected Assets may be capitalised only on issue of technical completion certificate by the relevant technical authority.

(ii) Erection charges must be added to the cost of erected asset

1.2.3.3 PURCHASE OF IMMOVABLE PROPERTY

(Land acquisition and tree cutting compensation)

The land required by the Board for its projects, substations and other activities are to be acquired according to the provisions of the Kerala Land Acquisition Act and the rules passed thereunder. The relevant provisions of the Indian Electricity Act 1910, Electricity (Supply) Act 1948 and Indian Telegraph Act, 1885 are also to be complied with for this purpose. The relevant procedures for land acquisition are outlined below.

- (1) Sanction for acquisition of land is issued by the concerned Chief Engineer or the Board, in accordance with the delegation, of powers.
- (2) On getting the sanction for acquisition, the Executive Engineer in charge of the work makes a requisition in the prescribed form (supplemented by appropriate documents such as site plan, schedule etc.) to the Land Acquisition Officer.
- (3) After the acquisition formalities are completed the Executive Engineer will receive an award statement from the Dy. Collector, towards compensation for Land Acquisition. In the case of tree cutting compensation a valuation statement duly approved by the Dy. Collector will be received from the Tahsildar.
- (4) The award/valuation statement is verified and recorded in measurement book by the Executive Engineer in charge of the work.
- (5) The award/valuation statement duly verified and recorded in M, Book is passed for payment by the officer in charge of Account Rendering Unit.
- (6) For payment of Land compensation the funds required by the Dy. Collector have to be deposited in the Treasuries under the specific account head (as intimated by the Dy. Collector).
- (7) After transferring the amount pending disbursement to the revenue deposit or CCD account of the Courts and balance, if any, to the K. S. E. Board Account the Deputy Collector will render to Executive Engineer / ARU the accounts relating to each deposit together with award statements. Undisbursed

balance remitted to the Board's account by the Deputy Collector should be credited to the account of the project concerned-capital work in progress.

- (8) The advance payment made to the Tahsildar towards. Tree Cutting compensation should be debited to the CWIP of the scheme/project for the purpose of which the trees have been cut. In this case also the un-disbursed amount, if any, remitted by the Tahsildar should be credited to the liability of the work/project concerned.
- (9) The Executive Engineer/Deputy Chief Engineer who effected the payment of advances for land acquisition should obtain the possession certificate in respect of land acquired at the earliest possible time after the land is taken possession of by the Board. Then he should obtain Patta", from the Revenue authorities. Necessary entries in the Register of landed properties should be made giving therein the survey No. location boundaries, area etc.

1.2.4 Other Accounting policies which govern acquisition of assets are given in

- (i) Paras 2.33 to 2.36 (Contributions. Grants and subsidies towards cost of capital assets)
- (ii) Pares 2.37 to 2.41 (Full write off of small and low value items)
- (iii) Para 2.50 of annexure III of Electricity (supply) (Annual Accounts) Rules 1985 (Escalation claims).
- (iv) Para 1.17 of Annexure V (Treatment of small and low value, value items).

1.2.5 Expenditure subsequent to capitalisation - The accounting policies for expenditure on Fixed Assets subsequent to capitalisation are outlined in pare 2.22 to 2.3.2 of Annexure III of ESAAR.

Expenditure on additions. replacements etc must be recorded in Measurement book. Capitalisation will be based on submission of ACR and preparation of capitalisation sheet.

1.3 FIXED ASSET RECORDS AND DEPRECIATION

The topics covered under this head are:

- (i) Fixed Asset Record
- (ii) Depreciation
- (iii) Movements
- (iv) Expenditures subsequent to capitalisation

1.3.1 Fixed Asset Records

Fixed Asset Record (FAR) is a document containing the following particulars.

- (i) Name of Asset
- (ii) Technical Particulars
- (iii) Purchase Particulars
- (iv) Gross Block

- (v) Additions
- (vi) Withdrawals.
- (vii) Depreciation
- (viii) Net Block

The Fixed Asset Records are to be maintained by the Accounts department of every ARU. FARs are to be maintained for each distinct asset which physically exist at the ARU or at the office falling under the jurisdiction of the ARU.

Fixed asset records must be prepared for new assets purchased by the ARU. Preparation of FAR is to be at the end of each month based on capitalisation sheets for that month.

FARs must be updated for addition and deduction.

1.3.2 Depreciation

Depreciation accounting is the system of accounting wherein the cost of a fixed asset is to be systematically allocated over its estimated useful life. Hence depreciation is a periodic charge computed at a specified rate upon the value of the fixed asset.

In KSEB, the rules for charging depreciation are as follows:

- (i) Depreciation is to be charged on the straight line method.
- (ii) 90 % of the cost of a fixed asset shall be depreciated over the estimated useful life of the asset. Hence to arrive at annual depreciation the formula is

$$\begin{aligned} \text{Annual Depreciation Rate} &= \frac{90\% \text{ of cost of fixed asset}}{\text{Estimated useful life of asset}} \\ \text{Annual Depreciation Rate} &= \frac{\text{Annual Depreciation}}{\text{Cost of fixed asset}} \end{aligned}$$

- (iii) Estimated useful life of asset shall be as prescribed by Central Government in consultation with CEA or as prescribed by State Government in respect of asset central government has not prescribed any period, or 20 years in respect of an asset where neither Central Government nor state government has prescribed any period.
- (iv) No depreciation shall be provided on an asset in the year in which it is first put to use. Depreciation on asset shall be charged from the year subsequent to the year of capitalisation onwards.
- (v) Depreciation shall be charged on an asset even in the year the asset is withdrawn from the books of account.
- (vi) Depreciation shall cease to be charged in the year when the net cost at beginning of the year (Gross cost - Depreciation till the beginning of the year) is equal to or less than 90 % of cost of the asset.

- (vi) Journalising for depreciation shall normally be done in the month of September. The journal entry is

Depreciation (77 GROUP) Dr.

Provision for Depreciation (12 GROUP)

In the case of construction facilities, the entry for depreciation would be

(15.205) Revenue expenses pending allocation Dr.

Provision for Depreciation (12 GROUP)

The journal voucher prepared for the depreciation shall

- (i) be posted in the relevant column of the FAR
 - (ii) be posted in the subsidiary ledger for “provision for Depreciation”
 - (iii) be posted in the General ledger under the folio for Depreciation
-
- (viii) Where an asset is sold or otherwise disposed prior to September 30th of an accounting year, the provision for depreciation shall be made at the time of transfer to “Asset not in use Account”.
 - (ix) The subsidiary ledger for provision for depreciation is to be maintained.
 - (i) Asset category wise.
 - (ii) Within Asset category
 - (x) The fixed asset record must be reconciled
 - (i) With physical balances of assets
 - (ii) With value of assets as per General ledger on an annual basis.
 - (xi) In the case of Assets of a common retirement date where a new asset is added to a pool of assets, the estimated useful life of the new asset must be revised. The estimated useful life of the new asset should be equated to balance useful life of the old pool of assets. Depreciation rate may then be computed for the new assets, based on revised estimated useful life.
 - (xii) In the case of projects, assets may be constructed during the course of the work. Such assets may be commissioned prior to commissioning of entire project. If such assets remain idle till the project is completed, no depreciation shall be charged on such assets.

1.3.3 MOVEMENT OF ASSETS

Movement of assets may fall under the following two categories.

- (i) Transfer of asset from the custody of an officer under one ARU to the custody of an officer under the same ARU
- (ii) Transfer of asset between two ARUs.

1.3.3.1 *Transfer of asset within the same ARU*

The officer requiring the asset must prepare a Requisition for Transfer of Assets (RTA) in 4 copies. He must send 3 copies of the same to the officer holding custody of the asset. On issuing the asset, the transferring officer must send 1 copy of RTA back to the transferee officer. He must send one copy of RTA to the Accounts Section of the concerned ARU. The ARU can make necessary remarks on the fixed asset records. No accounting treatment is required.

1.3.3.2 *Transfer of Assets Between ARUs*

AT THE TRANSFEREE ARU

- (i) Where an asset is to be transferred from one ARU to another, the transferee ARU should prepare an Asset Transfer Note (ATN) in 6 copies. The basic details (technical) of the required asset must be filled in by the transferee ARU. The ATN should be approved by head of the ARU
- (ii) The transferee ARU should forward 5 copies of ATN to the transferor ARU

AT THE TRANSFEROR ARU

- (ii) On the transfer being approved by the head of the transferor ARU) the following details of the asset must be filled in the ATN
 - (i) Gross Cost
 - (ii) Depreciation till date
 - (iii) Net Cost
- (iv) The Accounts department must attach the FAR of the asset to the ATN
- (v) The asset together with FAR and three copies of completed ATN must be forwarded to the transferee ARU.
- (vi) At the end of the month, the transferor ARU shall pass the following journal entry

32.xxx Inter Unit Fixed Assets (Transferee ARU)	Dr.	
12. GROUP Provision for Depreciation	Dr	
10. GROUP Fixed Asset		Cr.

Posting of the same will be made in the relevant subsidiary and General Ledger.

- (vii) Two copies of ATN will be retained by the transferee ARU

AT THE TRANSFEREE ARU

- (viii) On receipt of the Fixed Asset, FAR and, ATN (3 copies), the Accounts department will pass the following Journal entry.
 - (11.40 GROUP) Dr. Asset Transfer Inward A/c.
 - (13.40 GROUP) Cr. Provision for Depreciation-Asset Transfer Inward A/c.
 - (32. GROUP) Cr. Inter Unit – Fixed Assets A/c. (Transferor ARU)

- (ix) The Accounts department will forward 2 copies of ATN (including 1 original) to the relevant technical personnel for physical verification.
- (x) Upon physical verification of asset the relevant technical personnel will furnish in the copies of ATN their remarks on physical verification.
- (xi) Both copies of ATN will then be forwarded to the Accounts department.

- (xii) Based on the verified ATNs the accounts department will pass the following journal entry.
 - (10 GROUP) Fixed Asset Account Dr.
 - (11.42 GROUP) Cr. Asset Transfer Inward.
 - (13.42 GROUP) Provision for depreciation, - Asset Transfer Inward Dr.
 - (12 GROUP) Cr. Provision for Depreciation.
- (xiii) 1 copy of ATN (verified) will be forwarded to the Transferor ARU.
- (xiv) At the end of each year, the ARU must set off Balances in Asset Transfer Inward (Debit and Credit Accounts) and Balances in Provision for Depreciation - Asset Transfer Inward (debit and credit Accounts) respectively.
- (xv) In respect of assets transferred between ARUs, the ARU which held the asset at the beginning of the year shall charge full year's depreciation on the transferred asset and no depreciation on the assets shall be charged for the year by the transferee location.

Where construction facilities are issued from store to site, the site Engineer in charge has to prepare MRCI and submit the same to the Storekeeper. Storekeeper must obtain approval of relevant technical authority before issue of the construction facility. Since construction facilities are to be capitalised only at first use, issue of construction facilities will be debited to 'Construction Facilities' based on MRCI. The Accounting for purchase, deployment and redeployment of construction facilities is given in Chapter on Standard Journal Entries

1.3.4 RETIREMENT OF ASSETS

Retirement of an asset may fall into the following categories.

- (i) Decommissioning / Scrapping
- (ii) Sale
- (iii) Loss of Asset

1.3.4.1 Decommissioning / Scrapping

When an asset can no longer be used by the Board due to excessive wear and tear obsolescence or other reasons, it may have to be decommissioned or scrapped.

In such a case, the engineer who is the custodian of the asset has to prepare an Asset Decommissioning Report (ADR) describing therein the particulars of the asset and reasons for decommissioning. The report is to be prepared in 3 copies The "Custodian Engineer" may retain one copy and forward 3 copies of the report to the relevant technical head.

After inspecting the asset, the relevant technical head may sanction the decommissioning by signifying his approval on the ADR. A copy of the approved ADR is to be forwarded to the Accounts Department.

Based on this ADR, the Accounts Department shall

(i) Pass the following Journal entry.

Written - down value of Obsolete/Scrapped Assets (16.1 GROUP) Dr.

Provision for Depreciation (12 GROUP) Dr.

Fixed Asset Account (10 GROUP) Cr.

(ii) Remove the relevant Fixed Asset Record and enter details in the same.

(iii) Place the removed FAR in a separate file.

Return of Scrapped Asset to Store

Return from within the same ARU - Field officer has to prepare 6 copies of Field Return note. He should forward 5 copies of Field Return Note (FRN) along with Asset to Storekeeper. He will take the asset into stock and return one acknowledged copy of FRN to the Field Officer. He should enter the details of the scrapped asset in the 'Scrapped Asset Register. 3 copies of FRN should be forward to the Accounts Section for recording the fact of return of scrapped asset in the 'Scrapped Fixed Asset Record file'.

INTER UNIT RETURN OF SCRAPPED FIXED ASSETS

- (1) Field officer to prepare 6 copies of FRN - Forward 5 copies of FRN along with Asset to Storekeeper of Transferee Store.
- (2) Storekeeper will take the asset into stock and return one acknowledged copy of FRN to the Field Officer. He should enter details of scrapped asset in the "Scrapped Asset Register".
- (3) The Storekeeper will forward 3 copies of FRN to the Accounts Section.
- (4) The Accounts Section of the Receiving ARU will forward two copies of FRN to the ARU under which the Asset was originally held.
- (5) This ARU will refer to the Scrapped fixed asset record file, Value the 2 FRNs and will then pass the following journal entry.

Inter Unit - (Transferee ARU) (32 GROUP) Dr, (16.1 GROUP) Written down value of Scrapped/Obsolete Assets, Cr. It will then forward valued FRN (Marked Inter-Unit) along with relevant Fixed asset record to the transferee ARU.

- (6) On receipt of FRN and FAR, the receiving ARU will confirm if the relevant scrapped asset has been received: On confirmation, it will pass the following journal entry.

Written down value of Scrapped / Obsolete Asset Dr.
(16.1 GROUP)

Inter Unit A/c. - Fixed Asset Cr.
(32 GROUP)

1.3.4.2 *Sale of Asset*

Where an asset is to be sold, a survey report has to be prepared by the person under whose custody the asset exists. Details of the same has to be entered in the Scrapped Asset register

The Survey report has to be approved by the competent technical person to signify authorisation for sale of assets. Approval must also be given in the Scrapped Assets Register. A copy of the approved survey report is to be forwarded to Accounts department. Based on this, the Accounts department must pass the journal entries

Dr Written down value of Assets sold.
Cr. Written down value of obsolete/Scraped Asset.

The Storekeeper or other competent person shall on approval of survey report initiate necessary procedures for sale of assets. Sale may be effected through

- (i) Invitation of tenders through advertisements.
- (ii) Invitation of tenders from selected parties.
- (iii) Private contract through negotiation.

On effecting sale, the sale proceeds are to be accounted by

Bank/cash	Dr	
Loss on sale of	Dr	
Gain on Sale of Assets		Cr
Written down value of sold assets		Cr

1.3.4.3 *Loss of Assets*

in the event of loss/destruction of an asset, the cost and the accumulated depreciation on that asset shall be withdrawn from the fixed asset block and provision for depreciation respectively.

Accordingly entries will be made in the Fixed Asset records

Excess of the written down value of the lost/destroyed asset over the amount of insurance claim granted shall be charged to revenue in the year in which the insurance claim is settled.

VOLUME	III	CAPITAL EXPENDITURE AND FIXED ASSETS
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PART	III	OPERATING SYSTEM
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CHAPTER	II	PROJECT ACCOUNTING
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2.1. INTRODUCTION

2.1.1. DEFINITION

The project accounting system is a system by which costs of a project are accumulated and analysed into total project cost, cost of each major asset created under the project and cost of each work carried out to create each asset.

2.1.2. Need and Advantages

NEED : Under the Financial accounting system, project costs can be determined for

- (i) The Project as a whole
- (ii) The 9 Major asset categories (as per chart of accounts) within the project.

For example, under the Idamalayar PrToject, we can find the total project cost. We can also find, cost of land relating to the project, cost of buildings relating to the project, cost of plant and machinery relating to the project and so on.

However, most projects result in the creation of several assets under the same asset categories. For example, under a project, three different types of building— Power house building staff colony building and inspection bungalow may be created. In such a situation, the individual cost of each building cannot be easily determined under the financial accounting system. Rather, only the aggregate cost of all buildings can be ascertained.

This cost analysis, each distinct asset wise, is permitted under the project accounting system.

The project accounting system goes one step further. It permits building up of costs not only for each asset. (i.e. cost group wise) but also for each major work within that asset.

ADVANTAGES: The major advantages of the Project Accounting System (PAS) are:

- (i) PAS provides flexibility as regards the extent of analysis of capital expenditure.
- (ii) It is an accounting tool which facilitates Budgetary control and analysis.
- (iii) It permits ease of ascertaining cost of a fixed asset at the point of capitalisation.
- (iv) It is a useful means for the purpose of preparing fixed asset records.
- (v) It provides for reconciliation with Financial Accounting records and thus improves accuracy of accounting.

2.1.3 TERMINOLOGY:

PROJECT:

A project is a planned sequence of inter – related activities that involves the creation of tangible assets and investment of considerable size and which is carried out over a considerable period of time.

Hence the major features of a project are:

- (i) Planned schedule of activities
- (ii) Inter relationship of activities i. e. of one activity is delayed, other activity/activities may be delayed.
- (iii) Creation of tangible assets/structures.
- (iv) Investment of considerable size.
- (v) Executed over a considerable period of time.

COST GROUP Cost group refers to the separately identifiable assets created as a result of the execution of the project. Each cost group refers to a distinct tangible asset which is physically identifiable. Only when all cost groups are complete, is a project complete.

WORK AUTHORISATION : Work Authorisation refers to an authorised activity or group of activities carried out to create an asset or group of assets. Each work authorisation will have a technical estimate/sanction and a financial estimate/sanction. Normally, only when several work authorisations are completed a cost group gets completed.

2.2 **CODING STRUCTURE**: The project accounting coding structure is seven digit code. Its constituents are :

Project Code	-	2 DIGITS
Cost Group Code	-	3 DIGITS
Work Authorisation Code	-	2 DIGITS

2.2.1 **PROJECT CODE** : Project code as used in PAS is equivalent to the project code under the financial accounting system.

New project codes are to be authorised by the F. A. & C.A. O.

2.2.2 **COST GROUP CODE** : Cost Group Code has been organised according to the nature of the asset. The coding logic is given below:

Generation Assets	-	Civil	:	001 to 100
Generation Assets	-	Electrical	:	101 to 200
Transmission Assets			:	201 to 300
Distribution Assets			:	401 to 500

Cost Group Codes are given for various assets in Appendix I. New Cost group codes are to be authorised by the F. A. & C. A. O.

2.2.3 **WORK AUTHORISATION CODE** : This code is the work authorisation number assigned by the controlling officer of an ARU who issues the work authorisation.

2.2.4 **FEATURES OF CODING STRUCTURE:**

1. The project code is a flexible and non-static code. Wherever a project is completed the project code is to be closed. The code for this old project can be assigned to any new project.

2. In addition to project codes: for on going projects the following project codes may be used.

- Project code '90' : Capital expenditure on non-project assets as Administrative buildings, vehicles, furniture and fixtures, Office equipment.
- '97' : Closed Project Code where expenditure is incurred on projects which have been closed, this code may be operated to record such expenditure.
- Eg : Escalation claims of contractors, pay revision etc.
- '99' : Unidentified Projects: Capital expenditure, not identifiable to a project may be debited to this code

3. All electrical transmission schemes (other than World Bank aided schemes) will have a single project Code '01' Since these schemes are on going, this project code will not be closed. World Bank aided Transmission schemes shall be assigned project code '18'.

4. Distribution projects are also continuously on-going schemes and shall have fixed project codes. The project codes are :

Rural Electrification Schemes	50
Distribution - Line Extension Projects	51
- Service connection	52
- System Improvement	53
Electrification of Harijan colonies	54
Electrification of Tribal colonies	55

5. Project codes under PAS are equivalent to those under Financial Accounting System (See chart of Accounts) to permit ease of Reconciliation.

6. Where, under a project several assets are created, cost of each distinctive asset may be accumulated under the cost group codes given in Appendix.
7. In the case of assets which are acquired for general purposes and not for project purposes the cost group code '900' may be used. Expenses related to the purchase of such assets, which are capitalisable may also be accumulated under this code.
8. Cost of project assets will include not only direct costs (such as materials and contractor payments) but also allocable costs such as employee costs, administrative expenses, depreciation etc. Such allocable costs may be recorded under cost group code '99'. Such costs shall be periodically added to the cost of assets being created/created under, the project.
9. Work authorisation codes will be assigned by the controlling officer of the ARU These will be in serial order, a fresh serial being started for each accounting year.
10. In the case of distribution projects, work authorisation, cost group and project codes may be almost similar in certain cases. For example, the project may involve initial service connections in an urban colony. The cost groups will be service connection and metering equipment. The work authorisation will be for installation of service connection. Despite this equivalence, separate project accounting records must be maintained for project, cost group and work authorisation..

To illustrate the terminology and coding structure, an example is provided in Appendix III.

To implement the project accounting system, a system of project accounting records has to be maintained. Maintenance of project Accounting records requires a clear understanding of the activities normally associated with a major project and the relevant accounting policies laid down in ESAAR.

2.3 Activities associated with the project

In the case of major Generation, Transmission, Civil projects the following broad steps are normally involved.

1. Initial Survey
2. Submission of Feasibility report
3. Sanction of Project
4. Preparation of Detailed Project Report, detailed estimates.
5. Pre - Construction Activities.
6. Construction of project.
7. Completion of project and trial.
8. Commissioning of project.

Sanctioned projects are allocated funds on an annual basis, taking into account the project schedule. Funds allocated for each project are specified in the Annual Budget. Further, detailed estimates provide budgeted costs for various assets to be constructed during the project. At the time of execution of a project several works will be authorised for each of which a financial estimate is sanctioned.

In the case of other transmission schemes and distribution projects, Schemes are executed on an ongoing basis. The steps involved are:

- 1 Sanction or Scheme
2. Execution of Scheme (including pre-implementation activities).
3. Energisation /Commissioning.

2.4 Relevant Accounting Policies

Accounting policies describe specific cost components of assets. These costs must be identified and allocated to the cost of the project and various assets. The capitalisable costs may be classified into:

1. Direct capitalisable costs
2. Indirect capitalisable costs.

Direct capitalisable costs :

These costs can be directly identified to assets for which they are incurred. These include :

Cost	Policy Reference – Ele(Supply)	(Annual Accounts) Rules 1985
1. Material related costs	2.5 to 2.6	Annexure III
2. Outside Labour/Contractor charges	2.8	Annexure III
3. Cost of Acquired Assets	2.7, 2.18 to 2.20	Annexure III

Indirect Capitalisable Costs include :

Cost	Policy Reference – Ele (Supply)	(Annual Accounts) Rules 1985
1. Employee costs of Board’s staff	2.9 to 2.10 and 1.3 of	Annexure III Annexure V
2. Expenses chargeable to Capital works	2.11 to 2.12	Annexure III
3. Capitalisation of Depreciation	2.13	Annexure III
4. Subsequent increase / Decrease in costs	2.16 to 2.17	Annexure III
5. Expenditure on project identification, survey and feasibility studies	2.3 of	Annexure III
6. Finance related cost	2.90 to 2.97 of 1.42 to 1.43 of	Annexure III & Annexure V

The method of allocation of staff costs and expenses over various assets is given in para 1.4 of Annexure V of ESAAR.

As explained in Policy allocation may be;

1. To each capital job or
2. To Group of Capital jobs
3. To project, to various assets
4. To group of projects and to various assets.

While allocation of indirect costs of a project can be done to each capital job under PAS, this may not be warranted for the purposes of budgeting, control and accounting. Hence normally allocation is to be done to each project and within each project, to each cost group.

In a large project, several assets may be created over the duration, of the project, at different points of time. The question arises as to whether allocable indirect costs should be allocated to the cost of various assets.

- (i) At the time of commissioning of each asset.
- (ii) At the time of completion of projects.

To avoid accounting complexities, it is recommended that such allocation be done on commissioning of the entire project. However capitalisation of individual assets should not be with-held for the reason that allocable costs have not been capitalised. On completion of projects such expenses may be capitalised and relevant adjustments may be made in the Fixed Asset records.

In the case of distribution projects with duration of less than 1 year, allocation may be made at the end of each year.

Since such allocable costs represent addition to the cost of assets, retrospective reworking of depreciation under the condition specified under para 2.65 of Annexure - III may be carried out.

2.5 PROJECT ACCOUNTING RECORDS (PAR)

2.5.1. Project Account Records (PAR) will primarily comprise of the Cost Group **Ledger** and work group ledger. These will be maintained in loose leaf form to enable constant update by addition of cards for new cost group/work group and removal of cards for closed Cost Group or Work Group. In addition to the above, capitalisation **reports and statements** of allocation of expenses over capital assets shall also be prepared.

2.5.2. Location for Maintenance of records :

(1) The PAR will be maintained at the Account Rendering Unit assigned with the task. Normally it would be the ARU where the financial accounting for the project such as passing of bills of contractors, accounting for materials for the project, payment and accounting for employee costs for employees on the projects and is physically close to the location of the project.

(2) Certain projects such as transmission lines projects may span over a large geographical area and therefore may involve several ARUs. The FAR also need to be

maintained at those ARUs, in which case responsibility for maintenance of PAR or a part of the PAR must be clearly defined for such ARU from time to time. The demarcation could be with reference to cost/ work groups in such cases. At the project planning stage, one of the ARUs unit be designed as a 'Co-ordinating ARU responsible for consolidation of project costs.

2.5.3 Transactions on behalf of ARUs which maintain PAR

(a) Levels of Authority for passing and paying bills for capital expenditure, arrangement of funds at different locations and the extent and purpose for which payments can be made at a location, technical consolidation involved in respect of purchase, installation of capital requirements and such other factors may affect the location of approving and recording capital expenditure. For example.

- (1) one ARU passes the bills for the capital expenditure incurred and recorded at other ARUs.
- (2) One ARU makes payment of advance and payments against bills for the capital supplies and work at another location.

(b) The unit which passes the bills and/or makes payments for capital supply/works would treat such transactions as inter unit transactions. The ARU which maintains PAR will debit CWIP. The inter-unit transfer notes raised by one ARU should contain the required details to enable recording in PAR maintained at the other ARU.

2.5.4 System of Maintenance of Project Accounting Records:

The system for maintenance of PAR is outlined hereunder:

- (1) ARU responsible for maintenance of PAR will spell out clearly the codes to be used.
- (2) Loose leaf cards shall be opened for a cost group or a work group (WG).
- (3) Source documents/operating documents viz, vouchers, documents for stores transactions, inter-unit transfer notes etc shall bear these codes to enable proper recording.
- (4) ARU will check the coding of operating documents.
- (5) Transactions shall be recorded in PAR from individual documents in most cases and in some cases through a listing or abstract in other cases.
- (6) Entries in WG ledger (WGL) shall be for transactions relating to the work group only. The entries in Cost Group Ledger (CGL) will be for total amount booked during the month in all the WG under a Cost Group.
- (7) The total expenditure recorded under all the WGs under a Cost Group will be reconciled with the expenditure booked for that cost group in the CGL.

- o at the end of the 1st quarter
 - o at the end of the 2nd quarter
 - o at the end of the 3rd quarter
 - o at the end of February, and
 - o at the end of March every year
- (8) Similarly the balance in CGL will be reconciled with the balance in the account for the respective project in the General Ledger at the end of periods referred above.
 - (9) Cards for completed WG will be stamped 'Completed' but be retained in the WGL until all the WGs under a cost group are completed at which time all those WG Cards will along with the card for the relevant cost group be kept in a separate loose leaf ledger for completed cards.
 - (10) On closure of a project, all the cards for that project will be bound together and stored.
 - (11) In some cases, a copy of the document or abstract is proposed to be provided to the ARU concerned in order to expedite entries in 'Project,' Accounting Records. Copies of such documents and abstracts should also be stored properly to enable easy access to those as and when needed.
 - (12) It may be pertinent to note here, that project Accounting and Capital Expenditure Accounting complement each other and are two of the most important areas of accounting in the whole organisation. Thus it is essential that the PAS and Capital Expenditure Accounting System are meticulously followed to benefit from accurate and up-to-date data.

2.5.5 Process of building up of PAR:

Expenses recorded in various operating documents are summarised in the work group ledger when the monthly totals are posted in Cost Group Ledger. For practical reasons some of the expenses which are allocated need not go down to work group ledger. Hence such expenses are posted directly to cost group ledger. From the Cost Group Ledger, Asset Cards are built up. Two Asset Cards are to be prepared, of which one copy will have to be forwarded to Head Office.

However, in the case of transformers three cards have to be prepared of which two cards have to be forwarded to Head Office.

VOLUME	III	CAPITAL EXPENDITURE AND FIXED ASSETS
PART	III	ACCOUNTING SYSTEM
CHAPTER	III	TRANSFORMER AND METER ACCOUNTING

3.1 INTRODUCTION

Transformer accounting is being dealt with under a separate chapter for two reasons:

- (i) The volume of transactions relating to transformers is very high.
- (ii) Arising from the above are accounting complexities that need to be clarified

Transformer transactions fall into the following categories.

- (i) Acquisition
- (ii) Erection
- (iii) Return of faulty transformer to Store
- (iv) Replacement of old transformer by another transformer.
- (v) Retirement, Scrapping, sale of transformer.

Transformers can be classified into

- (i) Transformers with rating of above 100 KVA
- (ii) Transformers with rating of 100 KVA or below:

Another classification is that based on function

- (i) Distribution Transformers
- (ii) Other Transformers

This chapter explains the accounting procedure for transformer transactions by

- (i) Defining the responsibility for the procedure.
- (ii) Explaining how the procedure is to be carried out.

3.2 ACCOUNTING POLICY

A correct interpretation of accounting policy is necessary for proper accounting treatment. The relevant extracts of accounting policy are reproduced below :

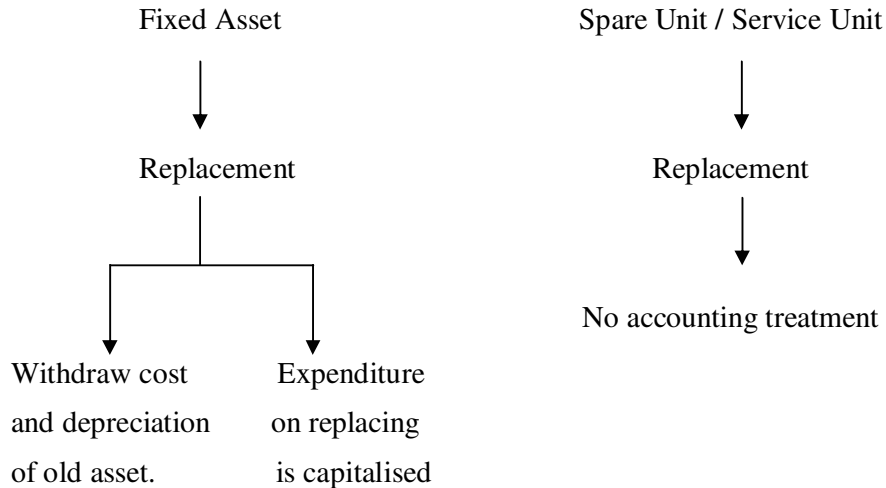
Para 2.30 Replacements :

Replacements can be defined as substitution of one fixed asset by another, particularly of an old asset by a new part'. Expenditure on minor replacement shall be charged to "Revenue" as 'Repairs and Maintenance Expenditure". Major replacement expenditure shall be capitalised. However, the cost and accumulated depreciation of the old replaced asset shall be withdrawn when the expenditure on the new replacing asset is capitalised. A broad intention of distinguishing minor and major shall be that replacement of any asset or part thereof for which a separate fixed asset record is required shall be considered a major replacement".

Para 2.88 Spare Units / Service Units.

- (3) When the original units are removed for repairs or maintenance and the spare units are installed no accounting adjustments are necessary”.
- (5) No accounting entry will be passed when the repaired unit is installed back in the place of the spare unit and spare unit installed earlier is removed and brought back to store.

The above paras may be summarised as follows:



If a transformer were treated as any other fixed asset, every time a transformer is replaced, capitalisation and with-drawal entries will have to be passed. In view of the high frequency of transformers replacement transactions, accounting for transformers each time they are replaced may lead to accounting complexities. Hence, it is necessary to accord the same accounting treatment to transformers as is to be accorded to spare units/service units.

It must be carefully noted that transformers are not to be equated to spare/service units in the distribution side. The reasons for this is that in the Distribution function, transformers may not strictly fall within the definition of spare units/service units.

To summarise, no accounting entries for capitalisation of transformers at the time of replacement need be passed. In distribution, transformers may be capitalised under the head ‘Transformers’. In generation and Transmission function, where a clear cut distinction between active transformers and spare transformers is possible, transformers may accordingly be classified into.

- Transformers (10 group)
- Spare Units/Service Units (11.2 group)

3.3 ORGANISATION:

In respect of Distribution transformers, the organisation units are –

1. Distribution Circle. (ARU)
2. Transformer & Meter Repair Stores (T.M.R. STORES)
3. Distribution Divisions. (ARU)
4. Distribution Sections.

Accounting for transactions of TMR Stores is to be carried out by Distribution Circle to which the TMR is attached.

Accounting for transactions of Distribution Sections is to be carried out by Distribution Division.

In respect of other transformers, Centralised Circles are ARUs.

3.4 ACQUISITION COST, CAPITALISATION & ACCOUNTING

3.4.1. COST

Transformers may be capitalised after they have been put in a usable condition. 'Cost' shall include all actual costs incurred to prepare the asset for use. In particular, the following costs may be added (allocated) to cost of the transformer.

- (i). Freight on local capital equipment.
- (ii). Testing charge - Capital equipment.
- (iii). Incidental Store Expenses – Capital equipment.
- (iv). Octroi on Capital equipment.
- (v). Advertisement for tenders etc. for purchase of capital equipment.

3.4.2. ACCOUNTING

On purchase of transformer and stacking the same at the TMR Store cost including freight charges shall be accounted by Distribution Circle.

Capital Material purchase (Transformer) (22.203)	Dr.
Liability for Supply (42. 1xx)	Cr.

Subsequently on the issue of transformers by Store to Field Offices, the following entry will be passed.

If Issue is by Centralised Circle Store

Spare Unit/Service Unit	(11.2)	Dr.
Capital Work in Progress	(14.xxx)	Dr.
Material Issue – Capital	(22.303)	Cr.

If Issue is by TMR Store, the entry at the issuing store will be

Inter Unit - Materials	(31.xxx)	Dr.
Material Transfer Outward	(22.423)	Cr.

This transaction will be documented by an MRCI, copies of which will be forwarded by issuing store to the Distribution division. Based on MRCI the Division will pass the following journal entry.

Material Transfer Inward.	(22.403)	Dr.
Inter Unit Materials	(31.xxx)	Cr.
Capital Work in Progress	(14.xx5)	Dr.
Material Issue Capital.	(22.303)	Cr.

The MRCI must bear specific numbers for each transformer (new) that is issued CWIP value must be recorded in the scheme-wise work authorisation ledger.

On erection of transformer, the field engineer must record the same in his measurement book. He must also, after carrying out such tests as are necessary, prepare a technical completion certificate.

The measurement book, bills and Technical Completion Certificate must be forwarded to the ARU concerned. (Distribution Division / Centralised Circle). The [technical completion certificate](#) (T. C. C) must bear the transformer reference numbers for linking with relevant M R C I To arrive at correct cost of transformers, all bills for capitalisable expenses such as erection expense, testing charges etc., must bear the relevant transformer reference number.

At the time of passing such bills, two journal entries will be passed.

Administrative Expense	(76.xxx)	Dr.
Capital work in Progress	(14.xx5)	Dr.
Bank/Liability for supply		Cr.
(76.900) Administrative Expenses charged to Capital Works		Dr.
Administrative Expenses	(76.xxx)	Cr.

The journal must also bear the relevant transformer reference number. At the end of each month, using the transformer reference number capitalisable administrative expenses may be added to the cost of the transformer by passing the following entry.

Capital work in Progress	(14.xx5)	Dr.
Administrative expenses charged to capital works (76.900)		Cr.

Based on the TC Cs received for the month, the Accounts Section of the ARU (Distribution Division/Centralised Circle) must prepare a capitalisation sheet for each transformer at the end of the month. The capitalisation sheet must incorporate all costs necessary to bring the transformer into an usable condition.

3.4.3 CAPITALISATION

In the ARU concerned the capitalisation sheet will be used to pass the following journal entry

Transformer A/c	(10.54x)	Dr.
Capital Work in Progress	(14.xx5)	Cr.

Based on capitalisation sheet, at the end of each month Fixed Asset record will be prepared for each transformer. At the end of each year. Distribution Divisions will

transfer all Fixed Asset records relating to Transformers along with relevant Capitalisation Sheet to Distribution. Circle Office.

Accounting Entries in the Books of Division

Inter Unit - Fixed Assets A/c Dr. (32.xxx)

Transformers Cr. (10.54x)

Accounting Entries in the Books of Circle

Transformers A/c Dr. (10.54x)

Inter Unit - Fixed Asset A/c. Cr. (32.xxx)

Transfer of Fixed Asset Cards will be only to those Circles which have TMR Stores.

Subsequent accounting for transformers will be carried out by Distribution Circle. Depreciation on new Transformers will be provided by Circle from the subsequent year.

3.5 Expenditure / Movement subsequent to Capitalisation

No accounting adjustments are necessary at the time of return of transformers from Section to TMR/Circle Store. No accounting adjustments are necessary at the time of installation of Transformer in place of transformer sent for repair.

Any expense incurred on shifting of asset, reinstallation charges, repairs etc may be treated as revenue expenditure.

However, it is necessary to maintain numerical control over transformers. For this purpose it is necessary to:

- (1) Prepare Transformer Transfer Notes-TTN is to be prepared in 6 copies by the issuing authority. Hence where transformers are sent for repair, the Site Engineer will prepare TTN. Similarly when transformer is issued as replacement, TTN has to be prepared by Engineer in charge of TMR Store. When transformers are issued by TMR Store to the workshop/contractors, Material Transfer Note has to be prepared by TMR Store. On return of repaired transformers by Workshop or Contractors, Field Return Note or Contractors Material Return Note respectively are to be prepared.

- (2) Maintain Transformer control Register at

- (1) Circle Office
- (2) TMR Store
- (3) Work shop
- (4) Section Office

Procedures :

3. 5. 1 Return of Transformer to TMR Store for repair

- (1) Section Engineer prepares TTN in 6 copies. He retains 1 book copy and forwards 5 copies to TMR Store.
- (2) TMR Store carries out visual inspection and returns one copy of TTN to Section Engineer as acknowledgement for inspection.

- (3) TMR Store will retain 1 copy of TTN and forward 3 copies to Circle Office.
- (4) Based on TTN. TMR Store will make entry in its Transformer control Register.
- (5) If return of transformer is from one section to TMR of same region, Circle need' not pass accounting entries. Instead, it will make entries only in its Transformer Control Register.
- (6) If return of Transformer is from Section of one region to TMR of another region Inter Unit Accounting is necessary. It will forward two copies of TTN to Circle to which the Section is attached.

On receipt of TTN the 'sending' Circle will confirm with Section Office that the Section has issued the Transformer to TMR. On confirmation it will send one acknowledged TTN to the 'receiving Circle' along with Fixed Asst record. The sending Circle will pass the Journal entry.

Inter Unit - Circle	(32.xxx)	Dr.
Provision for Depreciation	(12.501)	Dr.
Transformer	(10.54x)	Cr.

On receipt of acknowledged TTN and fixed asset record the 'receiving Circle' will pass the following journal entry.

Asset Transfer Inward		Dr.	(11.405)
Provision for Depreciation - Asset Transfer Inward		Cr.	(13.405)
Inter unit - Fixed Asset		Cr.	(13.xxx)
Transformer		Dr.	(10.54.x)
Asset Transfer Inward		Dr.	(11.425)
Provision for Depreciation Transformer		Cr.	(12.501)

In respect of the assets transferred between accounting Units during the year, the accounting Unit which held the assets at the beginning of the year, shall charge full year's depreciation on the transferred asset and no depreciation on the assets shall be charged by the transferee location.

3.5.2 *Replacement of transformer*

T M. R. Store will prepare 6 copies of TTN. It will send 2 copies of TTN to receiving section and 3 copies of TTN to Circle to which it is attached. Clear distinction between new transformers and replacement transformers is to be maintained.

3.5.3 *Issues to Workshop/Contractor*

MTN will be prepared by TMR Store in 3 copies. It will issue one copy to workshop/ Contractor; one copy to Circle and retain I Book copy. No Accounting is required.

3.5.4 Return of repaired Transformer by Workshop

FRN will be prepared by workshop in 3 copies. It will issue one copy to TMR Store, 1 copy to Circle and retain 1 book copy.

3.5.5 Transformer Control Registers

- (1) TMR Store will record in this register Section wise & KVA rating wise details of transformers.

Details include - Opening Balance

Receipts from (1) Section

(2) Workshop

(3) Contractors

Issues to (1) Section

(2) Workshop

(3) Contractors

Closing Balance on hand

- (ii) Workshop will maintain details to show

(i) Receipts

(ii) Issues

(iii) Closing Balance

- (iii) Distribution Section will maintain details to show:

Opening Balance

Replacements

New Transformer

Issues

Closing Balance

Each of the above will forward a quarterly Transformer stock statement to the relevant Distribution Circle.

- (iv) Distribution Circle will maintain Transformer Control Register

(1) Section wise

(2) TMR Store wise

(3) Workshop wise

It will have to reconcile

(1) Transformer control Register

(2) Transformer Stock summary

(3) Fixed Asset records

3.6 *Scrapping of Transformers by TMR Store*

The procedure for scrapping is similar to that of other assets. The TMR Store must prepare Transformer/Meter Scrap Report and forward the same to the Circle Office. On approval for scrapping by relevant technical authority, the Circle Office will pass the following journal entry:

16.1xx	Written down value of obsolete /scrapped Asset	Dr	Cr
		XX	
12.xxx	Provision for depreciation	XX	
10.xxx	Fixed Asset		XX
	(Data Source – Asset Card)		

A copy of approved Transformer / Meter scrap report will be returned to TMR Store. The TMR Store will record the scrapped transformer (s) as Issue in the Transformer Control register. They will enter details in the scrapped Transformer Register.

3.7 *Numbering of Transformers*

In order to maintain numerical control and to link transformer related costs for the purpose of capitalisations, every transformer (old and new) should bear a transformer reference number. The following coding structure is recommended.

Transformers with KVA rating less than 1000 KVA

(i) Each transformer may be a 10 digit code preceded by a fixed alphabet 'D'

(ii) Constituents of the code shall be:

Standard 1 st character	=	'D'
Year of purchase	=	2 DIGITS
Capacity	=	3 DIGITS
Serial No	=	5 DIGITS

(iii) Code for capacity shall bear the following codes depending on Capacity. The code will equal the rounded off KVA rating. To Illustrate,

Capacity Rating	Code
25 KVA	025
50 KVA	050
63 5 KVA	063
50 KVA	250

(iv) Serial number shall be assigned by Head Office on a cut off date within the following framework-

Southern Region	- TMR, Trivandrum and distribution Offices falling in this region	00001-15000
Central Region	- TMR, Pallom and distribution Offices falling in this region.	15001-30000

Northern Region - TMR Shoranur and distribution Offices
falling in this region

30001-45000

Hence transformer located at TMR Shoranur on the cut off date could be assigned the following number if its year of purchase is 1978 and capacity is 100 KVA.

D	78	100	30001
Alphabet	Year	KVA	Serial
Static	Code	Rating	Code
Code			

Transformers with KVA rating greater than or equal to 1000 KVA, i.e. 1 MVA will have the following coding Structure

- (i) Static first alphabet digit - 'M'
- (ii) Year Code - two digit
- (iii) KVA Rating - three digit
- (iv) Serial code - four digit (0001 to 9999)

3.8 Accounting for Meters

- (i) Accounting for purchase and issue of meters is similar to that prescribed for other materials
- (ii) On installation of meters. Distribution Section has to forward Monthly Report of Service Connections (SCR).
- (iii) Division to capitalise Meters based on SCR with reference to MRCI rate for the month by preparing Capitalisation sheet.

Service Connection	(10.621)	Dr.
Capital work in progress	(14.xx6)	Cr.

- (iv) At the end of the year, Meter cost to be transferred to Circle concerned.
- (v) Transfer will be documented by Asset Transfer Note & FAR for all new meters during the year. Each Fixed Asset Record to represent cost of Block of Meters installed during the accounting year under the ARU.
- (vi) Accounting entry for transfer of Service Connection Account from Division to Circle is as follows:

Division:

Inter Unit - Fixed Asset	Dr.	(32.xxx)
Service Connection	Cr	(10.621)

Circle

Service connection	Dr.	(10.621)
Inter Unit - Fixed Asset	Cr.	(32.xxx)

- (vii) Depreciation on Service Connection to be provided from the year subsequent to the year of Capitalisation.
- (viii) No accounting for movement of meters within the Board subsequent to capitalisation.
- (ix) Scrapping procedures similar to those of transformers
- (x) Numerical Registers to be maintained by
 - (1) Circle
 - (2) TMR Store
 - (3) Section
 - for movement of Meters
 - (1) From Section to Circle
 - (2) Section to TMR
 - (3) Circle to TMR
 - (4) TMR to Circle
- (xi) Circle to reconcile numerical records with Fixed Asset records at the end of each year.

VOLUME	III	CAPITAL EXPENDITURE AND FIXED ASSETS
PART	IV	INFORMATION SYSTEM AND INTERNAL CONTROLS
CHAPTER	I	INFORMATION SYSTEM

1 A satisfactory return on investment is the financial objective of any organisation. In the Board major chunk of the investment is in fixed assets. It becomes necessary to closely monitor the asset information, its maintenance, its utilisation and its recording. So Board controls the capital expenditure as follows.

1. Control of capital projects through planning
2. Capital expenditure budgeting
3. Capital expenditure authorisation
4. Capital expenditure recording
5. Capital expenditure reporting
6. Profitability evaluation of capital expenditure

2 In this chapter reporting of capital expenditure and related matters are discussed.

3 Reports fall into the following categories

- Reports to the Board
- Reports to Institution
- Reports to Government

3.1 Reports to the Board

1. Progressive capital expenditure statement :

This report gives the expense incurred for a particular project at given point of times. A consolidated statement of this gives the capital expenditure of the Board.

2. Scheme-wise cash flow:

This is prepared monthly to reflect the cash outflow for projects.

3. Fixed assets Blocks :

This gives the total fixed assets owned or controlled by the Board at a particular point of time.

3.2 Reports to Institution:

Various lending/financial institutions often call for detailed reports in their prescribed formats.

There will be frequent inter connection with the REC (Rural Electrification Corporation) as they give funds for electrifying various villages on a continuing basis.

3.3 Reports to Government

State Government, Central Government and Central Electricity Authority (CEA) call for various capital expenditure reports in the formats prescribed by them.

4 Return of Assets

Government of India has prescribed a minimum return of 3% on Capital assets which can be enhanced by Government of Kerala. The computation methods are given in the Annual Accounts Rules.

5 Depreciation

Depreciation rates are prescribed by the Government of India and the depreciations are charged on the assets at the beginning of the year. Straight-line-method of calculation is adopted for normal reporting purpose. Often for estimate purposes 3% on asset added is computed and clubbed with previous years' depreciation to arrive at the depreciation for a particular year. This method may be re-evaluated depending on actual depreciation and other developments.

VOLUME	III	CAPITAL EXPENDITURE AND FIXED ASSETS
PART	IV	INFORMATION SYSTEM AND INTERNAL CONTROLS
CHAPTER	II	INTERNAL CONTROLS AND INTERNAL AUDIT

1. Fixed assets include tangible and intangible assets. Examples of intangible assets are patents, goodwill etc. The fixed assets will have a service life more than one year and in the normal course these assets are used for the purposes of the business and not expected to be sold.

2. Objectives of the audit

- to determine whether the fixed assets are properly recorded as per the policies of the Board and generally accepted principles.
- to ensure the policies and principles are consistently applied.
- to establish the existence of assets
- to ensure the charging of depreciation is correctly done both arithmetically and as per policies and principles.
- to assess the operation of internal controls.

3. Internal Control Measures

Board's investment on fixed assets is sizable and therefore special attention is to be given in auditing the fixed assets and capitalisation procedures.

Internal control include the following steps :

1. Preparation and use of Budgets
2. Budget sanction for capital expenditure shall be approved by the Board
3. Approved budgets shall be communicated to the relevant divisions and variations from the budgets shall be constantly monitored.
4. There shall be written authorisation for incurring capital expenditure for items included in the Budget.
5. Authority for incurring Capital Expenditure shall be restricted to competent officers.
6. All capital works shall be constantly monitored to ensure that amount spent does not exceed the authorised Budget.
7. Supplemental authorisations shall be required for expenditures exceeding authorisations.
8. Appointment of contractors etc. shall be done only by authorised persons only, after verifying the competence, capacity and other factors of contractor.
9. Completion of work shall be physically verified by competent officials as regards to its standards, completeness etc. and shall be certified. Use of measurement Book (M. Book) is a must.

10. There shall be written authority for scrapping or selling any fixed assets; such authority shall be restricted to few competent officials.
11. Procedure for transfer of assets from one location to another shall be in accordance with the established procedure in force prescribed by the Board.
12. All transactions regarding sale of an asset, scrapping of an asset or transfer of an asset from one location to another shall be intimated to Head Office, who shall also up-date the Fixed Asset Records immediately.
13. Competent official shall periodically ensure that all expenses whether revenue or capital is properly allocated to respective works and apportioned in accordance with the Board's accounting policy.
14. Fixed Asset Record shall be properly updated and the individual balance shall be tallied with balance in the General Ledger.
15. There shall be a record, listing all title deeds and security (including the securities lodged by bidders and contractors) of properties.
16. Such securities and title deeds shall be kept under proper custody.
17. Fixed Assets shall be adequately insured; value and type of insurance shall be properly decided / authorised by a competent official. (This needs a specific decision of the Board).
18. Fixed Assets shall be physically verified periodically.
19. Report on such verification shall set out details of irregularities, conditions of fixed assets, damaged / obsolete assets etc.
20. Damaged / obsolete assets, after proper approval shall be removed from Asset Register and financial records.
21. Fixed Asset shall be written off only on proper authorisation of Board.

4. A **specimen audit programme** is given below:

4.1 Evaluation of Internal Control.

4.2 Assets.

Land

Building

Hydraulic works

Other Civil works

Plant and machinery

Lines, Cables Net work etc.

Vehicles

Furniture and Fixtures

Office Equipment

Spare units, Service units

Capital spares at generating stations

Assets Transfers - Inward & outward
Assets Taken-over from Licensee
Depreciation
Capital work-in-progress
Contracts-in- progress
Revenue Expenses pending allocation over capital works
Provision for completed work
Construction facilities
Assets not in use
Deferred costs
Intangible Assets
Repairs and Maintenance

4.3 Expense Allocation

- Interest
- Other expenses
- Staff costs
- General Expenses
- depreciation, etc

4.4 Subsystem of Accounting

- WIP accounting
- Process Accounting
- Project Accounting
- Contracts accounting
- Reconciliation with General ledger
- Coding used

4.5 Capitalisation

- Value
- Completion Report
- Consumption Slip/Statement
- Technical Completion Report
- Use of M.Book

4.6 Fixed Asset Records

- Value capitalised
- Custodianship
- Title deeds
- Insurance coverage, if any

- Small tools
- arithmetical accuracies
- 4.7 Depreciation, write off, Amortisation. etc.
 - Computation
 - Small value write off
 - allocation between capital and revenue
 - Compliance with legal requirement
- 4.8 Disposals, withdrawal, Retirement, etc.
 - Value withdrawn
 - Scrapping
 - Obsolescence & disorbing
 - Sale, Capital gains/ loss
 - Disposal procedure compliance
 - Approval for disposals. etc.
- 4.9 Miscellaneous
 - Utilisation of assets
 - Taxes on property, vehicles, etc. & its payment
 - Income Tax Compliance & its accounting
- 4.10 Repairs and Maintenance
 - accounts heads and classification of expenses
 - materials consumed
 - expenses incurred
- 4.11 Budgetory Control
 - annual budget
 - project budget
 - work authorisation
 - work order
 - end use statement
 - matching actuals with budget
 - auditing of highlight reports
 - monthly accounts
- 4.12 Annual Accounts
 - compliance with classification, allocation, entries, etc.

The [accounting entries](#) relating to Capital Expenditure and Fixed Assets have been mainly classified as Standard Journal Entries (SJE) and Non-Standard Journal Entries (NSJE) as in the case of Sale of Power Accounting, Materials Accounting, etc. Almost all Journal Entries which can be foreseen or anticipated have been standardised and grouped under SJE with serial number blocking from 101 to 2000. If an ARU has to propose any Journal Entry which has not been standardised and included under any of the categories of SJE, the compilation section of the Unit should propose the entry treating it as a Non-standard Journal Entry giving serial number blocking from 2001 onwards. Such NSJE which are of recurring nature will be standardised by the Head Office and included under the relevant categories of the SJE.

	Type of Journal Entry	Serial number blocking
I.	Standard Journal Entries	SJE FA 101 to 2000
	A) Regular Journal Entries	“ “ 101 to 300
	B) Inter-unit Journal Entries	“ “ 301 to 400
	C) One-time Journal Entries	“ “ 401 to 500
	D) Rectification Journal Entries	“ “ 501 to 700
	E) Head Office Journal Entries	“ “ 701 to 900
	F) Memoranda Journal Entries	“ “ 901 to 1000
	G) Year End/ Beginning Journal Entries	“ “ 1001 to 2000
II.	Non-Standard Journal Entries	NSJE FA 2001 onwards

I STANDARD JOURNAL ENTRIES

(A) REGULAR JOURNAL ENTRIES

SJE FA 101 to 300

SJE	FA 101	For Expenditure incurred before Sanctioning of the project
Dt	xx. xxx	Relevant account for expense
Cr	xx.xxx	Bank/Imprest/Liability

SJE	FA 102	On transferring the expenditure of survey to a separate account
Dt	17.3 xx	Expenditure on Survey/Feasibility Studies of Project not yet sanctioned
Cr	76.9xx	Administrative & General Expenses charged to Capital Works. Data Source : General Ledger

SJE	FA 103	If the Project is sanctioned
Dt	14 xxx	Capital Work- in-progress
Cr	17.3xx	Expenditure on Survey/ Feasibility Studies of projects not yet sanctioned Data Source : General Ledger

SJE	FA 104	If the Project is rejected
Dt.	79 532	Infructuous Capital Expenditure written off
Cr	17.3xx	Expenditure on Survey/Feasibility Studies of projects not yet sanctioned. Data Source : General Ledger.

SJE FA 105 If the detailed feasibility was carried out by Board's staff
Dt. 15.201 Capital Work-in-Progress-Revenue
to 209 Expenses Reclassified
Cr. 76.900 Administrative & General Expenses charged to Capital Works.
Cr. 75.900 Employee costs charged to capital works
Data Source: General Ledger.

SJE FA 106 On sanction of Project
Dt. 14.xxx Capital Work-in-Progress

Cr. 15.201 Capital Work-in-Progress Revenue
to 209 Expenses Reclassified
Data Source : General Ledger

SJE FA 107 On completion of the Project Cost allocation over assets
Dt. 14.xxx Capital Work-in-Progress

Cr. 14.xxx Capital Work-in-Progress
Note : Debit 14. is followed by Cost Group for asset codes.
Credit 14 is followed by Cost Group for survey / feasibility.
Data Source : General Ledger

SJE FA 108 a) Purchase of land
b) Acquisition of land
c) Acquisition of lease rights of land
d) Land acquisition expenses, agreement fee, etc.
e) Land development costs.
f) Compensation for trees and crops on the land.
Dt. 14.xxx Capital Work-in-Progress.
Cr. 42.2xx Sundry creditors control account – capital supplies.
Cr. 24.xxx Cash/Bank
Data Source : Sale/acquisition deed, agreement etc.

SJE	FA 109	On Capitalisation of Land Cost
Dt.	10.101	Land owned under full title
Dt.	10.102	Land held under lease
Dt.	10.103	Cost of land development on lease-hold land
Dt.	10.104	Cost of land development not of enduring nature
Cr.	14.xxx	Capital Work-in Progress.

SJE	FA 110	For materials received directly at site
Dt.	14.xxx	Capital work-in-progress
Cr.	42.1xx	Liability for supply of material to works-capital Data Source : Invoice, SGRN analysis sheet

SJE	FA 111	For Freight / Octroi on Capital Equipments
Dt.	76.210	Freight on Local Capital Equipments
Dt.	76.251	Octroi on Capital Equipments
Cr.	46.410	Sundry Creditors for expenses
Cr.	24.xxx	Imprest or Bank Data Source : Imprest sheet, Invoice etc.

SJE	FA 112	Expense paid by Board – Recoverable from Suppliers.
Dt.	28.810	Expense recoverable from suppliers
Cr.	24.xxx	Bank or imprest.

SJE	FA 113	On recovery of expenses recoverable from suppliers
Dt.	42.2xx	Sundry creditors control a/c – Capital
Cr.	28.810	Expenses recoverable from suppliers

Data Source: Subsidiary Register.

SJE	FA 114	Receipt of Tender Fee
Dt.	24.110	Cash
Cr.	62.364	Miscellaneous Income from sale of tender forms.

SJE	FA 115	Receipt of EMD
Dt.	24.110	Cash
Cr.	46.103	Capital Contracts - EMD

SJE	FA 116	Refund of EMD
Dt.	46.103	Capital Contracts - EMD
Cr.	24.4xx	Bank

SJE	FA 117	Forfeiture of EMD
Dt.	46.103	Capital Contracts - EMD
Cr.	62.918	Miscellaneous income – deposit forfeited a/c.

SJE	FA 118	Receipt of security deposit in cash
Dt.	24.110	Cash
Cr.	46.101	Capital Contracts – security deposit in Cash.

SJE	FA 119	Receipt of security deposit in cash
Dt.	46.101	Capital Contracts – Security Deposit in Cash
Cr.	24.4xx	Bank

SJE	FA 120	Receipt of Security Deposit – Other than in cash such as Bank Guarantee /FD/Investments.
Dt.	28.930	Securities from contractors
Cr.	46.102	Capital contracts – security deposit other than in cash

SJE	FA 121	Release of Security Deposits – Other than in cash
Dt.	46.102	Capital contracts – Security Deposit other than in cash
Cr.	28.930	Securities from Contractors

SJE	FA 122	Forfeiture of Security Deposit in cash
Dt.	46.101	Capital contracts – Security Deposit in cash
Cr.	62.918	Miscellaneous Income – deposits forfeited a/c.

SJE	FA 123	Forfeiture of security deposits – other than cash
Dt.	46.102	Capital contracts – security deposit other than cash
Cr.	62.918	Miscellaneous Income – deposits forfeited a/c.

SJE	FA 124	When the security deposit other than cash in realised
	24.110	Cash
	28.930	Securities from contractors in the form of Bank guarantee

SJE	FA 125	Advertisement expenses for Tenders, etc.
Dt.	76.260	Advertisement of tenders, notices and other purchase related advertisements.
Cr.	46.410	Sundry Creditors for expenses
Cr.	24.4xx	Bank

Date Source : Invoices from advertisement agencies.

SJE	FA 126	Legal charges for Agreements with Contractors
Dt.	76.121	Legal charges
Dt.	76.195	Stamp Fees
Cr.	46.410	Sundry Creditors for expenses
Cr.	24.4xx	Bank

Data Source : Invoices from legal adviser, and payments made for stamp paper purchase.

SJE	FA 127	Advance to contractors for capital works
Dt.	25.1xx	Advance to contractors for works (capital) – interest bearing
Dt.	25.5xx	Advance to contractors for works (capital) – interest free
Cr.	24.4xx	Bank

SJE FA 128 Issue of Materials to contractors – cost recoverable from them
Dt. 25.7xx Contractors material control a/c (capital)
Cr. 22.341
to
22.359 Materials issued to contractors

SJE FA 129 Return of such Materials
Dt. 22.361
to
22.379 Materials returned by contractors
Cr. 25.7xx Contractors material control a/c (capital)

SJE FA 130 Passing of Contractors' Bills
Dt. 14.xxx Capital work in progress
Dt/Cr. 25.7xx Contractors materials control a/c
Cr. 42.2xx Contractors' control a/c. – Capital
Data Source : Contractors Ledger

SJE FA 131 Recording the Consumption Statement for consumption out of materials issued to contractors (in respect of contracts where the contract value includes the value of such materials issued and consumed and therefore included in the debit to capital WIP by entry as above)
Dt. 42.2xx Contractors' control a/c
Cr. 25.7xx Contractors' materials control a/c
Data Source : Contractors bill.

SJE FA 132 Recording consumption statement in respect of contracts where the contract value does not include the value of such materials issued and consumed.

Dt. 14.xxx Capital Work in progress

Cr. 25.7xx Contractors materials control a/c

Data Source : Contractors bill

SJE FA 133 Adjustment of advance and recovery of rental, penalties etc.

Dt. 42.2xx Contractors control a/c – Capital

Cr. 25.1xx Advance to contractors for works (Capital)- Interest bearing

Cr. 25.5xx Advance to contractors for works (Capital) – Interest free

Cr. 46.924 Income Tax deducted as source from payments to contractors

Cr. 78.841 Interest on advance to contractors / suppliers

Cr. 25.7xx Contractors’ materials control a/c.

Cr. 62.999 Miscellaneous receipts a/c

Cr. 62.902 Rental from contractors

Cr. 62.910 Recovery for transport and vehicle expenses

Cr. 37.xxx Inter-Unit (Other adjustment)

Cr. 46.104 Capital contracts – Retention money from contractors

Data Source : Contractors Bill

SJE FA 134 Payment against passed bills of contractors

Dt. 42.2xx Contractors Control A/c. – Capital

Cr. 24.4xx Bank

SJE	FA 135	Release of Retention money
Dt.	46.104	Capital contracts – Retention money from Contractors
Cr.	24.4xx	Bank

SUPPLY – CUM CONTRACTED WORK ORDER

All entries will be similar, except that the account “Contracts-in-progress will be used, Instead of “Capital work-in-progress”.

SJE	FA 136	Contracts –in-progress
Dt.	15.1xx	Contracts –in-progress
Cr.	42.2xx	Contractors control a/c – capital

Note : Debit to contracts in progress will be project wise but not further analysed into main asset group.

Data Source : Contractors Bill

SJE	FA 137	On handing over, the value of the assets handed over will be transferred to capital work –in-progress a/c..
Dt.	14.xxx	Capital work in progress a/c
Cr.	15.1xx	Contracts in progress

Data Source : General Ledger and completion report.

CONSTRUCTION EQUIPMENT DEPLOYMENT

SJE	FA 138	On issue of equipment
Dt.	15.6xx	Construction facilities – (relevant sub-account)
Cr.	22.3xx	Materials issue (capital)

Data Source : MRCI

SJE	FA 139	On charging depreciation
Dt.	15.205	CWIP – revenue expenses reclassified a/c
Cr.	15.651	Provision for depreciation - construction facilities (relevant sub account)
	to	
	15.699	

SJE	FA 140	On return of the Construction Equipment to Stores after completion of work
Dt.	22.860	Surplus Assets on completion of project.
	to 869	
Dt.	15.651	Provision for depreciation on
	to	construction facilities
	699	
Cr.	15.601	Construction facilities
	to 650	

Data Source : Asset Return Note, Asset Card.

SJE	FA 141	On re-issue of the equipment for some other project
Dt.	15.601	Construction facilities
	to 650	
Cr.	15.651	Provision for depreciation on
	to 699	construction facilities
Cr.	22.860	Surplus assets on completion of projects
	to 869	

Data Source : Asset Transfer Note.

SJE	FA 142	On transfer of the equipment for use in O & M Works
Dt.	14.99x	Capital Work-in-Progress
Dt.	15.651	Provision for depreciation
	to 699	On construction facilities

Cr. 15.601 Construction facilities
to 650

Dt. 10.xxx Fixed Asset Accounts (Relevant sub-account)

Cr. 12.xxx Provision for depreciation (sub-account corresponding to the one
for fixed asset).

Cr. 14.xxx Capital work-in-progress
Data Source : General Ledger

Note : Capitalisation of construction facilities is to be routed through
CWIP (Gr.14) and booked under Fixed Assets (Gr.10) before
transfer to O & M Works.

RECLASSIFICATION OF REVENUE EXPENSES

SJE FA 143 For Reclassification of Expenses booked at the same
ARU/booked by another Unit and transferred to this unit.

Dt. 15.2xx CWIP – Revenue Expenses reclassified

Cr. 75.9xx Employee costs charged to capital works

Cr. 77.9xx Depreciation charged to capital works

Cr. 76.1xx Administration and general Expenses charged to capital works.

SJE FA 144 Charge of expenses to capital works in respect of expenses
incurred and recovered at other ARU's.

Dt. 15.2xx CWIP – revenue expenses reclassified

Cr. 76.902 H.O. supervision charges

SJE FA 145 Charging the Reclassified Revenue Expenses to Projects

Dt. 14.xxx CWIP – (sub account for the project)

Cr. 15.2xx CWIP revenue expense reclassified

SJE FA 146 On Commissioning of the Asset for which non-reversible
Provision is made

Dt. 10.xxx Fixed Asset

Cr. 14.xxx Capital Work in progress
Data Source : Estimate from M-Book

SJE FA 147 On receiving and passing contractors bill for the work covered by
non-reversible provision.

Dt. 42.6xx Provision for Liability to Contractors-non reversible

Dt/Cr. 14.xxx Capital work-in-progress

Cr. 42.2xx Contractors' Control A/c – capital

Note : The debit to Capital Work-in-progress account should be to
Project No.97 – “Difference in cost of other projects”, if

- (1) The project code is closed – for power station, transmission lines,
sub-station and other projects above Rs. One Crore.
 - (2) The Cost Group Code for the REC Scheme is closed.
 - (3) The relevant work authorisation for other project is closed.
-

SJE FA 148 To transfer the difference to the Asset Account

Dt./Cr. 10.xxx Fixed Assets

Dt./Cr. 14.xxx Capital work-in-progress

SJE FA 149 Purchase of capital spares

Dt. 14.xxx Capital work in progress

Cr. 24.4xx Cash/Liability

Cr. 42.1xx

Data Source : Invoice from Supplier (For Direct Purchase)

SJE FA 150 Entry for issue to capital work in progress
Dt. 14.xxx Capital work in progress (code for the project under which the
 purchase is made).
Cr. 22.3xx Materials Issue (Capital)
 Data Source : MRCI (For issue from stores)

SJE FA 151 Entry for immediately transferring the cost to spare/service units
 accounts
Dt. 12.2xx Spare units/service units
Cr. 14.xxx Capital work in progress
 Data Source: Journal Voucher.

SJE FA 152 Booking of Cost, Insurance & Freight
Dt. 22.201 Capital materials purchase account
 to
 22.219
Cr. 42.1xx Liability for supply of materials
 Data Source : Invoice / Purchase Order

SJE FA 153 Recording the statement of account from clearing agent
Dt. 22.201 Capital materials purchase account
 to
 22.219
Dt. 76.210 Inland Freight on capital equipments
Dt. 76.270 Incidental stores expenses
Cr. 27.801 Advance to clearing agent
Cr. 46.410 Sundry creditors for expenses
 Data Source : Suppliers Invoices

SJE	FA 154	If the equipments are placed in bonded warehouse instead of taking delivery
Dt.	22.740	Capital equipments and capital spares in bonded warehouse
Cr.	42.1xx	Liability for supply of materials (capital).
Note :		Later, on taking the delivery CIF value along with customs duty payable would be transferred to capital materials purchase account
		Data Source: Intimation from port.

**CONTRIBUTIONS, GRANTS & SUBSIDIES TOWARDS
COST OF CAPITAL ASSETS**

SJE	FA 155	Receipt of Consumers Contributions which
	-	Once received would not vary even if the actual cost of granting a connection is less or more than the estimate made at the time of receiving contribution and
	-	Which is not refundable
Dt.	24.xxx	Cash/Bank
Cr.	55.1xx	Consumers' Contribution (Consumer category wise sub-account)

SJE	FA 156	For receipt of Contribution which is more in the nature of a deposit until the exact amount of contribution payable is determined with reference to 'actual' cost of the connection etc, and for any receipt of short fall in the deposit already received.
Dt.	24.xxx	Cash/Bank
Cr.	47.xxx	Deposit against deposit work (Relevant Sub account)

SJE	FA 157	For Refund of Excess Deposit of the above nature or for refund of deposit on withdrawal of application by the applicant
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Reverse of above JE

SJE	FA 158	To transfer Deposit to Consumers' Contribution on releasing the connection (Statement of excess/shortfall of deposit is a must by the time the connection is released. If the contractors' bills are not received/passed, a provision should be made as discussed in earlier JE. Therefore this entry for transferring the cost from WIP to Fixed Asset Account).
Dt.	47.xxx	Deposit against Deposit works
Cr.	55.1xx	Consumers Contribution (Relevant Sub-account)

CONSUMERS CONTRIBUTION, SUBSIDIES AND GRANTS WHICH
ARE SUBJECT TO BOARD'S FULFILLING CERTAIN CONDITIONS

SJE	FA 159	If conditions are not fulfilled by the time of receipt of such amounts.
Dt.	24.xxx	Cash/Bank
Cr.	47.xxx	Separate sub-account under Deposit for Deposit works for each type of receipt

SJE	FA 160	On fulfilment of conditions
Dt.	47.xxx	Deposits for deposit works
Cr.	55.1xx	Consumers' Contribution
Cr.	55.2xx	Subsidies towards cost of capital assets
Cr.	55.3xx	Grant towards cost of capital assets

SJE	FA 161	On Refund of the amounts since the Board failed to fulfil the conditions Reverse of SJE FA 159
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SJE	FA 162	If conditions are already fulfilled by the time of receipt
Dt.	24.xxx	Cash/Bank
Cr.	55.1xx	Consumers' Contribution
Cr.	55.2xx	Grants toward cost of capital Assets
Cr.	55.3xx	Subsidies towards cost of capital Assets.

SJE	FA 163	Write-off of Small and Low value items
Dt.	77.6xx	Small and Low value assets written off
Cr.	14.xxx	Capital work-in-progress

SJE	FA 164	For charging depreciation on Fixed Assets
Dt.	77.101	
	to 77.299	Depreciation
Cr.	12.xxx	Provision for depreciation on Fixed Assets

Data Source : Fixed Assets Records

SJE	FA 165	For correcting errors in charging depreciation in past years
Dt.	83.6xx	Depreciation under-provided in past years
Cr.	12.xxx	Provision for depreciation

OR

Dt.	12.xxx	Provision for depreciation
Cr.	65.6xx	Depreciation over-provided in past years

Data Source : Fixed Asset Records

SJE	FA 166	After ensuring full particulars of the asset (transferred in) and the fixed asset records.
Dt.	10.xxx	Fixed Assets (relevant sub-account)
Cr.	11.421	
	to 11.429	Assets transfer inward classified to group 10

Dt.	13.421	
	to 13.429	Asset transfer inward provision for depreciation – reclassified to Group 12
Cr.	12.xxx	Provision for Depreciation

Data Source : Asset Card

SJE	FA 167	Charging depreciation on the assets transferred to another unit
Dt.	77.1xx	Depreciation
Cr.	77.2xx	Provision for depreciation
		Data Source : Asset Card

SJE	FA 168	Retirement of Assets (removal of assets from service at the end of the estimated useful life or beyond that)
Dt.	16.2xx	Written down value of retired assets
Dt.	12.xxx	Provision for depreciation
Cr.	10.xxx	Fixed Assets
		Data Source : Asset Card

SJE	FA 169	Scrapping of assets or segregation of obsolete assets (removal of an asset from service before the end of the estimated useful life of the asset)
Dt.	16.1xx	Written down value of obsolete/scrapped assets
Dt.	12.xxx	Provision for depreciation
Cr.	10.xxx	Fixed Assets
		Data Source : Asset Card

SJE	FA 170	For decommissioning and other costs
Dt.	77.520	Building/Civil works demolition costs
Dt.	77.530	Generating plant decommission costs
Dt.	77.540	Transmission lines/sub-station Decommissioning costs.
Dt.	77.510	Site restoration costs
Dt.	77.550	Other decommissioning costs
Cr.	xx.xxx	Cash/Liability
		Data Source : Invoice from Contractors

SJE	FA 171	Transfer of WDV to the sale account
Dt.	16.4xx	Sale of retired assets
Dt.	16.3xx	Sale of obsolete /scrapped assets
Cr.	16.2xx	Written down value of retired assets
Cr.	16.1xx	Written down value of obsolete/scrapped assets

Data Source : Survey valuation report and Asset Card

SJE	FA 172	Recording loss on sale of assets
Dt.	77.730	Loss on sale of assets
Cr.	16.4xx	Sale of retired assets
Cr.	16.3xx	Sale of obsolete/scrapped assets

Data Source : Sale of asset a/c

SJE	FA 173	Recording gain on sale off assets
Dt.	16.4xx	Sale of retired assets
Dt.	16.3xx	Sale of obsolete/scrapped assets
Cr.	62.4xx	Capital gain on sale of assets

Data Source : Sale of asset a/c.

SJE	FA 174	Transfer of capital gains to capital reserve by HO
Dt.	62.4xx	Capital gain on sale of assets
Cr.	56.2xx	Capital reserve

Data Source : General Leger

SJE	FA 175	Scrapped, obsolete assets realising no sale proceeds
Dt.	46.961	Provision for loss on obsolescence of capital assets
Dt.	16.3xx	Written down value of assets scrapped
Cr.	16.5xx	Written down value of obsolete/scrapped assets

Data Source : Relevant Reports

SJE	FA 176	Provision for loss on obsolescence
Dt.	79.560	Loss on obsolescence of fixed assets
Cr.	46.961	Provision for loss on obsolescence of fixed assets

Data Source : Relevant Reports

SJE	FA 177	Depreciation charges
Dt.	77.230	Depreciation of capital spares at generating stations
Cr.	13.3xx	Provision for depreciation on capital spares at generating stations

Data Source : Fixed Asset Record

SJE	FA 178	Provision for loss on obsolescence of capital spares
Dt.	79.559	Loss on obsolescence of capital spares
Cr.	46.962	Provision for loss on obsolescence of capital spares

Data Source : Relevant Reports

SJE	FA 179	Annual Depreciation
Dt.	77.220	Depreciation on spare units / Service units
Cr.	13.2xx	Provision for depreciation on spare units/service units

Data Source : Asset Cards

SJE	FA 180	When the withdrawn unit is considered 'irreparable'
Dt.	16.2xx	Written down value of retired assets
Dt.	16.1xx	Written down value of scrapped/obsolete assets
Dt.	12.xxx	Provision for depreciation on fixed asset (relevant sub-account)
Cr.	10.xxx	Fixed Asset (relevant sub-account)
		Data Source : Asset Card/Technical Report

ASSETS TAKEN OVER FROM LICENSEES

SJE	FA 181	For assets taken over from licensees pending final valuation
Dt.	14.xxx	Capital work in progress (project code for take over of the licensee)
Cr.	46.6xx	Amount owing to Licensees
		Data Source : Provisional Valuation Statement

SJE	FA 182	For transfer of taken over assets from CWIP till final valuation
Dt.	11.5xx	Assets taken over from Licensees – Pending final valuation
Cr.	14.xxx	Capital work in Progress
		Data Source : Provisional Valuation Statement

SJE	FA 183	Charging provisional depreciation until final valuation
Dt.	77.250	Depreciation
Cr.	13.5xx	Depreciation provision on assets taken over from licensee – pending final valuation
		Data Source : Provisional Valuation Statement

SJE FA 184 When final value is determined

Dt/Cr. 11.5xx Assets taken over from Licensee pending final valuation

Cr/Dt. 46.6xx Amount owing to licensee

 Note : The debit/credit in above would also be routed through capital
 WIP account project code for the project under which takeover is
 sanctioned

 Data Source : Final valuation report

SJE FA 185 Transfer of asset accounting to relevant accounting unit

Dt. 32.xxx Inter – Unit (Capital Expenditure and fixed assets)

Dt. 13.5xx Depreciation provision on assets

Cr. 11.5xx Assets taken over from licensee pending final valuation

 Data Source : Asset Transfer Note

SJE FA 186 Interest payable on delay in payment of purchase price

Dt. 78.885 Interest on amount payable on take-over of Licensees

Cr. 46.6xx Amount owing to licensee

 Data Source : Licensee’s Request valuation statement

AT THE ACCOUNTING UNITS TO WHICH THE ASSET ACCOUNTING IS
TRANSFERRED

SJE FA 187 Recording the transfer from Head Office

Dt. 11.401 Assets transfer inward
 to 11.409

Cr. 13.401 Depreciation Provision on Assets transfer inward
 to
 13.409

Cr. 32.xxx Inter-Unit (Capital expenditure and fixed assets)

 Data Source : Asset Transfer Note

SJE FA 188 Write-off of small and low value items based on final valuation
Dt. 77.610 Small & low value assets written off
Cr. 11.401 Assets transfer inward
to
11.409

Data Source : Sanctions for write off

SJE FA 189 Reclassification to fixed asset accounts
Dt. 10.xxx Fixed asset accounts (relevant sub-account)
Cr. 11.421 Assets transfer inward – reclassified
to
11.429

Data Source : Asset Card

SJE FA 190 Reclassification of depreciation provision
Dt. 13.421 Depreciation Provision on
to
13.429 Assets transfer inward-reclassified to account group -12.
Cr. 12.xxx Provision for depreciation (relevant sub-account)

SJE FA 191 Adjustment of provision for depreciation after total reworking of
the provision
Dt/Cr. 12.xxx Provision for depreciation
Dt. 83.6xx Depreciation under-provided in past years
Cr. 65.6xx Depreciation over-provided in past years

Note : (1) Adjustment may be necessitated on account of change in the
purchase price and on account of write off of small and low value
assets.

(2) This adjustment should also recognise any variation between
estimated life adopted for provisional depreciation and the life
finally determined if final determination is done by the date of the
adjustment

Data Source : Asset Cards

SJE FA 192 Compensation for premature takeover
Dt. 17.221 Compensation for premature takeover of Licensee
Cr. 24.xxx Cash/Amount payable to licensee
or 46.6xx
Data Source Valuation Report

SJE FA 193 Amortising the compensation
Dt. 79.720 Amortisation of the compensation (over the number of years by
which takeover is premature).
Cr. 17.221 Compensation for premature takeover of Licensee
Data Source : Fixed Asset Card

SJE FA 194 Loss of assets
Dt. 16.6xx Written down value of assets lost account
Dr. 12.xxx Provision for depreciation
Cr. 10.xxx Fixed Assets
Cr. 14.xxx Capital Work-in-Progress
Data Source Physical Verification Report

SJE FA 195 Lodging claims and write off of un-claimable losses
Dt. 28.74x Claims for loss / damage to capital assets
Dt. 79.881 Loss to fixed assets on account of flood, cyclone, fire etc.
Dt. 79.883 Loss to asset under construction on account of flood, cyclone, fire
etc.
Cr. 16.5xx Written down value of assets lost account
Data Source : Reports confirming non claimability

SJE FA 196 Deficits observed on Physical verification authorised for write off after investigation
Dt. 79.512 Write off of deficits of fixed assets observed on physical verification
Dt. 12.xxx Provision for depreciation
Cr. 10.xxx Fixed Assets
Data Source : Physical verification report.

SJE FA 197 Excess observed on physical verification authorised for credit, after investigation
Dt. 10.xxx Fixed Assets
Cr. 62.906 Excess found on physical verification of fixed assets
Data Source : Physical verification Report

(B) INTER UNIT JOURNAL ENTRIES

SJE FA 301 to 400

SJE FA 301 For transfer from unit to Head Office, revenue expenses reclassified under CWIP
Dt. 32.xxx Interunit – H.O – Capital Expenditure and Fixed Assets
Cr. 15.2xx CWIP Revenue Expenses reclassified

SJE FA 302 Entry by Transferor Unit on transfer of fixed asset
Dt. 32.xxx Inter-Unit (Capital expenditure & Fixed Assets)
Dt. 12.xxx Provision for depreciation (relevant sub-account)
Cr. 10.xxx Fixed Assets (relevant sub account)
Data Source : Asset Card

SJE FA 303 Entry by Transferee Unit on accepting Debit Advice as above
Dt. 11.401 Assets transfer inward – (relevant sub-account)
to
11.409
Cr. 32.xxx Inter-Unit (Capital Expenditure & Fixed Assets)
Cr. 13.401 Provision for depreciation on Assets transfer inward (relevant
to sub account)
13.409
Data Source : Asset transfer Note / Asset Card

SJE FA 304 Transfer of retired assets and obsolete/scrapped assets to central
scrap disposal authority or any such location.
Dt. 32.xxx Inter-Unit (Capital expenditure and Fixed Assets)
Cr. 16.2xx Written down value of retired assets
Cr. 16.1xx Written down value of obsolete/scrapped assets
Data Source : Survey / Valuation Report and Asset Card

(C) ONE-TIME JOURNAL ENTRIES
SJE FA 401 TO 500

(D) RECTIFICATION JOURNAL ENTRIES
SJE FA 501 to 700

(E) HEAD OFFICE JOURNAL ENTRIES
SJE FA 701 to 900

SJE	FA 701	H. O After receiving debit transferred by unit in respect of revenue expenses reclassified under CWIP
Dt.	15.2xx	CWIP Revenue Expenses reclassified
Cr.	32.xxx	Inter Unit (Transferor Location) - Capital Expenditure and Fixed Assets

SJE	FA 702	H. O to set off credit balances in H.O. Supervision charges account against the balance of its own expenses plus other location expenses
Dt.	76.902	H.O. Supervision charges.
Cr.	15.2xx	CWIP revenue expenses reclassified

(F) MEMORANDA JOURNAL ENTRIES

SJE FA 901 to 1000

(G) YEAR-END/BEGINNING JOURNAL ENTRIES

SJE FA 1001 to 2000

SJE	FA 1001	Charging of interest at the year end on interest bearing advances
Dt.	25.1xx	Advances to contractors for works (Capital)
Cr.	62.2xx	Interest on advances to suppliers/contractors

SJE	FA 1002	Making provision in respect of bad & doubtful advances
Dt.	79.470	Bad & Doubtful Debts provided for – advances to Contractors/Suppliers
Cr.	27.901	Provision for doubtful advances to capital contractors

SJE FA 1003 Provision at the year-end for progress on contract work for which bills are not received or not passed

Dt. 15.5xx Provision for completed work

Cr. 42.6xx Provision for liability to contractors - Cap (Reversible)
Data Source : Estimate from M-Book

SJE FA 1004 Reversal of the above provision in the beginning of the subsequent year

Dt. 42.6xx Provision for liability to Contractors – Cap (Reversible)

Cr. 15.5xx Provision for completed work
Data Source : Estimate from M-Book

SJE FA 1005 Provision for unbilled cost of those assets which are commissioned

Dt. 14.xxx Capital work-in-progress

Cr. 42.6xx Provision for liability to Contractors-Cap (Non reversible)
Data Source : Estimate from M-Book

VOLUME	III	CAPITAL EXPENDITURE AND FIXED ASSETS	
PART	VI	FORMS, RETURNS, REGISTERS	
SL. No.	Name of Forms	Form No:	
1.	Work Authorisation Ledger	FA 1	
2.	Cost Group Record	FA 2	
3.	Capitalisation Sheet	FA 3	
4.	Capital Work-in-Progress Ledger	FA 4	
5.	Fixed Asset : Record (ASSET CARD)	FA 5	
6.	Capital Payment Sheet	FA 6	
7.	Contractor's Bill Passing Register	FA 7	
8.	Bill Register for Direct Receipt at site	FA 8	
9.	Technical completion certificate	FA 9	
10.	Application for work authorisation	FA 10	
11.	Work Authorisation Control Register	FA 11	
12.	Work Authorisation (Refer MAT 47)	FA 12	
13.	Contractor's Ledger	FA 13	
14.	Capital work in progress schedule	FA 14	
15.	Transformer Transfer Note	FA 15	
16.	Asset Transfer Note (Refer MAT 50)	FA 16	
17.	Project Progress Report	FA 17	
18.	Scheme wise cash flow statement	FA 18	

MAINTAINED BY : ARU responsible for Accounting

PURPOSE : This is a subsidiary record to the financial accounting records. This is to accumulate information on every work order pertaining to a Cost Group. At the end of every month the balance in this ledger is transferred to the Cost Group Record

FA 1

WORK AUTHORISATION LEDGER

Work Authorisation No..... Project Code

Work Authorisation Details/...../...../ Cost Group Code

Sanctioned Amount: Rs.....

Date of completion:

Amount at completion: Rs.....

Further Sanction Ref:

Sl.No.	Document Reference No.	Date	Particulars	Amount			Remarks
				Debit	Credit	Balance	
		End of Month					
		End of Month					

MAINTAINED BY : ARU responsible for accounting

PURPOSE : In order to keep record of cost of each cost group under a project. This record is maintained for each cost group. The monthly summary posting is done from each work authorisation ledger. Finally when all the W. A. under a CG is complete it is transferred to capitalisation sheet. When all cost groups under a project is closed the project is deemed to be complete.

FA -2

COST GROUP RECORD

Name of Project :

Project Code :

Cost Group Code :

Description :

Amount Sanctioned :

Date :

Completed Date

Amount on completion

Work Authorisation
Reference

Particulars	Year Brought Forward	Month 1	Month 2	Month 3	-----	Month completion	Remarks
Work Authorisation							
No.							
(1)							
(2)							
(3)							
(4)							
(5)							
etc.							
TOTAL							

MAINTAINED BY : ARU responsible for the project accounting

PURPOSE : To transfer capitalised values to the various asset record after completion of project/specific assets on being commissioned.

FA- 3

CAPITALISATION SHEET

Project Code:

Date of Completion:

Cost Group Nos.....

Amount on Completion :

Asset Classification (As per chart)	Details of Asset	Cost Group Numbers (Amount from)					Total	Remarks

MAINTAINED BY : Account Rendering Units.

PURPOSE : For ascertaining and recording the upto date expenditure in respect of capital work. This ledger will be the basis for reconciling the Project records with work in progress bookings.

FA-4

CAPITAL WORK IN PROGRESS LEDGER

Name of work

Scheme Code

Amount

Work Authorisation No.

Amount.

Month	Particulars of Transactions	References to Vr. No.	Detailed A/c Codes				Total	Classification of Expenditure					Total	Remarks
								Material	Labour	Contract	Others	Depreciation on construction facility		

FIXED ASSET RECORD (ASSET CARD)

Name of Asset :	FA 5
Asset No.	Gross value : Rs.
Make :	Basic
Model :	Excise Duty :
Engine/Chassis/Machine No:	Other Incidentals :
Year of Commissioning :	Total Rs:
Estimated Life :	Gross value transferred from WIP (J.E. Reference)
Year of Retirement :	Location (At the time of commissioning) :
	Circle / Division
	Transferred to (Asset Transfer Date Reference)
	Physically verified on :

INITIAL COST	AMOUNT		OTHER DESCRIPTION / PARTICULARS OF ASSET
Basic Cost			
Freight & Insurance /			
Stamp Duty & Registration charges			
Installation Cost			
Allocated Expenses			
TOTAL			

DEPRECIATION BALANCE SHEET

Date	GROSS VALUE			BALANCE	DEPRECIATION			Written down value
	As Capitalised	Additions	Withdrawals		Yearly	Withdrawals	Cumulative	

FORM FIXED ASSET RECORD (ASSET CARD)

FA 5

MAINTAINED BY : Account Rendering Units

PURPOSE : For recording all the details with regard to the asset on capitalisation from the capitalisation sheet.

FORM CAPITAL PAYMENTS SHEET

FA 6

PREPARED BY : ARU for a Project

PURPOSE : To get an abstract of the capital expenditure incurred for the month

FA - 6

**KERALA STATE ELECTRICITY BOARD
CAPITAL PAYMENTS SHEET**

MONTH

No:

Sl. No.	Bill Ref.		Payment Ref.	Payments to Suppliers			Payment to Contractors				Ledger Folio	Remarks
	No.	Date	Chq. No. Date	Supplier Advance Bills Rs.	S.D. Rs.	Retention Rs.	Contractor	Advance Bill Rs.	S.D. Rs.	Retention Rs.		

MAINTAINED BY : Account Rendering Units

PURPOSE : For recording the receipt of bills from the Contractors, its processing and final payment

FA-7

KERALA STATE ELECTRICITY BOARD
CONTRACTORS' BILLS PASSING REGISTER

Sl. No.	Contract Bill No.	Work order No.	Bill No. Date	Ledger Contr. L.F Code	Gross Advance amount Adjustments	Recoveries				Net Amount	B.P.V No.	Project Account Code	Initial of Officer	Remarks
						Materials	Retention	Income Tax	Others					

FORM

BILL REGISTER FOR DIRECT RECEIPT AT SITE

FA 8

MAINTAINED BY : ARUs

PURPOSE : For recording the details of Bills for materials which are received direct at site.

FA -8

**KERALA STATE ELECTRICITY BOARD
BILL REGISTER FOR DIRECT RECEIPTS AT SITE**

Sl. No.	Project Code	Supplier Code	Ledger Folio	Bill Ref.	Gross Amount	Advance Recovered	Other Recoveries	Net Amount	Debit Account Code	Project Account Code	Remarks
				No. Date		Amount L.F	Amount L.F				

PREPARED BY : Engineer –in-charge of work – prepared in duplicate

ISSUED TO : One copy to ARU. One copy retained as office copy.

PURPOSE : This is a certificate for certifying a work as completed but not commissioned since the total project is not completed and put to use.

FA-9

TECHNICAL COMPLETION CERTIFICATE

Nature of work	W.A. No. and Amount	W.O No. & Amount	Date of Completion of work	Reason for not commissioning the work	Remarks

Engineer in charge of work

PREPARED BY : AE/AEE/EE. (two copies)

ISSUED TO : Competent authority who is empowered to issue the work authorisation.

PURPOSE : For getting sanction for the work and work authorisation

LIST OF MATERIALS

(To accompany old Form W.9)

Sl. No.	Name of Materials	Quantity	Value	Remarks

Countersigned

AEE/EE

AEE/EE

**KERALA STATE ELECTRICITY BOARD
APPLICATION FOR WORK AUTHORISATION**

To

The.....

Sub:

Sir,

Please issue work orders for the undermentioned work.....

.....

Sanction : - Administrative approval conveyed

Work Authorisation

Sl. No.	A/c. No.	Particulars	Approx. cost as per working estimate			Remarks
			Materials	Labour	Others	
		Total				

Countersigned

Working estimate checked and approved

A.E.E
Section Officer

E.E
A.E.E

Technical

Dt.

Issued W.A. No:

AEE/DA

Approved

E.E

MAINTAINED BY : Officer Who is empowered to issue the work authorisation

PURPOSE : For watching the movement of application for work authorisation till the issue of Work Authorisation and its closure on completion of the work.

FA 11

WORK AUTHORISATION REGISTER

Division

Sl. No.	Date of Receipt of W.A. Appln.	Name of Work and Sanction No.	W.A No. and Date	Amount of W.A	Initial of authorities	Date of Return of W.A	Date of closing of W.A	Initials of		Remarks
								DA	EE	

Note : Separate folios should be opened for each head of account under Capital / operation & maintenance.

MAINTAINED BY : Account Rendering Unit where works are executed through contractors.

PURPOSE : For recording the details of on account payment, materials issue, advance payments, etc., and also for recording the deposit/retention received from contractor. Separate folios should be allocated for each contractor

FA—13

CONTRACTORS' LEDGER

Work Order No:

Name of Work:

Project No:

Date of completion of contract:

Security Deposit paid Rs.....

Name of Contractor:

Year Month & Date	Particulars	Folio	Debit Rs.	Credit Rs.

PREPARED BY : ARUs - in duplicate

ISSUED TO : One copy to FA & CAO along with the monthly accounts - One office copy.

PURPOSE : It serves as an intimation for the progress of each work and the expenditure thereof.

FA—14

CAPITAL WORK IN PROGRESS SCHEDULE

Division :

Month :

Name of work

Work authorisation No.

Vr. No.	Ledger Folio	Main Account No.	Amount (Rs.)

PREPARED BY : ARU's in duplicate every month

ISSUED : ONE copy to H. O. One book copy

PURPOSE : To enable H. O. to keep track of the transformer movement between various locations and accordingly arrange the Transformer cards at H. O.

FA—15

TRANSFORMER TRANSFER /RECEIPT NOTE

Name of ARU :

Month:

Sl. No.	Transformer No.	Location from which removed	ARU from which received	Reason for Removal	Location to which transferred	Remarks

PROJECT PROGRESS REPORT

ARU
PROJECT

ASSET GROUP	Previous month		Current month		Year to date		Project to date	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Land								
WIP								
Capitalised								
2. Building								
WIP								
Capitalised								
3. Hydraulics								
WIP								
Capitalised								
4. Other Civil Works								
WIP								
Capitalised								
5. Plant & Machinery								
WIP								
Capitalised								
6. Lines, Cable net work etc								
WIP								
Capitalised								
7. Vehicles								
WIP								
Capitalised								
8. Furniture & Fixtures								
WIP								
Capitalised								
9. Office Equipment								
WIP								
Capitalised								

SCHEME – WISE CASH FLOW STATEMENT

ARU:

SCHEME:

MONTH :

ASSET GROUP	Previous month		Current month		Year to date		Scheme to date	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1 Land								
Liability								
Advance								
2 Buildings								
Liability								
Advance								
3 Hydraulics								
Liability								
Advance								
4 Other Civil Works								
Liability								
Advance								
5 Plant & Machinery								
Liability								
Advance								
6 Lines, Cable Net work etc.								
Liability								
Advance								
7 Vehicles								
Liability								
Advance								
8 Furniture Fixtures								
Liability								
Advance								
9 Office equipment								
Liability								
Advance								

APPENDIX I
COST GROUP CODES UNDER PROJECT ACCOUNTING SYSTEM

Asset A/c Group Code	Cost Group Code	Particulars
1	2	3
10.1		LAND AND LAND RIGHTS
101		Land owned under full Title
	101.01	Free hold Land
	101.02	Land gifted by Government
102		Land held under Lease
	102.01	Lease hold land
	102.02	Puramboke Land transferred to KSE Board.
	102.03	Land transferred but title to be conveyed
	102.04	Occupied Land but awaiting Conveyance of title
	102.05	Occupied Land, but procedures for obtaining title not completed
	103	103.01 Cost of Land Development on lease hold land
	104	104.99 Land Development Expenditure
10.2		BUILDINGS
201	201.99	Building containing Thermoelectric Generating Plant
202		Building containing hydro-electric Generating Plant
	202.01	Power House Building
203	203.99	Building containing Diesel electric Generating Plant
207		Building Containing Transmission installations
	207.01	Control Rooms

Asset A/c Group Code	Cost Group Code	Particulars
1	2	3

	207.02	Compressor House Buildings
208	208.01	Building containing Distribution installations
10.21		Ancilliary Buildings
to 10.29		
211		Office Buildings
211	211.01	Value House
	211.02	Pumphouse and Compressor house
	211.03	Seismological observatory Building
	211.04	Office.-cum-lecture hall building
	211.05	Office-cum-store building
222		Residential Colony for Staff
	222.01	Residential Colony for Staff
	222.02	Hostel Buildings
301		Hydraulic works forming part of the Hydraulic system Diversion works
	301.01	Weir and leading channel
	301.02	Pumps and pumping machines
	301.03	Concrete Dam
	301.04	Masonry Dam
	301.05	Earthen Dam
	301.06	Composite Dam
	301.07	Flanking Dam/Saddle Dam
	301.08	Weirs
	301.09	Spillway gates & Hoisting Mechanism

Asset A/c Group Code	Cost Group Code	Particulars
1	2	3
305		Hydraulic works forming part of the Hydro Electric System.
	305.01	Intake structure
	305.02	Tunnels
	305.03	Pressure Tunnel
	305.04	Diversion Tunnel
	305.05	Road Tunnel
	305.06	Other Tunnels
	305.07	Control Gates
	305.08	Emergency gates
	305.09	Hoisting Mechanism
	305.10	Surge Chamber
	305.11	Air Vent
	305.12	Low Pressure piping
	305.13	Butterfly Valves
	305.14	Spherical Valves
	305.15	Pressure Shaft
	305.16	Penstock
	305.17	Penstock Tunnel
	308.18	Tail Race System
310	310.01	Water Cooling System
311	311.01	Cooling Towers

Asset A/c Group Code	Cost Group Code	Particulars
1	2	3
320	320.01	Plant and Pipe lines for Water supply in residential colony
322	322.01	Drainage and Sewage in Residential colonies
401		Pucca Road
	401.01	Black Road
	401.02	Concrete Road
	401.03	Water bound Macaden Roads
402	402.01	Kutchra Roads
403	403.01	Bridges. Culverts, side drains etc.
404	404.01	Station equipment yard Switch gear yard and Transformer yard
412	412.01	Railway sidings
501	501.01	Plant and Machinery related to Thermal Power Generation.
531		Hydel Power Generation Plant
	531.01	Turbines and Generators and Auxiliary equipments.
532	532.01	Plant foundation for Hydel Generation Plant.
535		Auxiliaries for Hydel Power Plant
	535.01	PLCC
	535.02	EOT Crane
	535.03	Fire Fighting equipment
	535.04	Lighting system
	535.05	Power cables
	535.06	Control cables
	535.07	Air conditioning plant

Asset A/c Group Code	Cost Group Code	Particulars
1	2	3
	535.08	Air Compressor
536	536.01	Gas power Plant
537	537.01	Plant foundation for Gas Power Plant
538	538.01	Auxiliaries in Gas Power Plant
541		Transformer having a rating of 100 KVA and above
	541.01	Power Transformers
542		Other Transformers
	542.01	Auxiliary Transformers
543		Other Transmission Plant Transformer Kiosks. Substation equipment and other fixed apparatus
	543.01	Instrument transformers (CT & PT)
	543.02	AB switch Lightning arrestors
	543.03	Control panels & Desks
	543.04	Circuit Breakers & isolators
	543.05	Bus Bars & Insulators
	543.06	Steel Structures & Columns
551	551.01	Material Handling equipment-Earth movers & bull dozers
552	552.01	Material Handling Equipment-Cement Mixers.
553	553.01	Material Handling Equipment-Cranes
554	554.01	Tools and work equipment
555	555.01	Material Handling equipment-Others
561	561.01	Switch gear including cable connections

Asset A/c. Group Code	Cost Group Code	Particulars
1	2	3
563		Battery including charging equipment
	563.01	Station Battery and Battery Charger
565		Fabrication Shop/Workshop Plant and equipment
	565.01	Workshop plant and equipment
567	567.01	Lightning Arrestors (included under A/c. 543)
571	571.01	Communication equipment – Radio and High frequency carrier system.
572	572.01	Communication equipment – Telephone lines and Telephones
574	574.01	Static Machine Tools and equipment
576	576.01	Air conditioning plant – Static
577	577.01	Air conditioning plant – portable
10.58		Misc. equipment
59		
580	580.01	Refrigerator and water coolers
581	581.01	Meter Testing Laboratory tools & equipment.
582	582.01	Equipment in Hospitals (Clinics)
583	583.01	Tools and Tackles to be included under Misc. equipments.
584		
to		Open
598		
599	599.01	Other Misc. tools to be included under Misc. equipments.
10.6		LINES, CABLE NET WORK
601	601.01	O.H. Lines (Towers, Poles, fixtures, overhead conductors and devices) Lines on fabricated steel supports operating at normal voltage higher than 66kV.

Asset A/c Group Code	Cost Group Code	Particulars
1	2	3
602	602.01	O.H Lines (Towers, Poles, Fixtures, Over head conductors and devices) on steel supports operating at nominal voltages higher than 13.2 KVA and not exceeding 66 KVA.
603		O.H. Lines (Towers, poles, fixtures, Over-head conductors and devices) on reinforced concrete support
	603.01	11 kV O.H Line – Concrete support
	603.02	LT 3 phase OH line –do-
	603.03	LT Single phase OH line –do-
604		Overhead Lines (towers, poles, fixtures, Overhead conductors and devices) on treated wood support.
	604.01	11kV O.H. Lines – Wood support
	604.02	LT 3ph O.H. Lines Do
	604.03	LT Single ph. O.H. lines Do
605		Overhead Lines not exceeding 13.2 KVA (Towers, Poles, Fixtures, O.H Conductors and devices) on steel supports.
	605.01	11 KV OH Lines – Steel support
	605.02	LT 3 ph. OH Lines – Do-
611	611.01	Underground cables including joint boxes and disconnecting boxes.
612		U.G. Cables – Duct System
621		Service connections
	621.01	HT service connections
	621.02	Three phase service connection.
	621.03	Single phase service connection.

Asset A/c Group Code	Cost Group Code	Particulars
1	2	3
625	625.01	Temporary connections for supply of Power
631	631.01	Metering Equipment
641	641.01	Street lighting and signal system
685	685.01	Miscellaneous equipment
10.7		VEHICLES
710	710.01	Truck. Tempos, Trekkers. etc.
720	720.01	Buses including Mini Buses
730	730.01	Jeeps and Motor Cars
740	740.01	Other vehicles
10.8		FURNITURE AND FIXTURES
801	801.01	Furniture and fixtures
10.9		
901	901.01	Calculators
902	902.01	Typewriters
903	903.01	Cash Registers in Cash Office
904	904.01	Other office, equipments
11.1		CAPITAL EXPENDITURE RESULTING IN AN ASSET NOT BELONGING TO THE BOARD
AXX		
	AXX.XX	
11.2		SPARE UNITS / SERVICE UNITS
BXX	BXX.XX	

Asset A/c Group Code	Cost Group Code	Particulars
1	2	3

11.3		CAPITAL SPARES AT GENERATING STATIONS
CXX		
	CXX.XX	
11.5		ASSETS TAKEN OVER FROM LICENSEES PENDING FINAL VALUATION
DXX		
	DXX.XX	
15.6		CONSTRUCTION FACILITIES
E.01		
	E.01.99	Construction Equipment – Earth moving Equipment and Bull dozers
E.02		
	E.02.99	Construction Equipments – Cranes
E.03		
	E.03.99	Construction Equipment – Cement – Mixers and other Civil Construction Machinery
E.31		
	E31.99	Fabrication shop / Construction Workshop Equipment

APPENDIX II

MEASUREMENT BOOKS

2.1 Measuring

Materials received by the Board are evaluated both for quality and quantity. Similarly work done is to be assessed for quality and quantity. Technical units of measurement are used for measuring and they are recorded in Measurement Book (M.Book).

4.2 Purpose of the M. Book

- (1) It is a basic record showing progress of work whether done by the Board or through a Contractor.
- (2) It enables to make payments to Contractors.
- (3) To arrive at the cost of the work in a broad manner

4.3 Control over M. Book

M. Book is an important record having numerical sequence for each page as well as serial number for each book. A register of issue of M. Books to various officers is to be maintained which will enable the ARU to watch the eventual return of the M. Book. The ARU should ensure that all M. Books are eventually received back and kept under safe custody. The receiving officer also should maintain a register of M. Books received.

M. Books no longer in use should be withdrawn eventhough not completely written up

4.4 Detailed Measurements

In recording detailed measurements, the following general instructions should be carefully observed:

- (1) The top most lines under columns 1 to 4 on each page of Measurement Book should invariably be filled in the field. None of the lines should be left blank. Any line not required should be carefully scored through in order to prevent additional entries being made later on. Detailed measurements should be recorded only by Engineers in charge of works to whom measurement books have been supplied for the purpose. This should be checked by higher officer.
- (2) All measurements should be neatly recorded in a Measurement Book issued for the purpose, and nowhere else.
- (3) Each set of measurement should commence with entries stating
 - (a) full name of work as given in estimate,
 - (b) situation/location of work,
 - (c) name of contractor, if done by contractor.
 - (d) number and date, of his agreement,
 - (e) date of commencement of work
 - (f) date of actual completion of work, and

(g) date of measurement.

A suitable abstract should then be prepared which should collect, in the case of measurements for work done, the total quantities of each work group. The entries in the M. Book should end with signature with date and designation of the person taking the measurements.

(4) As all payments for work are based on the quantities recorded in the measurement book, it is incumbent upon the person taking the measurements to record the quantities clearly and accurately. He will also be responsible for the correctness of the entries in the column "Contents of Area" for the measurements recorded by him. If the measurements are taken in connection with a running contract account on which work has been previously measured, he is further responsible (a) that reference to the last set of measurements is recorded and (b) that if the entire job or contract has been completed, the date of completion is duly noted in the prescribed place. If the measurements taken are the first set of measurements on a running account or the first and the final measurements, the fact should be suitably noted against the entries in the measurement book and in the later case the actual date of completion noted in the prescribed place. The signature of the contractor or his agent should be obtained in measurement books after each set of measurements, with the addition, "I accept the measurements". In the case of illiterate men their thumb impression should be obtained duly attested by an independent witness.

(5) The pages of the book should be machine numbered. Entries should be recorded continuously in the measurement book. No blank page may be left and no page torn out. Any pages left blank inadvertently must be cancelled by diagonal lines, the cancellation being attested.

(6) No entry may be erased. If a mistake is made, it should be corrected, by the responsible officer. When any measurement is cancelled, the cancellation must be supported by the initials with date of the officer ordering the cancellation or by a reference to his orders initialled by the officer who made the measurements. In either case the reason for cancellation should be recorded.

(7) Entries should, if possible, be made in ink; when this is not possible, pencil entries should not be inked over. Entries in the 'contents or area' column should be made in ink in the first instance.

(8) Each measurement book should be provided with an index which should be kept up-to-date.

4.5 Standard Measurements

4.5.1 Standard measurement books of buildings are maintained by the Board in order to facilitate the preparation of estimates for periodical repairs. Where such standard books are maintained, it is also permissible to utilize them for the purpose of preparing contractors' bills for such repairs, so that it may not be necessary to take detailed measurements on each occasion.

4.5.2 The following rules for the efficient maintenance of these standard measurement books and the preparation of bills based thereon should be followed:

(1) The entries of measurements and abstracts thereof should be recorded legibly in ink and certified by an officer of at least the standing of an Assistant Executive Engineer (A. E. E.) in his own handwriting to the effect that they are correct for the purpose of preparing both the periodical repair estimates and the contractor's bills. Any correction necessary should be attested by an Assistant Executive Engineer (A. E. E.) or an officer above him.

(2) All the standard measurement books maintained in an ARU should be numbered in an alphabetical series, so as to be readily distinguishable from ordinary measurement books, and a register should be maintained in the ARU. A similar register should be maintained in each office showing the books belonging to it, and the registers kept under lock and key in the custody of the officer concerned. The original standard measurement books should be kept in the personal custody of the Divisional Accountant of the ARU.

(3) Certified copies of measurement books relating to works in charge of A. E. E. should be sent to them to be kept in their personal custody and noted on separate pages of the register of measurement books.

(4) When corrections have to be made owing to additions or alterations in buildings, the A. E. E. concerned should make the corrections in their copies of the measurement books. At the same time they should be intimated to the officer in charge of the ARU who will have the books in their office corrected under their initials.

(5) On the 30th April each year, ARU officers should send certificates to their Deputy Chief Engineers that all the standard measurement books in their ARU have been inspected by them, that the entries therein have not been tampered with, that all corrections due to additions or alterations in the buildings have been made in the books and that the latter are reliable and up-to-date records.

(6) When a payment has to be based on standard measurements the Field Engineer or subordinate preparing the bill for payment should certify in the ordinary measurement book and in the bill that the whole of the work (or work since previous running bill, as the case may be) as per standard measurements in a book, the number of which should be quoted, has been done and that it has not previously been billed for in any shape.

(7) Separate measurement books should be set apart for noting the details of such bills so as to facilitate the review of payments based on standard measurements.

(8) All bills so paid should be specially checked in the ARU with reference to standard measurements on record in that office.

4.6 Check Measurement of Works

4.6.1 (1) Assistant Executive Engineer should necessarily check measure before payment and in proper time in the following cases :-

a) all final bills on running accounts

b) all first and final bills over Rs 200/- and

c) works (included in all kinds of bills over Rs.25/-) which will not be susceptible of check measurement after a certain stage, for example, works in channel, river on tank beds foundations which will be covered up, etc.

(2) As regards other bills not pertaining to works of the kinds mentioned in item (c) in the above sub-clause, viz. (i) intermediate bills on running accounts and (ii) first and final bills over Rs.25/- and not over Rs.200/-, AEE should checkmeasure a large proportion of them. If in such case it is not possible for the Assistant Executive Engineer to checkmeasure before payment owing to pressure of work etc. then the reasons for not having done the checkmeasurement before payment should be recorded by him in the "remarks" column of the measurement books concerned and the checkmeasurement should be done by him at the earliest opportunity after payment has been made.

Note:- (1) Measurements of all jungle or prickly-pear or vegetation to be cleared whether the jungle is solid or in patches, should be recorded by the field engineer in a measurement book before clearance. The Assistant Executive Engineer should also checkmeasure the works before clearance except in the case of those costing less than Rs. 50 in out of the way places, where there are no other works requiring the Assistant Executive Engineer's attention. In such cases the ARU Officer concerned will decide whether the work should be checkmeasured or not.

Note :- (2) Clearance works which cost more than Rs. 100/- should be inspected by the Assistant Executive Engineer after clearance and before payment.

4.6.2 In addition to the checkmeasurement by the Assistant Executive Engineer it is an important duty of the officer that they should, during their inspections, frequently checkmeasure works which are in progress and that they should maintain a register of such checkmeasurements.

4.6.3 The fact of checkmeasurement by the Assistant Executive Engineer or Executive Engineer should invariably be noted in the measurement book at the time of checkmeasurement and the items checkmeasured should be indicated by the initials of the checking officer, which should be placed on the left side of the column "particulars" in line with the items checkmeasured.

4.6.4 The certificate to the above effect should be recorded in part II of the Bill form as follows:

"Certified that the items of work whose measurements are recorded on pagestoof Measurement book No.....were checkmeasured by me onthat the work done is satisfactory and that the bills as claimed above represents a correct account of the contractor's claim".

4.6.5 The object of checkmeasurement is to detect errors in measurement and to prevent fraudulent entries. Checkmeasurement should therefore be conducted with discretion and method, those items being selected which appear obviously incorrect or which would be most easily susceptible of fraud or which would most seriously affect the total amount of the bill if inaccurate.

4.6.6 The entry 'measured in my presence' by an Assistant Executive Engineer cannot be accepted as checkmeasurement . When measurements are taken jointly by officers and subordinates, the measurements should always be recorded and signed by the senior.

4.6.7 The Deputy Chief Engineer should make it a special point to see that these rules are duly observed.

4.7 To be incorporated in the Measurement Book

Division/Circle

Sub Division /Section

Measurement Book No.....

(1). The measurement book is the basis of all account of quantities, whether for work done by piece work or by contract which have to be measured and should be so kept that the transaction may be readily traceable into the accounts.

(2) (a) Measurements shall be invariably recorded direct in the measurement books neatly in ink at site, and not copied into them later on at leisure, from measurement sheets. Pencil entries shall be 'avoided, but when unavoidable, these shall be in indelible pencil and shall not be inked in but left untouched. The contents columns shall however be invariably entered in ink.

(b) Erasures and over writings in the measurement books are strictly prohibited and will be seriously noticed. If mistakes are made, they should be corrected by neatly scoring off the incorrect entries and inserting the correct ones in red ink between the lines. Dated initials of the recording officer shall be insisted on, on each page of the measurement book in the case of original entries and initials, in the case of each and every correction. In the case of contract works the contractor's signature should be taken in the measurement book in token of the contractor's acceptance of measurement recorded either at the time of measurement or in any case, before payment, to avoid complaints of omissions, incorrectness etc.

(3) (a) No member of the executive staff below the rank of a Section Officer in responsible charge of a work, is empowered to measure a work and make either an entry or a correction in the measurement books, in respect of particulars, measurements or rates. No member of the clerical staff except those in the Account Section responsible for the preparation and checking of the bills, are allowed to make in the measurement books in it of quantities rates or amounts, even an arithmetical correction. Such corrections noticed in the preparation of bills, shall be invariably attested by the bill preparing officer while those noticed during audit shall be attested by the passing officer The store keepers in charge of departmental stores may however be permitted as a special case to record conveyance charges of stores moved to and fro in measurement books issued to them.

(b) Each measurement book issued to a particular officer is his own personal record and he is responsible for its safe custody and correct maintenance until it is finally returned to the officer for record, after completion or transferred in the meantime by officer for record, after completion or transferred in the meantime by official transfer, to his successor on relief. Except when book is sent officially to other officers for preparation, audit and payment of bills, the book must always be in the personal custody of the officer who owns the book.

(4) (a) For easy identifications and check, the descriptions of the locality and items must be lucid, and the measurements shall be recorded systematically item by item of the sanctioned estimates noting also the respective item numbers. The total of the quantities under the different items as entered in the quantity column of the measurement book should be in the case of each bill an uptodate quantity and not a since last quantity.

(b) For large works separate Measurement books shall be kept by the measuring officer for each individual work or contract, or if found necessary or convenient separate books may be set apart for different classes of work or sub-heads of works. (Work group or activities) as in this case, himself and the checking officers will have with them at the time of any measurement or check-measurement all the previous measurements in one and the same book for easy reference and guidance. Promiscuous recording of the measurements of one and the same work

indiscriminately in different measurement books is strictly prohibited and if resorted to will be seriously noticed.

(5) In the case of extra items or extra rates, the orders sanctioning its execution or provision should invariably be quoted in the measurement books and bills before the bill passing section passes such claim for payment. The measuring officer may however record extra items, if any in the measurement books if he is satisfied that they are covered at least by the written orders of the inspecting officers in the workspot order books though not at the time of the measurement regularised by formal sanction of competent authority. The bill passing section will all the same defer passing of such items, until formal sanction is secured. Such items will however be included in the quantity columns of the bills, but the rates and amounts will be noted there in only on receipt of formal sanction of competent authority to such items. The stipulation is precautionary, to ensure that, the measurement and check-measurement of extra items which may be difficult or impossible to measure at a later stage of a work, should not be postponed till it is too late and that such items may not be lost sight of while closing or checking interim bills or at the time of final payment.

(6) The measuring officer shall be responsible for closing the bills in the measurement books taking care to enter therein correctly, all reference to previous measurements and all receipts and issues of materials upto date and effect all recoveries. This shall be observed as an orthodox rule, as the measuring officer is primarily and wholly responsible for all entries made by him in the measurement book and for the bills as corrected and finally passed on for audit on the basis of those measurements. In fact, the bill will be simply an exact copy of the closing abstract as made out by the measuring officer, in the measurement book.

(7) From the measurement book, all quantities should be clearly traceable into the documents on which payments are made and reference to the voucher in which the quantities are entered for payment as well as the date of entry should be given by endorsement upon the original entries in the measurement book. No contract certificate or bill should be signed without thus crossing out connected entry in the measurement books and the document on which payment is made should invariably bear a reference to the number and page of the book in which detailed measurements are recorded.

(8) The measurement books are thus one of the most important initial records relating to the execution and payment of works. They should be carefully checked by the Executive Engineer /Assistant Executive Engineer to see that they are kept as complete records of each kind of work done for which certificates have been granted. The eventual return of all books to the Executive Engineer for record, should be insisted upon

APPENDIX III

PROJECT ACCOUNTING—ILLUSTRATION

To illustrate the coding structure and to explain the terminologies an illustration is presented below.

Let us consider the Peechi Power Generation scheme. This is a major project with an estimated investment of Rs. 244 lakhs. It is to be carried out over a period of 3 years. It consists of a sequence of activities represented by the Bar chart (see figure). Considering the time schedule and the size of investment, this scheme has to be planned out well in advance. The activities under this scheme may be carried out simultaneously or in sequence. In the case of sequential activities, delay in a proceeding activity will cause delay to succeeding activities.

Hence this scheme falls within our definition of project and has to be assigned a 'Project Code'. Let us assume the project code assigned to it is "35"

Briefly, the project involves

- (i) Erection of penstock
- (ii) Erection of power House Building
- (iii) Installation of Power Generating Plant
- (iv) Construction of Tail Race Channel
- (v) Construction of switch yard
- (vi) Construction of Dormitory Building

The Cost breakup of the project is given below. From this breakup, it is clear that the following assets are to be constructed or acquired during the project.

	CWIP asset Group	FAS Asset Code	PAS Cost Group Code
1. Land	1	10.101	010
2. Penstock	3	10.305	064
3. Power House Building	2	10.202	020
4. Tail Race Channel	4	10.403	066
5. Switchyard	4	10.404	067
6. Temporary Building	2	10.233	033
7. Permanent Building	2	10.222	033
8. Access Road to Power House	4	10.401	069
9. Weigh Batcher		15.603	120
10. Concrete Mixer (2)		15.603	120
11. Diesel Jeep (2)	9	10.730	900
12. Pickup Van (1)	9	10.740	900
13. Fire Fighting equipment	5	10.584	113
14. Turbine	5	10.531	101
15. Capital Spares for Turbine	5	11.3	101

	CWIP	FAS	FAS Cost
	Asset	Assets	Group
	Group	Code	Code
16. Generator	5	10.531	101
17. Capital spares for Generator	5	11.3	101
18. Switchgear	5	10.561	251
19. Transformer (2)	5	10.541	103
20. Control & Relay Panel	5	10.572	106
21. Batteries & Charging Equipment	5	10.563	111
22. Power Cables	1	10.6	115
23. Telephone System for Power house	5	10.572	110
24. Travelling crane	6	15.601	112
25. Station Grounding Equipment	5	10.574	267
26. Switches	5	10.561	107
27. Lightning Arrestors	5	10.567	105
28. Lines, cables Network	6	10.6	115
29. Switchyard structure	4	10.404	254

From the above, it is clear that each of the above assets refers to cost group. The cost group code is slotted by referring to Appendix I

Hence penstock will have the code 35

Power House Building will have 35

From the Financial Accounting system all costs incurred under item '3', '6' and '7' will be debited to 14.352. Hence it will be difficult to find the individual cost of each building at the time of capitalisation and transfer to fixed asset Account. Under PAS cost of each building will be separately accumulated under a separate folio under the Cost Group ledger. Hence capitalisation will be facilitated.

Many of the above cost groups will have to be constructed/ executed over a period of time. Erection of each cost group by itself will require several activities. Each major group of activities carried out to construct the cost group is a Work Authorisation (WA). Each requires a WA No. to distinguish it from others.

For example under Power House, site clearing will have one work authorisation. Excavation will have another work authorisation. Let us assume they have WA numbers '01' and '02' Under FAS, cost of site clearing can be obtained from the Work Authorisation ledger from the folio for 35 020 01

Where 35 stands for project

020 stands for power house building

01 for site clearing

Similarly to find cost of power house building, one has to refer to the folio 35.020 under the cost Group Ledger.
