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I. INTRODUCTION

Andhra Pradesh Power Generation Corporation Limited

Andhra Pradesh Power Generation Corporation Limited (AP Genco) is one of the largest power generation utilities in the country having a generation capacity of close to 4000 MW. The company has various Thermal and Hydro-Electric generating stations located across the state of Andhra Pradesh. The company was formed out of the erstwhile Andhra Pradesh Electricity Board in 1999 in line with the electricity reforms carried out in the state of Andhra Pradesh.

The Accounting Manual

The purpose of any Accounting Manual is to streamline, by documenting the Standard Operating Procedures in the Accounting Function. An Accounting Manual offers assistance to accounts staff and helps enhance their understanding as it spells out clearly their functional requirement, responsibilities and functions. An Accounting Manual also ensures that the Company uses the 'Best Practices' in its Accounting and Reporting activity.

This Accounting Manual developed by RGN Price & Co., Chartered Accountants, Chennai is a customised document aimed at meeting the aforesaid objectives. It further takes care of the specific requirements of the Companies Act including the requirements for compliance with the Cost Record Rules, Accounting Standards and other legislations and rules framed thereunder. The Manual has been divided into eight parts and deals with the following:

Part I – Form and content of the Financial Statements
Part II – Accounting Procedures
Part III – Chart of Accounts
Part IV – Costing and Control
Part V – Typical Formats for Registers / Vouchers.
Part VI – New Payment Structure – Forms
Part VII – Accounting Standards Reckoner
Part VIII – CARO – Questionnaire

This manual has been designed keeping in view the current operating processes and every attempt has been made to continue with the processes, which are beneficial to the company.

The manual has described in detail the form and content of the financial statements with the accounting entries for each of the heads. It is hoped that the manual's "hand holding" approach would help **AP Genco** in streamlining the accounting systems and processes.

II. FORM OF FINANCIAL STATEMENTS

This section deals with the form and contents of the financial statements. References have been made to the Accounting Standards and other allied legislations governing the preparation and presentation of the financial statements.

1. BALANCE SHEET

Sources of Funds

The balance sheet of the company is prepared in vertical form in accordance with the formats prescribed in Schedule VI to the Companies Act, 1956. This chapter deals with various items under Sources of Funds and Application of Funds in the same sequence, as they would appear in the Balance Sheet of the company. The format of the same is given in Exhibit 1.

The fund requirements to set up New Projects / Expansion of the existing units, as well as major Renewals / Revamping / Replacement Programmes are generally met by the following sources.

Resources generated internally

Equity share capital.

Long Term Plan loans, obtained from the Government of India and Government of Andhra Pradesh, by way of Budgetary Support, or from Power Finance Corporation of India Limited.

Bonds, mobilized through Public Issues / Private Placement.

Other borrowings.

Normal capital additions / replacements, along with repayments, working capital requirements, if any, etc. are taken as a first set off against the Gross Internal Resources (profit plus depreciation and amortisation) generated from year to year. The accounting codes opened for this purpose are intended to account separately the quantum and nature of funds employed by the company through the above sources. All the funds received by way of equity, loan, cash credit is primarily maintained at the books of accounts at the Head Office. In other words, funds are not physically segregated and allocated to various schemes.

Application of Funds

Whenever it is proposed to take up projects, as New Units or Expansion of the existing units and to undertake major Replacement / Renovation / Life Extension Programme, the capital cost is accounted under the heads created in this regard. In addition other current assets, which have been detailed elsewhere, also come under the purview of application of funds net of the current liabilities.

1.A. SHARE CAPITAL

A.i. Authorised Capital

The Authorised Share Capital of the company is presently Rs.2500 Crores at a nominal value of Rs.100 per Equity Share. This is to be shown separately in the schedule under the head Share Capital. The increase in the amount of Authorized Capital that may be required from time to time to accommodate the likely further issue of Equity Capital shall be determined, based on projected funding plan for the next one or two years and the amount proposed to be mobilized through issue of Equity Capital / Preference Capital to meet the capital expenditure on New projects/Expansions under sanction /implementation and approved by the Board. Revision in the Authorized Capital so approved shall be incorporated in the Articles and Memorandum of Association by way of suitable amendments and adopted in the accounts thereafter.

A.ii. Issued, Subscribed and Paid Up Share Capital – Sub Account Groups: 1000, 1001,1002,1003,1004 & 1010 TO 1014

The paid up share capital of the company comprise entirely of equity shares presently. The Government of Andhra Pradesh holds the entire share capital of the company. The share capital of the company is Rs.2106.80 Crores; shares issued for consideration other than cash in pursuance of the transfer scheme from the erstwhile Andhra Pradesh State Electricity Board and Rs.700 issued for cash. This transfer was as per the policy initiatives taken by the Government of Andhra Pradesh in implementing power sector reforms by enacting the Andhra Pradesh Electricity Reform Act, 1998. The lists of accounts to be operated under Share Capital are given below:

Account Group	Sub - Account Group		Account Name
10			**Share Capital**
	100		**Equity Share Capital**
		1000	Fully Paid Up Equity Share Capital
		1001	Partly Paid Up Capital
		1002	Call Money
		1003	Share Forfeiture
		1004	Share Application Money
	101		**Preference Share Capital**
		1010	Fully Paid Up Preference Share Capital
		1011	Partly Paid Up Capital
		1012	Call Money
		1013	Share Forfeiture
		1014	Share Application Money

All fresh issue of shares, calls made on existing partly paid up shares, share application money have to be routed through these accounts. Only the Corporate Office shall operate the above account codes. Any increase or reduction, including buy back of its own shares shall be given effect, in the Authorised and Paid-up capitals only after complying with the necessary statutory requirements.

A.iii. Specific Disclosure Norms as per Schedule VI of the Companies Act, 1956

Terms of redemption or conversion (if any) of any redeemable preference capital and the earliest date of conversion or redemption.

- Particulars of any option on un-issued share capital.
- Particulars of the different classes of Preference Shares.
- Specify the source of bonus shares issued.
- Any capital Profit on re issue of Forfeited Shares should be transferred to Capital Reserve.
- Shares issued for consideration other than Cash.

1.B. RESERVES AND SURPLUS

B.i. Capital Reserve – Sub Account Group 1100

Capital reserve represents any compensation for sale of company's rights or excess receipt over cost of an asset, capital subsidy from Government or other bodies, realisation of profits on issue of forfeited shares, balances which because of their origin or the purpose for which these are held are not regarded by directors as free for distribution as dividend. In other words it is a reserve, which is not normally available for distribution as dividend.

B.ii. Capital Redemption Reserve – Sub Account Group: 1100

This reserve shall be created when the company purchases its own shares or redeems its preference shares out of free reserves or profits. Details of such transfers shall be disclosed in the balance sheet.

B.iii. General Reserve – Sub Account Group: 1101

Amount specifically transferred to General Reserve out of profits for the year will be shown under General Reserve. It may also be mentioned that no company shall declare dividend in excess of 10% of the capital without transferring a specific percentage of profits to General Reserve in accordance with Transfer of Profits to Reserves-Rules. Where owing to inadequacy or absence of profits in any year, if the company proposes to declare dividend out of the accumulated profits earned by the company in previous years and transferred by it to the reserves, such declaration of dividend shall not be made except in accordance with such rules as may be made by the Central Government in this behalf, and, where any such declaration is not in accordance with such rules, such declaration shall not be made except with the previous approval of the Central Government.

B.iv. Share Premium Account – Sub Account Group: 1102

When the company issues shares at a premium, a sum equal to the aggregate value of the premium on those shares shall be transferred to an account under the above head. The amount in the share premium account shall be utilised only for the specific purposes stated under section 78 of the Companies Act 1956.

B.v. Bond / Debenture Redemption Reserve/ Sinking Funds – Sub Account Group: 1113

This reserve represents amount transferred as appropriation of profits of the year to meet the expenditure on account of such bond / debenture redemption or for any other purpose. The amount of reserve to be created every year during the currency of the Bond / Debenture or any other liability shall be computed and credited to the above account. The interest earned on the investment, if any, specifically earmarked towards redemption of Bond / Debentures or any other purpose for which the sinking fund has been created shall be first utilised for creation of the reserve. The balance if any shall be transferred from the Profit and Loss account. As and when the Bond / Debentures are repaid, proportionate amount shall be withdrawn from the reserve account and transferred to Profit and Loss account.

B.vi. Profit and Loss Account – Sub-Account Group: 1110

Balance remaining in the Profit and Loss account after all appropriations shall be shown separately under this head in the schedule for Reserves and Surplus. In the instance the balance in this account is debit it shall be disclosed separately under the assets side of the balance sheet after Miscellaneous Expenditure.

B.vii. Note on Government Grants

Capital grants received from Government of India, Government of Andhra Pradesh, their agencies and from other bodies for specific purposes shall be accounted for separately under the relevant account codes.

Capital grants related to depreciable fixed assets shall be treated as per the terms of the grant if any, can be treated as deferred income or set off against the cost of the assets or can be recognised in the profit and loss account on a systematic and rational basis over the useful life of the asset. i.e. such grants shall be allocated to income over the period and in proportion in which depreciation on those assets is charged.

If a grant related to a non-depreciable asset requires fulfillment of certain obligations, the grant should be credited to income over the same period for which the cost of meeting such obligations is charged to revenue. The deferred income balance should be separately disclosed in the financial statements.

Grants related to revenue should be recognised on a systematic basis in profit and loss account over the period necessary to match them with the related costs, which they are intended to compensate. Such grants should either be shown separately under other income or deducted from the related expense.

Grants that become refundable should be accounted for as an extra-ordinary item. The amount refundable in respect of a grant related to revenue should be applied first against any un-amortised deferred credit remaining in respect of such grant. To the extent that the amount refundable exceeds any such deferred credit, the amount should be charged to profit and loss statement.

Grants in the form of non-monetary assets, given at a concessional rate, should be accounted for on the basis of their acquisition cost. In case a non-monetary assets is given free of cost, it should be recorded at a nominal value.

Grants that are receivable as compensation for expenses or losses incurred in a previous accounting period or for the purpose of giving immediate financial support to the enterprise with no further related cost, should be recognised and disclosed in the profit and loss account of the period in which they are receivable, as an extra-ordinary item.

A contingency related to a grant, arising after the grant has been recognised, should be treated as contingencies and events occurring after balance sheet date.
Grants in the nature of promoters contribution that become refundable should be reduced from the capital reserve.

Accounting Standard – 12 deals with accounting for Government Grants. All issues required by Accounting Standard – 12 have to be complied while accounting for Government Grants Suitable disclosure in the financial statement shall be made in respect of; accounting policy adopted for grants, including the methods of presentation in financial statements. The nature and extent of grants recognised in the financial statements, including grants of non-monetary assets given at a concessional rate or free of cost. The lists of accounts to be operated under Reserves and Surplus head are given below:

Account Group	Sub – Account Group		Account Name
11			**Reserves and Surplus**
	110		**Reserves**
		1100	Capital Reserves
		1101	Revenue Reserves
		1102	Share Premium
		1104	Investment Allowance Reserve
		1105	Other Reserves
	111		**Surplus**
		1110	Profit & Loss Account
		1103	Sinking Funds

B.viii. <u>Specific Disclosure Norms as per Schedule VI of the Companies Act, 1956</u>

Additions and deductions since the last balance sheet should be shown under each of the above specific heads.

- The word “fund” in relation to any “Reserve” should be used only where such Reserve is Specifically represented by earmarked investments.

1.C. SECURED LOANS

All borrowings which have been secured by a charge on the assets of the company shall be disclosed under the head Secured Loans.

In the case of cash credit / overdraft facility enjoyed by the company if at the end of the year there is any drawal out of such account as per the books of the company it shall be exhibited separately in the schedule secured loans. In case of debit balance under this account at the year-end, it shall be shown under the schedule Current Assets – Cash and Bank balances on the application side of the Balance Sheet. A note shall be given regarding the existence of Cash Credit facility, which however has not been availed at the year-end.

In the case of Hire Purchase /Lease transactions undertaken by the company the liability shall be accounted under Secured Loans.

C.i. Mobilization of funds – Sub - Account Groups – 120, 121, 122, 123 ,124,125,126,127 & 128

To meet a part of the capital expenditure plan, the company may raise funds through issue of non-convertible redeemable bonds/debentures from the public and also from the Financial Institutions on private placement basis at varying interest rates and maturity period or borrow from banks or financial institutions or the Government of India. These bonds/debentures/loans shall be secured against creation of mortgage/charge of fixed assets in favour of the trustees of the respective bondholders or lenders. These amounts shall be accounted for separately under relevant account codes for each series. Terms of redemption of the bonds/debentures issued shall be stated together with earliest date of redemption.

C.ii. Interest Accrued – Sub-Account Groups: 129

At the end of the year, interest accrued and due on the amounts raised from each of the borrowings but not paid shall be credited to the relevant codes specifically opened for this purpose and cleared when those liabilities are discharged. As and when the bonds / debentures are redeemed, the amount repaid shall be debited to the relevant account code earmarked to account the principal amount and interest of respective bond series. Interest accrued but not due at the end of the year on the bonds / debentures shall be grouped under current liabilities.

The lists of accounts to be operated under Secured Loans are given below:

Account Group	Sub - Account Group		Account Name
12			**Secured Loans**
	120		**Debentures**
		1200	Convertible Debentures (Capital)
		1201	Convertible Debentures (Other than capital)
		1202	Non-Convertible Debentures (Capital)
		1203	Non-Convertible Debentures (Other than Capital)
	121		**Term Loans**
		1210	From Scheduled Banks (Capital)
		1212	From Scheduled Banks (Other than Capital)
		1216	From Non-Scheduled Banks (Capital)
		1217	From Non-Scheduled Banks (Other than Capital)
	122	1220	From Financial Institutions – Term loan – Capital
		1222	From Financial Institutions – Term loan – Other than Capital
	123	1230	From Subsidiaries – Term loan – Capital
		1231	From Subsidiaries – Term loan – Other than Capital
	124	1240	From Others – Term loan – Capital
		1241	From Others – Term loan – Other than Capital
	125	1250	From Government – Term loan – Capital
		1251	From Government – Term loan – Other than Capital
	126	1260	From Directors – Term loan – Capital
		1261	From Directors – Term loan – Other than Capital
	127	1270	From Foreign Currency Loans – Term loan – Capital
		1271	From Foreign Currency Loans – Term loan – Other than Capital
	128	1280	S/L – L&A – Foreign Currency Loans – Term Loan - Capital
		1281	S/L – L&A – Foreign Currency Loans – Term Loan - Other than Capital
	129	1299	Secured Loans – Interest accrued and due.

C.iii. Specific Disclosure Norms as per Schedule VI of the Companies Act, 1956

- Loans from Directors, Manager should be shown separately.
- Interest accrued and due on Secured Loans should be included under the appropriate sub-heads under the head Secured Loans.
- The nature of the security to be specified in each case. Where loans have been guaranteed by managers and/or directors, a mention thereof shall also be made and the aggregate amount of such loans under each head
- Terms of redemption or conversion (if any) of debentures issued to be stated together with earliest date of redemption or conversion.

1.D. UNSECURED LOANS

In addition to secured loans for carrying out any project work, the company may avail loans from Government or through any other agency as support measures. These loans if are not secured by any hypothecation of the assets of the company are of unsecured nature.

D.i. Fixed Deposits – Account Sub-Group: 130

Fixed Deposits taken from the public and others shall be disclosed under the head Unsecured Loans. Section 58 A and Section 58 AA of the Companies Act read with the rules framed there under have detailed guidelines defined with regard to the acceptance of deposits.

D.ii. Other Unsecured Loans

If any amount is raised as loans from Banks or others without providing any security the amount so drawn as loans shall be accounted for under this head

Besides the above, foreign currency loans are availed by the Company to fund its projects and other expansion work which are canalised through the Govt. of AP. In certain cases direct payments are effected by foreign Banks against Letters of credit established by the Company to the supplier. Such payments are effected on submission of relevant documents by the supplier.

Such disbursements need to be parked under the account head “Loan Pending govt. sanction”. On formal sanction of the loan by the Government the same should be transferred to unsecured loans.
The equipment/ materials received at the units shall be receipted through appropriate SRBs and accounted under “Materials at site pending inspection” reversing the advance account which was earlier debited.

The same accounting treatment shall be adopted also in respect of payments effected to indigenous suppliers/ contractors and direct receipt of loan funds pending formal sanction.

D.iii. Deferred payment schemes – Account Sub-Group: 1386 &1387.

The transactions with regard to any arrangement with suppliers or any other parties which provides for discharge of liabilities towards purchase of capital goods, materials etc. over a period of more than one year, shall be accounted under this head.

The lists of accounts to be operated under Unsecured Loans are given below:

Account Group	Sub - Account Group		Account Name
13			**Unsecured Loans**
	130		**DEBENTURES/BONDS/FIXED DEPOSITS**
		1300	US/L-CONVERTIBLE DEBENTURES/BONDS-CAPITAL
		1301	US/L-CONVERTIBLE DEBENTURES/BONDS-OTH.THAN CAPITAL
		1302	US/L-NON-CONVERTIBLE DEBENTURES/BONDS-CAPITAL
		1303	US/L-NON-CONVERTIBLE DEBENTURES/BONDS-OTH.THAN CAPITAL
		1304	US/L-FIXED DEPOSITS-CAPITAL
		1305	US/L-FIXED DEPOSITS-OTH.THAN CAPITAL
		1307	US/L-FIXED DEPOSITS-INTERCORPORATE FUNDS-CAPITAL
		1308	US/L-FIXED DEPOSITS-INTERCORPORATE FUNDS-OTHER THAN CAPITAL
	131		**US/L FROM FINANCIAL INSTITUTIONS**
		1310	US/L FROM FINANCIAL INSTITUTIONS-CAPITAL
		1312	US/L FROM FINANCIAL INSTITUTIONS- OTH. THAN CAPITAL
	132		**US/L FROM SUBSIDIARIES**
		1320	US/L FROM SUBSIDIARIES – TERM LOANS - CAPITAL
		1321	US/L FROM SUBSIDIARIES – TERM LOANS - OTHER THAN CAPITAL
	133		**US/L FROM BANKS**
		1330	US/L FROM SCH-BANKS – SHORT TERM - CAPITAL
		1332	US/L FROM SCH-BANKS – SHORT TERM – OTH. THAN CAPITAL
		1336	US/L FROM NON-SCH-BANKS – SHORT TERM - CAPITAL
		1337	US/L FROM NON-SCH-BANKS – SHORT TERM – OTH. THAN CAPITAL
	134		**UNSECURED LOANS FROM OTHERS**
		1340	US/L L&A FROM OTHERS-TERM LOANS-CAPITAL
		1341	US/L L&A FROM OTHERS-TERM LOANS- OTH. THAN CAPITAL
		1346	US/L L&A FROM OTHERS-SHORT TERM LOANS-CAPITAL
		1347	US/L L&A FROM OTHERS-SHORT TERM LOANS-OTH. THAN CAPITAL

Account Group	Sub - Account Group		Account Name
13			**Unsecured Loans**
	135		**UNSECURED LOANS FROM GOVERNMENT**
		1350	US/L LOANS FROM GOVT-TERM LOANS-CAPITAL
		1351	US/L LOANS FROM GOVT-TERM LOANS- OTH. THAN CAPITAL
	136		**UNSECURED –OTHER TERM LOANS FROM BANKS**
		1360	US/L-OTHER TERM LOANS FROM BANKS-CAPITAL
		1362	US/L-OTHER TERM LOANS FROM BANKS-OTH. THAN CAPITAL
	137		**US/L-OTHER TERM LOANS FROM OTHERS**
		1370	US/L-OTHER TERM LOANS FROM OTHERS-CAPITAL
		1371	US/L-OTHER TERM LOANS FROM OTHERS-OTH. THAN CAPITAL
	138		**US/L FROM FOREIGN CURRENCY**
		1380	US/L FROM FOREIGN CURRENCY-CAPITAL
		1381	US/L-OTHER TERM LOANS FROM OTHERS-OTHER THAN CAPITAL
		1386	US/L-L&A LIKE DEFFERED PAYMENT SCHEMES-CAPITAL GOODS
		1387	US/L-L&A LIKE DEFFERED PAYMENT SCHEMES-FOR OTHERS
	139	**1399**	**INTEREST ACCRUED AND DUE ON SECURED LOANS**

D.iv. Specific Disclosure Norms as per Schedule VI of the Companies Act, 1956

- Loans from Directors and Manager shall be shown separately. Where loans have been guaranteed by Directors or Managers a separate mention of the same shall be made and the aggregate amount of loans under each head.
- Interest accrued and due on Unsecured Loans shall be included under the appropriate sub – heads.
- Disclosure regarding the govt. guarantees to be made.
- Fixed Deposits repayable within a year shall be disclosed.
- Short Term Loans shall be differentiated and disclosed. Short term Loans are those loans, which are repayable within a period of less than one year.

Account Group	Sub - Account Group		Account Name
14			**Employee related funds**
	140		**Pension Bonds**
		1401	Pension Bonds
	141		**Provident Fund Bonds**
		1411	Provident Fund Bonds
	142		**Group Insurance-SF/IF & Labour Welfare Fund**
		1421	Group Insurance-Savings Fund
		1422	Group Insurance – Insurance Fund
		1425	Labour Welfare Fund

1.E. FIXED ASSETS

Fixed Assets are assets held with the intention of being used for the purpose of producing or providing goods/ services and not held for sale in the normal course of business. These include Land, plant and machinery (including stand-by equipments) buildings, Hydraulic Works, Lines and Cables, Electrical Installations, railway sidings etc exhibited in the balance sheet, under the following break-up:

Gross Block	xxxxxx
Less: Accumulated Depreciation	xxxxxx
Net Block	xxxxxx

Capital Works in Progress

Advance for Capital Items

Capital expenditure not represented by tangible assets.

The items of fixed assets already completed and capitalised are grouped under, major category of assets and exhibited in the Fixed Assets schedule, to the balance sheet, with details of gross and net block values of fixed asset, at the beginning and end of the accounting year, pertaining to the value of additions / transfer of assets, the value of assets disposed of / transferred, withdrawal, of depreciation on account disposals / transfers and the amount of depreciation charged to Profit and Loss Account.

E.i. <u>Capitalisation Principles</u>

All the cost and expenses directly incurred to bring the asset to its working condition for its intended use including site preparation, initial delivery and handling cost, installation cost such as special foundation for plant and professional fees like design and engineering fee, fees for architecture, etc. should be included in the costs to be capitalised.

Exchange difference arising out of foreign loan amount has to be adjusted to the carrying amount of the fixed asset and depreciation on such additions provided over the remaining useful life of the asset, in respect of such exchange difference relating to foreign currency transactions contracted upto 31st March 2004.

Loss or gain resulting on account of foreign currency transactions contracted after the above said date shall be recognised in the profit and loss account of the relevant accounting period.

Financing cost relating to deferred credits or borrowed funds for acquisition of fixed assets, for the period up to the date of commercial operation shall also be capitalised. The financing costs relating to the period beyond the date of commercial operation shall be charged off to Profit and Loss Account. Interest, guarantee fee and commitment charges paid towards loans up to the date of commercial operation shall also be capitalised. Exchange rate fluctuations on the above payment shall also be capitalised up to the date of commercial operation. After the date of commercial operation, these charges shall be treated as revenue expense in Profit and Loss Account except exchange rate fluctuations on liability on borrowings.

Administration and other overhead expenses shall be capitalised, only if such expenses are specifically attributable to the construction of a project or to the acquisition of fixed assets for bringing them to working condition.

The expenditure incurred on start up and commissioning of the project, including the expenditure incurred on test and trial run, unless it is extended for a longer period, shall also be capitalised as an indirect element of cost of construction. Revenue generated during test and trial run including interest income will be abated from capital cost.

All other incidental expenditures, which shall normally be classified as revenue expenditure, shall also be capitalised as incidental expenditure during construction if such expenditure is specifically attributable and relatable to the construction of the project. Such indirect expenditure shall be accumulated and allocated to the various items of fixed assets on some equitable basis.

The expenditure, if any, subsequently incurred on improvements / extensions/ modifications should be capitalized only if such improvements / extensions / modifications increase the standard of performance or extends the life of asset.

The fixed assets, which are disposed by sale or otherwise, should be removed from the financial statements. The items, held for disposal shall be stated at the lower of their written down value and net realisable value and shown separately in the financial statements. The Profit / Loss, arising on account of sale or disposal of fixed assets shall be accounted as such in the year of sale / disposal.

Relevant Accounting Standards in this regard are AS – 10, AS – 16 and AS 26.

E.ii. Land - Free hold and Leased - Sub-Account Groups: 1501&1521

The cost of land acquired and taken possession shall be capitalised based on the certificate furnished by the Land Acquisition Department. The cost of land to be capitalised shall include payment of compensation to the land owners towards cost of land, houses, trees, crops etc. the charges incurred in the form of registration fee, stamp duty, etc. The amount allocated for the payment to land acquisition staff, cost of development, rehabilitation expenses and other misc. charges, if any shall also be capitalised. Land acquired and possession taken pending completion of registration shall be disclosed by way of a suitable note in the Accounts. Cost of additional compensation payable to land owners towards cost of land pending disposal of court cases shall be disclosed as contingent liability. The cost of leased land shall be charged off to revenue on a systematic basis over the lease term

E.iii. Buildings – Free Hold and Leased - Sub-Account Groups: 1502,1522

Factory Buildings

Based on the completion certificate received from the concerned authority the cost of the main plant / ancillary buildings, constructed and sheds erected for maintenance, workshops, etc. in the production and other industrial units shall be debited to this account.

Roads

All expenses incurred for the formation of roads, construction of bridges, and culverts, etc. shall be debited to this account, on receipt of the reports on completion / commissioning.

Residential Buildings

The capitalised cost of all residential buildings in town ship and other colonies shall be debited to this account based on the completion certificates furnished by the competent authority. Electrical equipment connected to the building will be capitalised along with the building. It should however, be ensured that a record of these electrical fittings are separately kept to be able to have control over the same.

Leasehold Buildings

Leasehold buildings are a capital expenditure and shall be debited to this head. The cost of the lease buildings plus the additions made thereto shall be charged off to revenue over the period of lease. If the amount of amortisation is less than the amount of depreciation at applicable rates, the applicable depreciation amount shall be adopted. Lease hold buildings can be clubbed under the head buildings in the fixed assets schedule with a suitable note disclosing the value of lease hold buildings. The status of the lease agreement shall be disclosed by way of a note.

Non- Residential Buildings other than Factories

The capitalised cost of all non-residential buildings, i.e. administrative offices, schools, hospitals, library, recreation clubs etc. located outside the industrial areas shall be accounted for under this head on receipt of completion / commissioning reports.

Railway Sidings

The expenses incurred for the construction of railway sidings and platforms, etc. for loading and unloading shall be capitalised under this head.

E.iv. Hydraulic Works – Sub-Account Group: 1506&1526

On receipt of the reports on commissioning, the cost of hydro-electric water / hydraulic systems, Cooling Towers, Water Reservoirs, water supply and any portion of incidental expenses during construction attributable to these installations shall be accounted for under this head and shown in the schedule to the balance sheet against Hydraulic Works.

E.v. Lines, Cable Network and Electrical Installations – Sub-Account Group: 1507&1527

On receipt of the reports on commissioning, the cost of overhead and under ground cables, wires, and any portion of incidental expenses during construction attributable to these installations shall be accounted for under this head and shown in the schedule to the balance sheet against Lines, Cable Network and Electrical Installations. When entire length or substantial part of cables are re-laid, the same shall be capitalised under this head and the corresponding value of the portion of old cables removed shall be written off from the Gross Block and depreciation reserve.

E.vi. Plant and Machinery – Sub-Account Group: 1508 &1528

The cost of all Plant and Machinery, including related expenses like freight, customs duty, excise duty, all other incidental expenses, erection and commissioning charges and any portion of the incidental expenses during construction, which is attributable to plant, and Machinery shall be debited to this account. The Interest cost incurred shall also be capitalised up to the date of commercial production date and shall be in line with Accounting Standard 16. The cost of generation equipment and other generation ancillaries shall be classified under this head. The capitalised cost of plant and machinery shall be shown in the schedule to the Balance Sheet under the head “Plant and Machinery”.

E.vii. Computers – Sub-Account Group: 1509 &1529

The cost of equipments such as Computers, peripherals, printers, networking and software shall be accounted under this head. In the case of software system, software like operating systems and software critical to operating the system are capitalised along with the cost of the computer or hardware for which it is to be used. In the case of application software the same needs to be charged off within a maximum period of three years, a shorter duration may be applied after assessing the utility life of the software.

E.viii. Vehicles – Sub-Account Group: 1513 & 1533

The cost of acquisition of transport vehicles such as buses, lorries trucks, jeeps, vans, cars, motor cycles, scooters etc. including initial cost of their registration, road tax, insurance and any other incidental expenses in bringing the vehicles on the road shall be capitalised under this head and exhibited in the schedule to the balance sheet against the grouping vehicles. Chassis and body building expenses have to be clubbed and capitalised as single asset. Any addition to vehicles other than replacement made after the initial purchase shall also be capitalised under this head.

E.ix. Furniture and Fittings – Sub-Account Group: 1510 & 1530

The cost of acquisition/fabrication of furniture and fixture shall be debited to this account.

E.x. Office Equipments – Sub-Account Group: 1510 & 1530

The cost of Typewriters, Duplicators, Photo-copiers, Water coolers, Air Conditioners and other equipments in the office, Laboratory, Hospital, Education etc. shall be debited to this account under the respective codes. The cost of intercom, mini exchanges shall be classified under the same head.

E.xi. Intangible Assets – Account Sub-Group:1500(Goodwill)

Accounting Standard 26 defines an intangible asset as an identifiable non-monetary asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The capitalised cost of intangible assets shall be debited to this account and exhibited separately under this head in the schedule to the Balance Sheet. Common examples of Intangible Assets include Mining Rights, Goodwill, Trade marks and patents etc.

E.xii. Assets costing Rs.5000 and below:1517

The items of fixed assets costing RS. 5000 or less shall be capitalised and full depreciation is provided in the year of acquisition. Additionally, the company may evolve an accounting policy with regard to the cost of write off of assets depending on the materiality principle and may be reviewed on a regular basis. The above mentioned limit is merely the limit prescribed statutorily and the write off policy cannot prescribe an amount lower than that mentioned above.

E.xiii. Revaluation of Fixed Assets

The fixed assets can be revalued to reflect the true value of the assets in the books of the company. The revaluation if done can be down ward or upward and the amount so revalued is added to the cost of the assets with a corresponding credit to a specific reserve to be created called the revaluation reserve. In case there is downward revaluation the amount so revalued needs to be charged off to the profit and loss account. The guidance note issued by the Institute of Chartered Accountants of India has defined the modalities of the usage of the revaluation reserves, which clearly bars the usage of the revaluation reserve for distribution of dividend.

1.F. CAPITAL WORKS-IN-PROGRESS [CWIP]

The following category of items shall be grouped under capital work-in-progress:

- On going Capital Works
- Capital Goods in transit
- Capital goods in stock
- Survey and feasibility study expenditure

F.i. <u>CWIP - Capital Goods in Transit – Account Sub-Group: 1666</u>

The cost of capital goods, which have been despatched, by the supplier and the right to property has passed on to the Company but pending for inspection/acceptance shall be classified as Capital goods in Transit. This would include the imported capital goods on the high seas as also those lying at ports but not received/documented at destination. In order to classify this as goods in transit, the following conditions shall be satisfied:

F.O.B Outstation/ex-works/F.O.B supplier:

The despatch document, i.e. Lorry Way Bills, Railway Receipts in respect of indigenous supplies and bills of lading in respect of imported supplies should be received on or before the raising of the SRBs. To ensure control over the receipt of such goods upon receipt of these documents the materials have to be accounted and subsequently upon receipt of materials should be transferred to the Capital Goods in Stock account.

The value of capital goods in transit on high seas shall include:

- Cost
- Freight
- Insurance
- Any other charge incidental to acquisition of goods.

In respect of the goods which has reached the port but not yet reached the plant / unit, the value of capital goods in transit shall also include customs duty, clearance charges and inland transport charges.

F.ii. <u>CWIP - Capital Goods in stock – Account Sub-Group: 1664</u>

The cost of Plant / Machinery or parts, components and other materials, received for Plant and Machinery, already inspected but lying in stores for being used in erection shall be treated as Capital Goods in stock. The inspection of such materials shall generally be deemed to have been completed if SRBs have been raised.

F.iii. CWIP - Ongoing Schemes

The works-in-progress shall include the works-in-progress relating to non-turnkey and semi turnkey projects check measured and accepted and also the works-in-progress of works undertaken by the Company departmentally. The expenditure incurred on construction of buildings, roads, railway siding etc. and in progress and plant & machinery etc. yet to be commissioned and capitalized, in respect of the units already under revenue operation shall be accounted under this account head.

F.iv. CWIP - Railway siding

The works relating to railway siding and other connected works are generally executed by the Department of Railways against deposits, pending submission of accounts. On receipt and acceptance of the account rendered by the Railways, the expenditure shall be debited to this head pending receipt of commissioning reports and capitalization. Usually, there may be delays in receipt of the completion report from the Railway authorities though the siding may be operational. In such cases, the capitalisation may be done based on the cost incurred with a note indicating that the same has been capitalised pending receipt of the final accounts statement from the Railway authorities.

F.v. CWIP - Plant & Machinery:1608

The payments relating to supply of plant and machinery, freight, insurance, taxes and duties, handling charges, erection etc. in respect of the P&M items, which are under erection, shall be debited to this account head pending completion of erection and commissioning.

F.vi. Survey and Feasibility Study Expenditure:1615

The Company undertakes survey and feasibility study for taking a decision in respect of a proposed project. Normally such study spans over a considerable length of time and an ultimate decision is taken on submission of a feasibility report. In case such study fructifies in a project, the expenditure incurred till such period is brought under CWIP- survey and Feasibility Study. In the eventuality of rejection of the proposed project, the expenditure incurred shall be charged to revenue.

F.vii.Transfer to Completed Works

On receipt of certificate of completion from the designated authorities as to the completion/commissioning of the assets, the amount booked under the CWIP codes shall be transferred to the corresponding codes under Fixed Assets.

1.G. DEPRECIATION:49

“Fixed assets” other than land, which are expected to be used during more than one accounting period and capitalised are treated as depreciable assets. The expenditure incurred on acquisition of these assets is charged off as depreciation to each accounting period, during their expected useful life at the respective rates, applicable to each class of assets. Depreciation is charged to the Profit & Loss account.

Depreciation is provided in the accounts under straight-line method at the rates prescribed by different statutes / authority as indicated below:

Description of assets covered	Basis
Assets of Thermal Power Stations, Hydel Assets, Process Steam Plant And Power Transmission Lines that are covered by specific items in the Schedule VI – A, B and C of the Electricity (supply) Act, 1948. In the case of vehicles such application is restricted to Ash Tippers only	At rates prescribed under Electricity (supply) Act, 1948.
Other Assets	At the rates prescribed by Schedule XIV of the Companies Act 1956. or at technically assessed rates which can be higher than the said rates.

In the year of commissioning / retirement of assets, depreciation is calculated on prorata basis based on the number of completed months. Assets for which depreciation is provided as per Schedule XIV of the Companies Act, 1956, and costing Rs.5000 or less are fully depreciated in the year of additions. Where the historical cost of a depreciable fixed asset has under gone a change due to increase or decrease in long term liability on account of exchange fluctuations, prior year adjustments, changes in duties and similar factors, the depreciation on the revised depreciable amount shall be prospectively provided / amortized over the residual useful life of the asset.

Rates of depreciation under technically assessed rates shall be followed so long as they are higher than the rates of depreciation as per schedule XIV of the Companies Act, 1956 which should be disclosed.

Any addition or extension, which becomes an integral part of the existing asset, shall be depreciated over the remaining useful life of that asset. The depreciation on such addition or extension shall be provided at the rate applicable to the existing asset. When an addition or extension retains a separate identity and is capable of being independently made functional then, depreciation shall be provided independently at applicable rates for such asset.

Where the depreciable assets are revalued, the provision for depreciation shall be based on the revalued amount and on the estimate of the remaining useful life of such assets. In case the revaluation has a material effect on the amount of depreciation, the same shall be disclosed separately in the year in which the revaluation is carried out. In case of depreciation of Revalued assets, the additional depreciation charge on account of the revaluation shall be adjusted against the Revaluation reserve created in this regard.

The charge towards depreciation shall be provided in the accounts as and when the assets are capitalised as given above.

In respect of the assets, which can be put to use immediately on receipt and installation or completion, as the case may be, the date of SRB shall be taken as the cut off date for commencement of making provision towards depreciation.

As far as the main plant and equipments procured and installed or commissioned, as the case may be, the dates of commissioning as furnished by the units concerned shall be taken as the cut off date for making provision towards depreciation.

As far as the main plant and equipments procured and installed under new / expansion schemes are concerned the dates of successful completion of performance tests as stipulated in the contracts, take over of the equipments, or on demonstration of regular production performance shall be taken as the cut off date for commencement of making provision towards depreciation.

In respect of Power Generation units, the date of commercial operation shall be reckoned after the new generating station achieves for the first time an availability factor which is equal to or more than the average availability factor of all other generating stations in the previous month. The trial stage shall deemed to have ended at the end of the month when the new generating station achieves the above availability factor which however cannot exceed three months from the date of synchronization(deemed date of commencement of commercial production). Depreciation charges as also other revenue expenses and receipts, relating to the unit shall be accounted under Revenue account from this date.

Depreciation on the assets completed and commissioned, under major construction schemes, which can function independently like Administrative office, canteens, construction plant and machinery etc., shall be provided from the month of commissioning of the respective assets, without waiting for declaration of the scheme / unit for commercial operation and the depreciation, so provided up to the date of commercial operation shall be charged to the construction account of the respective schemes.

Depreciation on other related assets, which can be put to use only along with the main plant and equipment shall, however, be provided only from the commencement of commercial operation of the respective unit.

The specific rates to be adopted for providing depreciation on each class of asset is indicated in the following statement. These rates are chosen for adoption from the rates specified under the following statutes/ authority.

- Rates prescribed in Schedule XIV to the Companies Act, 1956.
- Rates laid down under Electricity Supply Act, 1948.
- Rates fixed based on technical assessment.

The rates taken from each of the above bases are separately indicated in the statement under the respective headings.

In Schedule XIV to the Companies Act, higher rates of depreciation have been prescribed for certain specified items of plant and machinery, working in double shift and triple shift operations. Such higher rates of depreciation, wherever applicable should be adopted only for Plant and Machinery items that shall be in operation for more then one shift. It shall not, therefore, be necessary to provide extra depreciation for any of the items over and above the rates, indicated in the schedule.

If there is any revision in rates, in respect of the assets for which depreciation is provided as per Electricity Supply Act, the depreciation at such revised rates shall be applied from the date of revision on all the assets irrespective of the fact whether they are commissioned prior to or subsequent to the date of revision. Such revision in rates, if any adopted for other assets, shall however be applied only in respect of the assets, commissioned subsequent to the date of revision.

The amount of depreciation to be charged to an accounting period shall be worked out under straight line method, by applying the prescribed rate on the gross capital cost of the respective asset. In the year of commissioning, depreciation shall be charged on pro rata basis from the month of commissioning of the respective asset. For this purpose, depreciation for assets added after 15th of the respective month shall be ignored. If there is any addition to an existing asset, during any subsequent accounting periods, depreciation shall be calculated and provided for on such addition, prospectively over the remaining useful life of the asset, in line with the directive of Government of India /Regulatory commission, wherever applicable.

The total amount, to be charged off, as depreciation in respect of an asset shall be limited to 90%of its gross capital cost, in case it is depreciated at the rates prescribed under Electricity Supply Act or 95% of its gross cost if depreciated at the rate, prescribed on other bases. In other words only the difference between 90% and 95% of its gross cost of the asset, as the case may be and the cumulative amount of depreciation charged up to the end of the previous year shall be provided in the terminal year, so as to leave a residual value of 10% or 5% as the case may be in the books of accounts.

The assets declared as surplus / unserviceable shall be classified as disposable assets and accounted as such under the relevant codes, till they are finally sold or disposed of. In respect of the assets so declared as surplus / unserviceable or discarded, dismantled or destroyed, depreciation shall be provided on pro rata basis up to the previous month, in which the assets have been declared as surplus / unserviceable or discarded, dismantled or destroyed.

To create another head in Fixed Assets schedule for accounting the surplus/unserviceable machinery.

G.i. Disclosure requirements:

The following information are to be specifically disclosed either in the financial statements or accounting policies, forming an integral part of the financial statements.

Depreciation method used.

Depreciation rates or the useful life of the assets, if they are different from the principal rates specified in Schedule XIV to the Companied Act, 1956.

Historical cost of the asset, total depreciation provided for the period and the related accumulated depreciation

Surplus or deficit, arising on account of sale, disposal etc. of the asset, if material.

Additional charge towards depreciation, if any, consequent on the revision of the rates, adopted for providing depreciation.

Accounting Standard reference AS – 6.

Separate records for computation of Depreciation under the Income Tax Act shall also be maintained.

The Account groups and Sub Account groups operated under Fixed assets. Capital work in Progress & depreciation are given below:

Account Group	Sub - Account Group		Account Name
15			**Fixed Assets**
	150		**Cost of Assets - Own Assets**
		1500	Goodwill
		1501	Land
		1502	Buildings
		1505	Civil Works
		1506	Hydraulic Works
		1507	Lines and Cable Network
		1508	Plant and Machinery
		1509	Computers
		1510	Furniture and Fixtures
		1513	Vehicles
		1516	Other Capital Expenditure / Fixed Assets A/cs – Capital Spares

Account Group	Sub - Account Group		Account Name
15			**Fixed Assets**
	152		**Cost of Fixed Assets - Leased**
		1521	Land
		1522	Buildings
		1525	Civil works
		1526	Hydraulic Works
		1527	Lines, Cable Network and Electrical Installations
		1528	Plant and Machinery
		1529	Computers
		1530	Office Equipment and Furniture and Fixtures
		1533	Vehicles
		1536	Other Capital Expenditure / Fixed Assets A/cs – Capital Spares
	155		**Depreciation Reserve for Fixed Assets**
		1552	Buildings
		1555	Civil Works
		1556	Hydraulic Works
		1557	Lines and Cable Network
		1558	Plant and Machinery
		1559	Computers
		1560	Furniture and Fixtures
		1563	Vehicles
		1566	Other Capital Expenditure / Fixed Assets A/cs – Capital Spares
		1569	Depreciation and Amortisation of Intangible Assets
	157		**Depreciation Reserve for Leased Fixed Assets**
		1572	Buildings
		1575	Civil Works
		1575	Hydraulic Works
		1577	Lines and Cable Network
		1578	Plant and Machinery
		1579	Computers
		1580	Furniture and Fixtures
		1583	Vehicles
		1586	Other Capital Expenditure / Fixed Assets A/cs – Capital Spares

Account Group	Sub - Account Group		Account Name
15			**Fixed Assets**
	160		**Capital Work in Progress**
		1601	Land and Land development
		1602	Buildings
		1605	Civil Works
		1606	Hydraulic Works
		1607	Lines and Cable Network
		1608	Plant and Machinery
		1609	Computerisation
		1610	Furniture and Fixtures
		1613	Vehicles
	162		**Contracts in progress**
		1620	Contracts in progress (Other accounts for assets for construction stage)
		1621	Revenue expenditure pending allocation or capital works
		1625	Provision for completed works
		1626	Construction facilities
	165		**Advances for capital works**
		1650	Advances to suppliers/contractors-capital works(int.bearing)
		1651	Advances to suppliers/contractors-capital works(int.free)
	166		**Capital Material Accounts**
		1660	Capital material purchases – stores and spares
		1662	Capital material issues
		1663	Stores and Spares issued to site – not consumed
		1664	Material stock account – capital
		1665	Capital material – pending investigation
		1666	Capital material in transit
		1667	Capital materials stock adjustment a/c
		1668	Capital Equipment & Cap. Spares in bonded warehouse
		1669	Cap.Material stock excess/shortage pending investigation
		1670	Cap. Material .issued/with contractors/sub-contractors
		1671	Cap. Material .returned from contractors/sub-contractors
		1672	Cap.Material transfer-inward
		1673	Cap.Material transfer-outward
		1674	Insurance Spares Stock a/c-capital
		1675	Other material a/cs-capital
		1679	Provision for recovery of cost of material-capital

	168		**Assets not in use**
		1681	Asset Not in Use-Land & Land rights
		1682	Asset Not in Use-Buildings
		1685	Asset Not in Use-Civil Works
		1686	Asset Not in Use-Hydraulic Works
		1687	Asset Not in Use-Lines & Cable net work
		1688	Asset Not in Use-Plant & Machinery
		1689	Asset Not in Use-Computers & Office equipment
		1690	Asset Not in Use-Furniture & fixtures
		1693	Asset Not in Use-Vehicles

1.H. INVESTMENTS:17

Investments are assets held by the company for earning income by way of dividends and interest or for other benefits to the company. Assets held in stock in trade are not Investments. Bank deposits held as Investments over a long term with the intention of earning revenues out of such deposits shall also be classified under the Account Group Investments and not under the account group Cash and Bank Balances.

Disclosure requirement:

The following classification shall be disclosed under the head Investments:

- Investments in Government of India or Trust Securities.
- Investments in shares, debentures or bonds.
- Immovable properties.
- Investments in the capital of partnership firms.
- Balance of unutilised monies raised by issue.
- Investments shall be distinguished as quoted or unquoted.

Investments should be disclosed as “current investments” and “long-term investments”. Investments other than current investments are classified as Long Term Investments, even though they may be readily marketable. Such differentiation is only for provisioning for diminution in their values in the financial statements.

Separate disclosure as to fully paid-up and partly paid-up in respect of shares, debentures and bonds shall be made.

Also, investments in shares, debentures and bonds of subsidiary companies shall be distinguished for different classes and disclosed.

A statement of investments whether held Trade and Non-trade investments including the

Names of the bodies Corporate indicating separately the names of bodies corporate in whose shares or debentures, the investments have been made.

Investments made subsequent to the date as at which the previous Balance Sheet was made out.

The names of the firms, partners, total capital and shares of each partner shall be given in the case of investments in the capital of partnership firms.

Mode of valuation of investments shall also be disclosed. Costs include acquisition charges such as brokerage, Legal fees and Stamp duties.

All unutilized monies out of the issue must be separately disclosed in the Balance Sheet indicating the form in which such unutilized funds have been invested.

Investments classified as current investments should be carried in the financial statements at the lower of cost and fair value determined either on an individual investment basis or by category of investment, but not on an overall (or global) basis.

Investments classified, as long-term investments should be carried in the financial statements at cost. However, provision for diminution shall be made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

Any reduction in the carrying amount and any reversals of such reductions should be charged or credited to the profit and loss statement and appreciation if any should be ignored.

On disposal of an investment, the difference between the carrying amount and net disposal proceeds should be charged or credited to the profit and loss statement. The Account Heads to be operated in this regard are given below:

Account Group	Sub - Account Group		Account Name
17			**Investments**
	170		**Investments in Government Securities**
		1700	Quoted Securities
		1701	Un Quoted Securities
	171		**Investments in Shares , Debentures, Bonds etc.,**
		1710	Quoted Investments
		1711	Un – Quoted Investments
	172		**Investments in Immovable properties**
		1720	Investments in Immovable properties
	173		**Investments in partnership firms**
		1730	Investments in partnership firms
		1731	Investments in Subsidiaries
	174		**Other Investments**
		1740	Investment of Balance of Un utilised monies of Public Issues in Scheduled Banks
		1741	Investment of Balance of Un utilised monies of Public Issues in other securities

H.i. Specific Disclosure Norms as per Schedule VI of the Companies Act, 1956:

The accounting policies for determination of carrying amount of investments, and classification of investments.

The amounts included in profit and loss statement for:

- Interest, dividends (showing separately dividends from subsidiary companies), and rentals on investments showing separately such income from long term and current investments. Gross income should be stated, indicating the amount of income tax deducted at source;
- Profits and losses on disposal of current investments/ long term investments and changes in the carrying amount of such investments; and
- Significant restrictions on the right of ownership, reliability of investments or the remittance of income and proceeds of disposal
- The aggregate amount of quoted and unquoted investments, giving the aggregate market value of quoted investments.
- A Statement of Investments separately classifying trade and other investments should be annexed to Balance Sheet showing the names of the bodies corporate identifying those under the same management in whose shares or debentures, investments have been made and the nature and extent of investment.

Accounting Standard Reference – AS 13, AS 23, AS 27

1.I. CURRENT ASSETS, LOANS AND ADVANCES

The balances, under the items, classified as Current Assets, Loans and Advances, are grouped and exhibited in the Balance Sheet under the following major heads:

- Inventories.
- Sundry Debtors.
- Cash and Bank balances.
- Other Current Assets.
- Loans and Advances.

I.i. Inventories –Sub-Account Group: 16

In the schedule of Inventories to the Balance Sheet, the items are exhibited under the following heads:

- Raw materials.
- Stores & spares.
- Consumables.
- Disposable/Dismantled assets.
- Loose tools.

The provision to be made towards non-moving or obsolete items of by-products/stores and spares and shortages, if any, pending investigation, is shown separately in the Current Liabilities Schedule and shall be netted off against the value of Inventory in the Balance Sheet.

Raw Materials:

- Coal
- Furnace Oil
- Gas

Raw Materials – Fuels

The year-end stock of coal and Furnace Oil for generation of power is accounted under the accounting sub head – 1800 and exhibited as Raw materials in the schedule of Inventories to the Balance Sheet. The quantity of coal, Furnace Oil lying in stock at the year end in the bunkers or in the yards, as physically verified shall be valued as per Accounting Standard (AS) -2 – Valuation of Inventories.

Excess/Shortages in Stock Verification

The excess/ shortage found on physical verification of fuels are determined and accounted for under the account sub head 1805. The excess/shortage shall be written back/ written off to the profit and loss account and for disclosure purposes these shortages/excess should be adjusted to the consumption of coal and Furnace Oil.

Fuel Receipts

As per the agreement between AP Genco and the collieries, the coal dispatches are monitored jointly and hence the risks pass on to AP Genco immediately upon loading the wagons at the collieries. All coal receipts at the generating plants have to be weighed in the wagon tippler and the quantity of coal so received only taken into stock. The actual quantity received should be valued at the landed cost including all freight and other costs incurred to bring the coal to the location and condition proportionately to the extent of the invoiced quantity and the freight paid on such invoiced quantity. This excludes all penal charges like demurrage, penal charges for late payment levied by collieries, railways etc. There are two scenarios where the invoiced quantity and the actual receipt weighed at the power station will vary i.e short receipt of fuel and excess receipt of fuel. Both these scenarios occur due to various reasons like, losses in transit, differences in weighment at different weighbridges etc. The accounting treatments for both these scenarios are given below as an illustration to explain the same.

Illustration 1:

Short Receipt of Fuels

Invoiced Qty (MTs)	Invoice Value (Rs.)	Freight on Invoiced Quantity (Rs.)	* Direct Costs for Invoiced Quantity (Rs.)	Actual Quantity received (MTs)	Value of Coal to be taken into stock (Rs.)	Transit Loss (Rs.)	Quantity to be taken into stock	Unit Cost of Stock
1000	10000	10000	1000	950	19950	1050	950	21

Illustration 2:

Excess receipt of Fuels

Invoiced Qty (MTs)	Invoice Value (Rs.)	Freight on Invoiced Quantity (Rs.)	* Direct Costs for Invoiced Quantity (Rs.)	Actual Quantity received (MTs)	Value of Coal to be taken into stock (Rs.)	Transit Loss (Rs.)	Quantity to be taken into stock	Unit Cost of Stock
1000	10000	10000	1000	1050	22050	-1050	1050	21

***** Accounted for on monthly basis.

Under both these circumstances the unit cost as invoiced is not changed and also, control over transit losses are maintained by bringing them into the books of account. This requirement is necessary considering the Cost Record Rules prescribed by the government for power utilities. In the latter case the value of coal taken into stock is higher than that invoiced. This incremental value in the nature of transit excess shall be booked into transit excess account under the accounting sub head 1805 and at the end of the accounting period preferably on a monthly basis be adjusted into the consumption of Fuel account under accounting sub head 4400. The transit losses are also to be similarly treated. This method of accounting ensures control over the transit losses in order to enable claim against the Railways, collieries and coal handling agents in future. Subsequent to any adjustments regarding such claims the final losses are adjusted to accounting sub head 4400.

Accounting for recoverable claims on account of lower grade of coal received:

The Units shall be responsible for accounting the amount recoverable from the collieries (being the difference between price paid for and the applicable rate) on account of lower grade of coal received by the thermal stations.

Fuel Issues

Fuel issues shall be at the moving monthly weighted average unit rate.

The example explained above refers to Coal. A similar approach to accounting for Furnace Oil and other Fuels may also be adopted.

Stores and Spares

Detailed Account codes have been opened under sub head 1811 to account the cost of Steel, Cement, Cables & Conductors, Lubricants, Machinery Spares, Consumables, Other Spares and Stores intended to meet the day-to-day operation and maintenance requirements. On receipt and acceptance of the materials, the cost of materials including freight, insurance, handling charges, taxes and duties, etc. is priced based on the Stores Receipt Book and debited to the relevant detailed code under the above head. As and when the materials are drawn by the various units through Stores Issue Book, the value of these materials is priced at the weighted average cost and issued. The balances available under the above codes at the close of the year are valued and accounted. Such value will not include those booked under the codes opened for accounting the materials required for use on Capital/construction works, which are to be classified under Capital Goods in Stock under accounting sub head 1664.

Spares supplied along with the original equipment

The cost of spares ordered and supplied along with the main plant and equipment or other plant and machinery items shall be capitalised and depreciated along with the assets, irrespective of their nature and purpose and the place of storage. All these spares are to be accounted under the relevant material code in the stock ledger and carried at NIL value.

Capital Spares:1516

Machinery Spares of the nature of Capital spares shall be capitalized separately at the time of purchase whether acquired along with the fixed assets or subsequently and amortised over the period not exceeding the useful life of the parent asset. On sale or disposal otherwise of the concerned asset , the unamortized part less disposal value of the capital spare shall be charged to revenue.

For the purposes of the above, Capital Spares are those:

i. Which are specific to a particular item of fixed asset ie .,they can be used only in connection with the particular item of fixed asset and
ii. Also their use is expected to be irregular.

Other Spares Costing Above Rs.50 Lakhs.

Spares and unit assemblies of over Rs.50 Lakhs not falling under the above category are charged off over the period of 3 years from the date of consumption or technical assessment whichever is earlier.

Current Assets – Stores & Spares in site:1817

At the end of each accounting period, the items of stores and spares drawn towards revenue operation and maintenance needs by the various units but lying in stock unutilized are physically verified. The list of such materials along with the details of requisition No., quantity, date of drawl etc. are furnished to the respective Accounts Centres. Based on these details, the value of materials lying at site at the end of the accounting period is transferred to the relevant account head by crediting the consumption account. If the value of the materials at site is substantial utmost care should be taken in declaring the physical existence of the item. It is the responsibility of the Unit Head to ensure its existence and to substantiate any discrepancies.

Goods in Transit – Stores and Materials etc.,1826

The cost of stores and spares dispatched by the suppliers, for which the title has been passed on to the Company, which are in transit shall be treated as stores & spares in transit and accounted under the accounting sub head - 1826. The conditions to be satisfied for treating the materials as goods in transit shall be the same as that stipulated under capital goods in transit. Materials received at site but not inspected shall be accounted under this accounting sub head

All these balances under the above heads shall be clubbed together and shown in the schedule of inventories under the head stores & spares.

Treatment of Excess/Shortage:

The quantity reported as found excess should be brought into account by debiting the relevant code of Stores and spares under accounting sub head 1830.

The cost of shortages, if any, shall be debited to the accounting subhead 1830 first. Upon verification and confirmations obtained from the authorities designated in this regard the entries are passed in the accounts writing off the same through the profit and Loss account under accounting sub – heads 4400,4410,4420, 4600, 4610, 4620, 4630, 4640 as the case may be. In case, the cost of the above shortage is subsequently recovered the provision created shall be written back.

Provision towards Obsolete/Surplus Items:

The materials lying in stock shall be periodically reviewed and provision towards obsolete/unserviceable items etc. shall be made based on identification of the same by the concerned unit head by crediting accounting sub head 1891 and debiting accounting sub head 4771.

Provision, if any, outstanding under the GL code 1891 mentioned above shall be shown separately as deduction under the head Stores & spares.

The account heads that are operated in this regard are given below:

Account Group	Sub - Account Group		Account Name
18			**Inventories**
	180		**Fuel Stock Accounts**
		1800	Fuel Stock at Stores
		1801	Fuel Stock in Transit
		1805	Fuel Stock excess /shortage pending investigation

Account Group	Sub - Account Group		Account Name
18			**Inventories**
		1806	Shortage Losses-Fuels
	181		**O&M Material (Stores and Spares)**
		1811	O&M material purchase - Stores and Spares
		1813	O&M material issues
		1814	Stores and Spares issued /with contractors /sub contractors
		1815	Stores and Spares returned by contractors /sub contractors
		1817	Stores and Spares issued to site – not consumed
		1818	Material transfer inward
		1819	Material transfer outward
	182		**Material Stock Account & Adjustments**
		1821	Material Stock Account – O&M
		1822	Insurance Spares Stock Account
		1824	O&M Material Pending Inspection
		1826	O&M Material in transit
		1828	O&M Material Stock Adjustment Account
	183		**Material Shortage /Excess pending Investigations**
		1830	Material Shortage /ExcessPending Investigations
	184		**Other Material Accounts**
		1840	Other Material Accounts
	189		**Provision for recovery of Cost of Material**
		1891	Provision for obsolescence
		1892	Provision for impairment
		1899	Provision for recovery of Cost of Material

Accounting Standard: Valuation of the above stocks should be in accordance with Accounting Standard 2 – Valuation of Inventories.

Additional Disclosure Requirements as required under Schedule VI of the Companies Act

Mode of valuation of Stock shall be stated and the amount in respect of raw materials shall also be stated separately.

I.ii. Sundry Debtors – Account Sub-Group: 18

Sale of Power

The amount outstanding from the customers towards sale of power shall be accounted in the account group 19 and sub account code 1900 and 1901 separately for power sold within and outside the state. Based on the invoices raised, including supplementary invoices the gross sale value, taxes, levies, duties etc. recoverable from the customers shall be debited to the respective codes under the account group 19 Sundry Debtors with credit to the corresponding codes under 4100 ,4110 and 4120.

O&M Contractor Fee Receivable

AP Genco is also operating as Operations and Maintenance contractor of the gas power plant at Rajamundry-Vijjeswaram. The receivable fee is to be accounted under accounting sub head 1910 with a corresponding credit to accounting sub head 4130. Service Tax as technical consultants shall not be included under sub head code 4130 but directly adjusted with scheme code 1910.

Rent –Licensees / Others:

The amounts due from the Licensees and others towards house rent, electricity charges, etc. shall be accounted under the head 1911 based on the demands raised by the concerned Accounts Centre. At the time of raising the demands, the accounting sub code 1911 shall be debited with a corresponding credit to accounting sub head 4250. The amounts received from the parties shall be credited to the respective detailed code under this head.

Interest accrued on Sundry Debtors

The amount due towards interest on belated payments from the customers for sale of power shall be debited under the head 1911 with credit to sub code 4210. The surcharge due from the Electricity Boards, towards such belated payments, if any, for supply of power shall, be brought in to account only on receipt basis.

Provision for Doubtful Debts

The book debts which are considered doubtful remaining unrealised in the books of accounts for a considerable period are considered for making provision in the accounts. The amount outstanding from the customers shall be reviewed annually and where any item is considered as doubtful, provision shall be made in the accounts by debiting accounting sub head 4770 and crediting 1999. If, subsequently the amount for which provision has been created is recovered, the provision shall be reversed. On the other hand, if the amount is treated as irrecoverable, the amount shall be written off from the books with the approval of the Competent Authority by debiting 4770 with credit to the accounting sub codes 1900,1901,1910,1911,1999 respectively.

The amounts outstanding at the close of the year under the sub heads 1900,1901,1910,1911,1999, being net of credit balances, shall be grossed up and shown in the Balance Sheet under the head Sundry Debtors. The total of the credit balances shall be treated as other liability and included under the head Current Liabilities.

Account Group	Sub - Account Group		Account Name
19			**Sundry Debtors**
	190		**Sundry Debtors - Sale of Power**
		1900	Sundry Debtors - Sale of Power – with in the state
		1901	Sundry Debtors - Sale of Power - Inter State
	191		**Sundry Debtors - Others**
		1910	Sundry Debtors - O&M Contracts
		1911	Sundry Debtors - Miscellaneous
	199		**Provision for Doubtful dues**
		1999	Provision for Doubtful dues

Specific Disclosure Norms as per Schedule VI of the Companies Act, 1956

The following classification shall be disclosed under the head of Sundry Debtors

- In the schedule of Sundry Debtors to the Balance Sheet, the amount outstanding at the close of the year shall be analysed and exhibited under the following classifications:
- Secured-More than six months.
- Others.
- Unsecured and Considered good-More than six months.
- Others.
- Unsecured and Considered doubtful -More than six months.
- Others.

The debt, if any, secured by tangible assets from customers shall be treated as secured and considered good. The debt treated as unsecured and doubtful shall be fully covered by corresponding provision so created towards doubtful debts shall be exhibited separately in the schedule by way of deduction.

- Debts due by the directors or other officers of the Company.
- Debts due by firms or private companies respectively, in which any director is a partner of a director.
- Debts due by Companies under the same management u/s 370(1B) with the names of those companies.
- The maximum amount due by the directors or other officers of the company at anytime during the year to be shown by way of a note.
- In cases where the provision for doubtful debts exceed the value of the doubtful debts, the excess provision to be shown under Reserves & Surplus under the head Reserve for Bad and Doubtful debts.

I.iii. Cash and Bank Balances – Account Sub-Group: 20

The amount shown under the head "Cash and Bank Balances" shall include Cash, Cheques and Demand Drafts on hand, amount lying with various Banks under Current Account, Deposit Accounts, Employees Welfare fund, Endowment Funds created for different purposes, etc.

The balances under the above heads representing actual cash balances, remittances in transit, the value of postage stamps, revenue stamps, balances against the deposits made towards use of franking machines, cheques and demand drafts received but not deposited in the banks, cash balances, shall be clubbed together and shown in the schedule of cash and bank balances to the balance sheet under the head "Cash, Cheques and Demand Drafts on Hand".

Separate accounting codes have been assigned 2010,2011, 2030 to account the transactions of the current accounts with the banks. The balances lying under these current accounts as per the books of the company and the debit balances, if any, under the cash credit account shall be clubbed and exhibited under the head "Balances in Current Account". If the balance of the Cash Credit Accounts is 'Credit", the same shall be shown under Secured Loans as "Cash Credit with Banks"

Term Deposits with Banks: 2040 & 2041

The amount placed with various banks as term deposits / certificate of deposits shall be accounted under this code. The year-end balances shall be exhibited separately under the head "Term Deposits with Banks". Interest thereon shall be accounted on accrual basis and accounted under Account Sub head.

General Instructions:

Divisional Offices/Executives/Accounts Centre etc., whoever retains cash for official purpose shall arrange to remit the cash balances, if any, with them as on 30th March to their respective cash counters of the accounts centre on the same date without fail. The Account codes that are operated in this regard are given below:

Account Group	Sub - Account Group		Account Name
20			**Cash on Hand**
	200		**Cash on Hand**
		2000	Cash on Hand
	201		**Bank Balances with Scheduled Banks**
		2010	in Current Account (Drawing A/c.)
		2011	in Current Accounts (Receipt A/c.)
	202		**Bank Balances with Non - Scheduled Banks**
		2020	in Current Account (Drawing A/c.)
		2021	in Current Accounts (Receipt A/c.)
	203		**Remittances in Transit**
		2030	Remittances in Transit – Collection A/c.
		2031	Transfers from Head Office in transit (Drawing A/c.)
	204		**Term Deposits**
		2040	Term Deposits with Schedule Banks
		2041	Term Deposits with Non-Schedule Banks

I.iv. Loans and Advances

The amount exhibited in the Balance Sheet under the caption "Loans and Advances" shall include the balances outstanding under the following heads:

Account Group	Sub - Account Group	Account Name
23		
	230	Advances recoverable- Suppliers and Contractors – Fuel & O&M Supplies
	231	Advance recoverable for Transportation and freight fuel & Material contractors
	232	Prepaid Expenses
	233	Others – Staff Advances – Interest Bearing

Advances to suppliers and Contractors - Accounting Sub heads

2300 – Advances to suppliers and contractors for Fuel – Interest free

2301 - Advances for Stores, Spares and Others – Interest Free

2302 - Advances for Fuel – Interest Bearing

2303 - Advances for Stores, Spares and Others – Interest bearing

2304 - Advance to Contractors – Interest free

2305 - Advance to Contractors – Interest bearing

2310 - Advance for Railways – Coal

2311 - Advances for transportation of Oils, Fuels, and other Materials

2312 – Bills of Exchange

2320 – Prepaid Expenses

2330 – Others – Staff Advances – Interest Bearing

2331 – Others- Staff Advances – Interest Accrued

2332 – Staff Advances – Non Interest Bearing

2333 – Loans & Advances to Licensees & Others

2334 – Prov. For doubtful loans and advances(credit a/c)

All individual advances paid for fuel, stores and spares, contractors and capital goods are to be accounted under the abovementioned sub account heads. The individual party wise accounts have to be entered and maintained in a creditors sub – ledger and only control totals at the month end should be posted into these General Ledger codes. Capital Goods advances have to be disclosed under the fixed assets schedule in the final accounts. Individual party accounts where the party is a creditors as well as a debtor the amounts shall be shall be netted off and disclosed under sundry creditors or debtors.

Subsidiary ledger for advances and its reconciliation with General Ledger:

Subsidiary ledger balances shall be reconciled with the relevant General Ledger accounts every month. The interest on advances shall be recovered as per the terms governing the same.

Staff Loans and Advances

The loans paid to the staff, workers and Executives (such as Housing / Vehicle loans) which are interest bearing and fully secured by mortgage of properties or assets the recovery of such advances are accounted under the respective detailed codes separately opened under this head. The amount outstanding under this head shall be classified as Secured Advances and exhibited separately in the schedule of Loans & Advances. The total interest due shall be debited to advance after it has become due and the same shall be recovered. In case of advances which are non interest bearing the same shall be accounted under accounting sub code 2332. The accounting sub codes relating to staff loans/ advances are given below.

Account Group	Sub - Account Group		Account Name
23			
	233		**Advances to Staff**
		2330	Staff Advances - Interest Bearing
		2331	Staff Advances - Interest Accrued
		2332	Staff Advances - Non - Interest Bearing

Individual dues of the employees shall be maintained in the form of a sub ledger by the Payroll section with a record of the disbursements and deductions made at the time of salary payment. The control totals for each advance shall be entered into the General Ledger on a monthly basis. The sub ledger balances and the General Ledger control totals shall be reconciled on a regular basis.

Prepaid expenses Sub-Account Group: 2320

The payments made towards annual subscription of books and periodicals, insurance premium, rent, licence fee, taxes, duties, if any, etc. shall be initially debited to this sub account head and upon the passage of time depending on the currency of the contract or any other basis transfer on an equitable basis to the respective revenue accounts. Preferably this should be done on a monthly basis or any other shorter duration as applicable.

In the case of payments of insignificant value the same may be directly charged to the revenue. The same shall however be reviewed and transferred to prepaid expenses at the end of the accounting period suitably.

Claims Receivable:

The accounting sub heads under Claims receivable are as given under.

Account Group	Sub - Account Group		Account Name
21			
	217		**Claims Receivable**
		2170	Claims receivable - Fuels
		2171	Claims receivable - Other Suppliers
		2172	Claims receivable - Transporters
		2173	Other Claims Receivable

These sub heads and the related accounting codes shall be operated after lodging claims. These claims if relating to fuels and related costs have to be transferred by credit to accounting sub head 182 and debiting the relevant accounting codes coming under the above accounting sub heads. Primarily any losses incurred sought to be claimed should be written off to revenue under the relevant heads as a conservative and prudent measure and upon acceptance of claim can be reversed by crediting the revenue account and debiting the relevant claim account. This is more so relevant where the claim settlement passes into the subsequent accounting period.

Recoveries from Contractors/ Suppliers

Where there are performance guarantees, or penal clauses included in contracts and where such clauses of the contracts have been breached, the charges recoverable from the contractor/supplier shall be debited to this sub account head with the credit going to Other Income designated by the Accounting sub code 4220.

Account Group	Sub - Account Group		Account Name
21			
	217		**Other Receivables**
		2174	Recoveries from Suppliers / Contractors receivable

Deposits

Deposits for statutory dues and authorities for clearing materials from port trust, customs etc shall be accounted under the account sub head 2121. Deposits made for telephones are charged to revenue. Other deposits towards properties taken on rent etc shall be debited to accounting sub head 2120. The list of accounting sub heads to be operated is given below.

Account Group	Sub - Account Group		Account Name
21			
	2120		**Deposits**
		2120	Other Deposits
		2121	Statutory Deposits

Income Tax and Tax Deducted at Source

Advance Income Tax and Tax deducted at source shall be accounted under the accounting sub heads 2175,2176 and 2177 respectively.

Account Group	Sub - Account Group		Account Name
21			
	217		**Income Tax and Tax Deducted at Source**
		2175	Advance Tax.
		2176	Tax Deducted at Source – Receivable.
		2177	Refunds receivable - Assessments completed but refund cheque yet to be received.

1.J. CURRENT LIABILITIES AND PROVISIONS

The amount shown in the Balance Sheet against the caption "Current Liabilities" shall include liabilities outstanding towards pay and allowances, bonus, incentives, purchase of materials, taxes, deposits received from employees, contractors and other parties, interest accrued but not due on secured/unsecured loans, etc. shall be exhibited in the schedule of Current Liabilities under the following heads.

Account Group	Sub - Account Group		Account Name
25			**Current Liabilities**
	250		**Acceptances**
		2500	Bills Acceptances
	251		**Sundry Creditors**
		2510	Sundry Creditors - Fuels
		2511	Other Creditors
		2512	Sundry Creditors /Contractors control account – O&M
		2513	Provision for supply of material works – O&M
		2514	Liability for Purchase of Power
		2515	Liability for capital works
		2516	Suppliers /Contractors control account - Capital
		2517	Provision for supply of material works – Capital
		2518	Other Creditors for Expenses
	252		**Other Liabilities**
		2520	Deposits from contractors/Suppliers
		2521	Staff Liabilities
		2522	Interest Accrued and not due
		2523	Income Tax Payable
		2524	Other Liabilities
		2525	Liabilities relating to Government
	253		**Provisions**
		2530	Provision for Taxation
		2531	Proposed Dividend
		2532	Staff Provisions
		2533	Provision of Obsolescence/Impairment and Bad Debts

J.i. Sundry Creditors – Account Sub-Group: 250

Sundry Creditors shall disclose the dues payable to suppliers of raw materials and other materials in addition to services and other expenses. The corresponding accounting sub heads created in this regard shall be credited with the debit going to the relevant revenue head. The individual account balances of the creditors shall be sub ledgerised and the control totals posted in the General Ledger on a monthly basis. The accounting sub heads operated in this regard are 2500, 2510, 2511, 2512 to 2518.

Liability outstanding towards purchase of stores and materials, etc. are created based on the inspection-cum-receiving report and the uncleared bills lying by crediting these accounting sub heads. It shall be ensured that liability towards material under inspection shall be created as it forms part of Goods in transit.

Creditors for Purchase of Power Sub-Account Group: 2514

Currently, AP Genco has a share of power generated at the Machkund and Tungabhdra Hydel projects. The expenses are shared as per the terms of the agreement. The expenses incurred in this regard are accounted under the revenue head 4300 – Cost of Power Purchased. The liability for these expenses shall be booked under this accounting sub head in addition to any other power purchased.

In respect of capital/revenue works, the liability for payment towards the quantity executed but not paid for shall be created in the accounts and credited to 2500, 2510, 2520 or 2530 and in the case of capital works credited to 2530 accounting sub head. This shall be done based on the record of the Measurement Book in case of contracts and in cases of purchase orders raised, upon receipt of materials and acceptance from the supplier. Similarly liabilities shall be created in respect of other expenses also. In case of revenue works the respective liability head shall be credited with corresponding debit to revenue account.

The balances outstanding at the year end under the above codes, excluding the debit balances as per vendor ledger, shall be clubbed and exhibited in the Schedule separately under the head Sundry Creditors. Additionally, a separate disclosure in the notes regarding the mode of accounting of power purchased should be made.

J.ii. Other Liabilities – Account Sub-Group: 252

Staff Liabilities – Sub-Account Group: 2521

The liability for the gross amount payable as pay/wages and various allowances to the employees of the company is created at the end of each month by crediting accounting sub code 2521 based on the pay bills prepared for the month, with a debit to the codes created in the revenue account towards pay, DA, VDA, etc. under the accounting sub heads 4500,4501,4502,4510,4511,4512,4520, 4521,4522,4523,4524,4525,4526,4530 and 4531. The net payments made to the employees by cash or through bank are credited to the Cash or Bank Account, as the case may be. The recoveries made are credited to the respective accounting sub heads 2521 to account such recoveries and subsequent remittances. Liability towards payment of bonus and incentives, chargeable to the revenue account of the respective year is created on annual basis by debit to the related accounting head under revenue account. This entry is reversed in the accounts at the time of actual payment of bonus/incentive. Security deposits received from staff should be kept in a separate bank account and disclosed in the accounts as per the Companies Act.

Security Deposits from Contractors/ Suppliers, EMD from Contractors/ Suppliers – Sub-Account Group: 2520

Deposits and EMDs received from Contractors / Suppliers shall be credited to this account. The individual balances against particular creditors shall be maintained as part of the creditors sub ledger with the control totals posted to this account on a monthly basis.

Tax Deducted at Source Payable – Sub-Account Group: 2523

Tax deducted at Source out of various payments like Salary, Interest, Contractors' amount, Professional Fees, Rent etc. made by the company shall be deducted and credited to this accounting sub head under the relevant accounting codes created in this regard.

Other Liabilities – Sub-Account Group: 2524

All other liabilities shall be accounted on accrual basis under this accounting sub head under the codes created in this regard.

The balances outstanding at the year end under all the accounting sub heads shall be classified as Other Liabilities and exhibited separately in the schedule of current liabilities.

Interest accrued but not due – Sub-Account Group: 2522

At the end of the year, interest charges accrued on the loans but not become due for payment shall be calculated and liability created by crediting this code. This liability shall be shown separately in the schedule of Current Liabilities under the above caption.

J.iii. Provisions - Account Sub-Group: 253

Dividend – Sub-Account Group: 2531

Dividend declared by the company at the close of the year shall be shown under this head in the provisions schedule. Sections 205 of the Companies Act deals with the same. The provisions of these sections and the rules made in this regard from time to time shall apply. Where the dividend declared by the company has not been paid or claimed within 30 days from the date of declaration, the company shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend to a special account to be opened by the company in any Scheduled Bank, to be called "Unpaid Dividend Account". Any money transferred to the unpaid dividend account of the company which remains unpaid or unclaimed for a period of 7 years from the date of such transfer, shall be transferred to the "Investor Education and Protection Fund" of the Government of India as specified in Section 205 A.

Interim Dividend:

Within 5 days of declaring Interim dividend, the Board of Directors shall deposit the amount in a separate Bank account and the amount of interim dividend so deposited shall be used for payment of interim dividend. Such interim dividend, if declared prior to year end, shall be disclosed under current liabilities schedule separately. As per the Companies amendment act, 2002 the differentiation between Interim Dividend and final dividend have been removed, hence interim dividend and final dividend cannot be differentiated and the same rules apply to both.

Provisions

The break-up for the amount shown in the Balance Sheet against the caption "Provisions" under Current Liabilities and Provisions shall be exhibited in the schedule to the Balance Sheet under the following heads.

Provisions for Taxation – Sub-Account Group: 2530

Provision for taxation for the year shall be computed and the provision arrived at duly considering all the provisions of the Income Tax Act, which is a charge on the Profit and Loss account. The amount payable as wealth tax on the value of motorcars (Maruti and Ambassador Vehicles etc) standing in the name of Company been debited to the above accounting sub head and exhibited as a distinct item in the schedule.

Deferred Tax

Deferred Tax has been defined in Accounting Standard 22, which is applicable to the company from the accounting period commencing from 01-04-2002. Deferred Tax arises out of timing differences, which are effects of the difference between the tax as per the books of account and the tax as per the taxing statute. The liability or asset arising out of the recognition of the deferred tax needs to be separately disclosed in the final accounts. Accounting Standard defines timing differences as those differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods. Timing differences arise because the period in which some items of revenue and expenses are included in taxable income do not coincide with the period in which such items of revenue and expenses are included or considered in arriving at accounting income.

For example, machinery purchased for scientific research related to business is fully allowed as deduction in the first year for tax purposes whereas the same would be charged to the statement of profit and loss as depreciation over its useful life. The total depreciation charged on the machinery for accounting purposes and the amount allowed as deduction for tax purposes will ultimately be the same, but periods over which the depreciation is charged and the deduction is allowed will differ. Another example of timing difference is a situation where, for the purpose of computing taxable income, tax laws allow depreciation on the basis of the written down value method, whereas for accounting purposes, straight line method is used. Some other examples of timing differences arising under the Indian tax laws are given below.

Examples of Timing Differences

1. Expenses debited in the statement of profit and loss for accounting purposes but allowed for tax purposes in subsequent years, e.g.
   a) Expenditure of the nature mentioned in section 43B (e.g. taxes, duty, cess, fees, etc.) accrued in the statement of profit and loss on mercantile basis but allowed for tax purposes in subsequent years on payment basis.
   b) Payments to non-residents accrued in the statement of profit and loss on mercantile basis, but disallowed for tax purposes under section 40(a)(i) and allowed for tax purposes in subsequent years when relevant tax is deducted or paid.
   c) Provisions made in the statement of profit and loss in anticipation of liabilities where the relevant liabilities are allowed in subsequent years when they crystallize.
2. Expenses amortised in the books over a period of years but are allowed for tax purposes wholly in the first year (e.g. substantial advertisement expenses to introduce a product, etc. treated as deferred revenue expenditure in the books) or if amortization for tax purposes is over a longer or shorter period (e.g. preliminary expenses under section 35D, expenses incurred for amalgamation under section 35DD, prospecting expenses under section 35E).
3. Where book and tax depreciation differ. This could arise due to:
   a) Differences in depreciation rates.
   b) Differences in method of depreciation e.g. SLM or WDV.
   c) Differences in method of calculation e.g. calculation of depreciation with reference to individual assets in the books but on block basis for tax purposes and calculation with reference to time in the books but on the basis of full or half depreciation under the block basis for tax purposes.
   d) Differences in composition of actual cost of assets.
4. Where a deduction is allowed in one year for tax purposes on the basis of a deposit made under a permitted deposit scheme (e.g. tea development account scheme under section 33AB or site restoration fund scheme under section 33ABA) and expenditure out of withdrawal from such deposit is debited in the statement of profit and loss in subsequent years.
5. Income credited to the statement of profit and loss but taxed only in subsequent years e.g. conversion of capital assets into stock in trade.

6. If for any reason the recognition of income is spread over a number of years in the accounts but the income is fully taxed in the year of receipt.

Illustration 1

A company, ABC Ltd., prepares its accounts annually on 31st March. On 1st April, 20x1, it purchases a machine at a cost of Rs. 1,50,000. The machine has a useful life of three years and an expected scrap value of zero. Although it is eligible for a 100% first year depreciation allowance for tax purposes, the straight-line method is considered appropriate for accounting purposes. ABC Ltd. has profits before depreciation and taxes of Rs. 2,00,000 each year and the corporate tax rate is 40 per cent each year.

The purchase of machine at a cost of Rs. 1,50,000 in 20x1 gives rise to a tax saving of Rs. 60,000. If the cost of the machine is spread over three years of its life for accounting purposes, the amount of the tax saving should also be spread over the same period as shown below:

Statement of Profit and Loss
(for the three years ending 31st March, 20x1, 20x2, 20x3)

(Rupees in thousands)

	20x1	20x2	20x3
Profit before depreciation and taxes	200	200	200
Less: Depreciation for accounting purposes	50	50	50
Profit before taxes	150	150	150
Less: Tax expense			
Current tax			
0.40 (200 – 150)	20		
0.40 (200)		80	80
Deferred tax			
Tax effect of timing differences originating during the year			
0.40 (150 – 50)	40		
Tax effect of timing differences reversing during the year			
0.40 (0 – 50)	----	(20)	(20)
Tax expense	60	60	60
Profit after tax	90	90	90

Net timing differences	100	50	0
Deferred tax liability	40	20	0

In 20x1, the amount of depreciation allowed for tax purposes exceeds the amount of depreciation charged for accounting purposes by Rs.1,00,000 and, therefore, taxable income is lower than the accounting income. This gives rise to a deferred tax liability of Rs. 40,000. In 20x2 and 20x3, accounting income is lower than taxable income because the amount of depreciation charged for accounting purposes exceeds the amount of depreciation allowed for tax purposes by Rs. 50,000 each year. Accordingly, deferred tax liability is reduced by Rs. 20,000 each in both the years. As may be seen, tax expense is based on the accounting income of each period.

In 20x1, the profit and loss account is debited and deferred tax liability account is credited with the amount of tax on the originating timing difference of Rs. 1,00,000 while in each of the following two years, deferred tax liability account is debited and profit and loss account is credited with the amount of tax on the reversing timing difference of Rs. 50,000.

The following Journal entries will be passed:

Year 20x1

Profit and Loss A/c Dr. 20,000

To Current tax A/c 20,000

(Being the amount of taxes payable for the year 20x1 provided for)

Profit and Loss A/c Dr. 40,000

To Deferred tax A/c 40,000

(Being the deferred tax liability created for originating timing difference of Rs. 1,00,000)

Year 20x2

Profit and Loss A/c Dr. 80,000

To Current tax A/c 80,000

(Being the amount of taxes payable for the year 20x2 provided for)

Deferred tax A/c Dr. 20,000

To Profit and Loss A/c 20,000

(Being the deferred tax liability adjusted for reversing timing difference of Rs. 50,000)

Year 20x3

Profit and Loss A/c		Dr. 80,000	
	To Current tax A/c		80,000

(Being the amount of taxes payable for the year 20x3 provided for)

-

Deferred tax A/c		Dr. 20,000	
	To Profit and Loss A/c		20,000

(Being the deferred tax liability adjusted for reversing timing difference of Rs. 50,000)

In year 20x1, the balance of deferred tax account i.e., Rs. 40,000 would be shown separately from the current tax payable for the year in terms of paragraph 30 of the Statement. In Year 20x2, the balance of deferred tax account would be Rs. 20,000 and be shown separately from the current tax payable for the year as in year 20x1. In Year 20x3, the balance of deferred tax liability account would be nil.

Illustration 2

In the above illustration, the corporate tax rate has been assumed to be same in each of the three years. If the rate of tax changes, it would be necessary for the enterprise to adjust the amount of deferred tax liability carried forward by applying the tax rate that has been enacted or substantively enacted by the balance sheet date on accumulated timing differences at the end of the accounting year (see paragraphs 21 and 22). For example, if in Illustration 1, the substantively enacted tax rates for 20x1, 20x2 and 20x3 are 40%, 35% and 38% respectively, the amount of deferred tax liability would be computed as follows:

The deferred tax liability carried forward each year would appear in the balance sheet as under:

31st March, 20x1 =	0.40 (1,00,000) =	Rs. 40,000
31st March, 20x2 =	0.35 (50,000) =	Rs. 17,500
31st March, 20x3 =	0.38 (Zero) =	Rs. Zero

Accordingly, the amount debited/(credited) to the profit and loss account (with corresponding credit or debit to deferred tax liability) for each year would be as under:

31st March, 20x1	Debit =	Rs. 40,000
31st March, 20x2	(Credit) =	Rs. (22,500)
31st March, 20x3	(Credit) =	Rs. (17,500)

Illustration 3

A company, ABC Ltd., prepares its accounts annually on 31st March. The company has incurred a loss of Rs. 1,00,000 in the year 20x1 and made profits of Rs. 50,000 and 60,000 in year 20x2 and year 20x3 respectively. It is assumed that under the tax laws, loss can be carried forward for 8 years and tax rate is 40% and at the end of year 20x1, it was virtually certain, supported by convincing evidence, that the company would have sufficient taxable income in the future years against which unabsorbed depreciation and carry forward of losses can be set-off. It is also assumed that there is no difference between taxable income and accounting income except that set-off of loss is allowed in years 20x2 and 20x3 for tax purposes.

Statement of Profit and Loss
(for the three years ending 31st March, 20x1, 20x2, 20x3)

(Rupees in thousands)

	20x1	20x2	20x3
Profit (loss)	(100)	50	60
Less: Current tax	—	—	(4)
Deferred tax:			
Tax effect of timing differences originating during the year	40		
Tax effect of timing differences reversing during the year	__	(20)	(20)
Profit (loss) after tax effect	(60)	30	36

Provisions for staff Liabilities – Sub-Account Group: 2532

Provision for Provident fund scheme, insurance, and other staff benefit schemes

Adequate provision towards the above schemes shall be made and disclosed suitably under the schedule for provisions separately with corresponding debit to accounting sub heads 4500,4501,4502,4510,4511,4512,4520,4521,4522,4523,4524,4525,4526,4530 and 4531 in the Profit and Loss account.

Provision for Gratuity

Provision towards Gratuity liability shall be based on actuarial valuation every year for all the employees on the rolls of the company at the close of the year or based on the demand made by the assuring company if managed by a Gratuity scheme or fund. This actuarially valued liability shall be credited to this code by debit to salaries and wages. The cumulative balance outstanding under this head at the year-end shall be exhibited in the schedule separately.

Provision for Obsolescence, Impairment and Bad Debts

All provisions made for impairment and obsolescence of assets, and Bad Debts shall be credited to this account sub head with a corresponding debit to accounting sub 4770. For the purpose of disclosure in the accounts the balances in the codes under this sub head shall be shown as a deduction separately against the particular head for which the provision has been made. Accounting Standard 28-Impairment of Assets has defined detailed guidelines for impairment and provision of doubtful bad assets. The salient points of the Accounting Standard are given below. The principles regarding impairment and providing for the same should be adhered to. A few examples as worked out in the Accounting Standard have also been given in this note. The focus of this note has been on tangible assets.

J.iv. Impairment of Assets

The standard has been made mandatory from all accounting periods commencing on or after 01-04-2004.

This Statement should be applied in accounting for the impairment of all assets, other than:

(a) inventories (see AS 2, Valuation of Inventories);

(b) assets arising from construction contracts (see AS 7, Accounting for Construction Contracts);

(c) financial assets, including investments that are included in the scope of AS 13, Accounting for Investments; and

(d) deferred tax assets (see AS 22, Accounting for Taxes on Income)

Identifying an Asset that may be Impaired

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An enterprise should assess at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the enterprise should estimate the recoverable amount of the asset.

In assessing whether there is any indication that an asset may be impaired, an enterprise should consider, as a minimum the sources of information, as defined in the Accounting Standard, which has described in detail the External/Internal sources of information. An enterprise may identify other indications that an asset may be impaired and these would also require the enterprise to determine the asset's recoverable amount.

Recognition and Measurement of an Impairment Loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss should be recognised as an expense in the statement of profit and loss immediately, unless the asset is carried at revalued amount in accordance with another Accounting Standard (see Accounting Standard (AS) 10, Accounting for Fixed Assets), in which case any impairment loss of a revalued asset should be treated as a revaluation decrease under that Accounting Standard.

An impairment loss on a revalued asset is recognised as an expense in the statement of profit and loss. However, an impairment loss on a revalued asset is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset should be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

If an impairment loss is recognised, any related deferred tax assets or liabilities are determined under Accounting Standard (AS) 22, Accounting for Taxes on Income.

Reversal of an Impairment Loss

An enterprise should assess at each balance sheet date whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. If any such indication exists, the enterprise should estimate the recoverable amount of that asset.

In assessing whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased, an enterprise should consider, as a minimum, the indications as described in the Accounting Standard. Detailed disclosure requirements have been defined in the standard for impairment.

Transitional Provisions

On the date of this Statement becoming mandatory, an enterprise should assess whether there is any indication that an asset may be impaired. If any such indication exists, the enterprise should determine impairment loss, if any, in accordance with this Statement. The impairment loss, so determined, should be adjusted against opening balance of revenue reserves being the accumulated impairment loss relating to periods prior to this Statement becoming mandatory unless the impairment loss is on a revalued asset. An impairment loss on a revalued asset should be recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset. If the impairment loss exceeds the amount held in the revaluation surplus for that same asset, the excess should be adjusted against opening balance of revenue reserves.

Any impairment loss arising after the date of this Statement becoming mandatory should be recognised in accordance with this Statement (i.e., in the statement of profit and loss unless an asset is carried at revalued amount. An impairment loss on a revalued asset should be treated as a revaluation decrease).

Specific Disclosure Requirements under Schedule VI of the Companies Act, 1956

Total outstanding dues to small-scale industrial undertakings shall be disclosed separately in the schedule. The names and the amounts payable to small-scale industrial undertakings to which the company owes a sum exceeding Rs.1 Lakh which are outstanding for more than 30 days shall be disclosed separately in the Annual Accounts.

1.K. INTER UNIT ACCOUNTS

The Company operates out of multiple locations comprising Thermal, Hydro-Electric and Wheeling Stations. The funds are planned and allocated centrally, and payments for contracts and Purchase Orders raised at the Corporate Office are paid there from with some payments being made form the respective sites as well. The assets, expenditure arising out of these payments are accounted in the respective sites to which they belong. The Account Group 22 comprising of sub account heads 2299 and 22xx are the Head Office Control Account and the Branch Adjustment Account respectively. The Head Office Control Account comprises of account heads for all other units. The Branch Adjustment Account comprises of unitcodes dealing with the various transactions of HO with other units.

Head Office Transactions:

Any payments made on behalf of the unit or funds transferred to the unit have to be credited to the respective account under the sub account head 2299 in the books of the Head Office. The Head Office shall ledgerise the transactions for each location and shall pass net entries on a daily basis in the respective Unit Adjustment Account. Only the Corporate Office shall operate the sub account code 229901

Account Group	Sub - Account Group		Account Name
22			**Inter Unit Accounts**
	224		**Branch Adjustment Account**
		2241	Inter Unit A/cs.- KTPS O&M
		2242	Inter Unit A/cs.- KTPS Vth Stage
		2243	Inter Unit A/cs.- RTS /Ramagundam
		2245	Inter Unit A/cs.- VTPS/Ibrahimpatnam
		2246	Inter Unit A/cs.- NTS/Kovur
		2247	Inter Unit A/cs.- RTPP/Muddanoor
		2249	Inter Unit A/cs.- GTPS/Vijjeswaram
	227	2271	Inter Unit A/cs.- Machkund/Onukudelli
		2272	Inter Unit A/cs.- Upper Sileru
		2273	Inter Unit A/cs.- Lower Sileru
		2274	Inter Unit A/cs.- N'Sagar/O&M
		2275	Inter Unit A/cs.- PABR/Ananthpur
		2276	Inter Unit A/cs.- SSLM/O&M
		2277	Inter Unit A/cs.- Pochampad/Mini Hydels
	229	2291	Inter Unit A/cs.- AO /CPR /APGENCO . VS/Hyd

Account Group	Sub - Account Group		Account Name
22			**Inter Unit Accounts**
	229	2292	Inter Unit A/cs.- SE/C&I/APGENCO/VS/Hyd.
		2296	Inter Unit A/cs.- Peddapally/MHS/Ramagundam
		2299	Inter Unit A/cs.- Head quarters/VS/Hyderabad

Inter Unit Transactions:

Transactions initiated by the unit affecting other units and Head Office shall be routed through the concerned account heads under sub group 22xx in the respective unit books.

Account Group	Sub - Account Group		Account Name
22			**Inter Unit Accounts**
			Head Office Control Accounts
		2299	Inter Unit A/cs.- Head quarters/VS/Hyderabad

Reconciliations of Unit and Head Office Accounts:

The balances in the Head Office Account under sub account head 2299 in the unit's books should match as a contra to the balance in sub account head 2299 in the Head Offices books under the respective account code in the Head Office Books. It should be ensured that the balances in the Head Office Account in the Unit Books and the Unit accounts in the Head Office books are reconciled/matched on a monthly basis. Similarly the units should reconcile the balances pending in the books regarding the other unit.

Miscellaneous Expenditure to the Extent not written off or Adjusted

The amount exhibited in the Balance Sheet under the caption "Miscellaneous Expenditure" shall include the expenses incurred towards preliminary expenditure, Deferred Revenue Expenses, Interest paid out of Capital etc. These relate to expenses which are deferred or written off in a phased manner to match income earned.

2. PROFIT AND LOSS ACCOUNT

Scope

- The profit and loss Account shall be so made out to clearly disclose the result of the working of the company during the period covered by the account,
- disclose every material feature, including credits/receipts and debits/expenses in respect of non-recurring transactions or transactions of an exceptional nature.
- set out the various items relating to the income and expenditure of the company arranged under the most convenient heads it shall disclose the information in respect of the period covered by the account as required by part II of Schedule VI to Companies Act, 1956.
- also contain or give by way of a note detailed information, on specified payments provided or made during the financial year.
- disclose the corresponding figures for the immediately preceding financial year for all items.

The revenue receipts and expenses shall be booked and accounted on accrual basis, during the financial year under Accounting Groups 41 to 52, together with the value of opening stock of raw materials, semi finished and finished products booked under the Accounting Group 18 form the source data for preparation of the consolidated Profit and Loss Account for the company as a whole.

The coding structure has been designed to appropriately group the receipts and expenses so as to confirm, to the extent possible, with the requirements stipulated under Part II – schedule VI to the Companies Act, 1956 under Sec. 210 and 211 of the Act, to present a true and fair view of the working results of the company and also the Cost Record Rules requirements.

In the summary statement of the P&L A/c, incorporated in the Annual Reports, the receipts and expenses are exhibited under the broad headings Income and Expenses. In this summary statement of the Profit and Loss A/c, the net credit / debit under the items classified as “Extraordinary Items”, “Prior Period Adjustments”, provision towards Income Tax, the amounts brought forward as surplus from the previous year and the transfer of the amounts to specific reserves shall also be exhibited separately.

2.A. INCOME:41,42

The income shall include the revenue receipts arising out of the sales / supply of products and services rendered by the company, interest earned on investments etc. and other revenue receipts such as recoveries for social amenities, rent, electricity charges, etc. recovered from the employee and other parties, profit on sale of assets, Government and other Grants, misc. revenue receipts etc. The various items of income are classified in the profit and loss account under the following heads.

A.i. Revenue from Sale of Power – Account Group: 41

Sales consist of Sale of Power to AP Transco and other bodies.

The invoices for the supply of power to the AP Transco are raised by the Commercial Section situated at Head Office based on the meter readings taken at the pre-determined timings by the representatives of the company and AP Transco at the end of each month. The tariffs for supply of power is based on the Power Purchase Agreement entered into with AP Transco. In addition AP Genco at present is an Operations and Maintenance contractor for a gas power project. The Income earned as the Operation and Maintenance contractor is recognised under the account group – 41 - Sales and Accounting Sub Head – 4130.

Income Recognition principles

Income shall be recognised on sale of power on wheeling the same to Transco (the Grid Corporation).

The account heads operated in this regard are given below:

Account Group	Sub - Account Group		Account Name
41			**Revenue**
	410		**Revenue from Sale of Power**
		4100	Revenue from Intra State Sale of Power
		4110	Revenue from Interstate Sale of Power
		4112	Wheeling charges
		4130	Other Revenue receivable-O&M contract

A.ii. <u>Other Income – Account Group: 42</u>

The receipts exhibited in the P&L account against the head other income shall be classified and exhibited in the schedule of other income to the P&L account separately under the following accounting sub heads:

Account Group	Sub - Account Group		Account Name
42			**Revenue**
	420		**Other Income**
		4200	Income from staff loans
		4210	Interest and Dividend Income
		4220	Income from Suppliers/Contractors Loans & bank Deposits
		4230	Profit on sale of invest. Fixed Assets, Stores Etc.,
		4240	Income on deposits with PFC(ERAF)
		4250	Miscellaneous Income
		4260	Claims received from insurance comp.
		4270	Subsidies and Grants
		4280	Write Backs & provision reversals

<u>Interest and Dividend Income – Sub-Account Group: 4210</u>

The income by way of interest received / accrued on the term deposits made with the banks from the surplus funds shall be credited to this accounting sub head. The total amount credited to these codes shall be clubbed together and shown separately in the schedule of other income to the P&L account including TDS deducted. TDS on interest income should be debited to TDS account 1951 and the TDS deduction shall be disclosed separately under the Head Other Income in the accounts. The interest recovered / accrued on the advances to the employees towards purchase of vehicles, construction / purchase of houses, etc. shall be credited to the above sub account head. The interest credited to the above heads shall be separately exhibited in the schedule of other income to the P&L account under the above caption. The income by way of interest recovered / accrued from the debtors, advances to others and the investment with financial institutions / public sector enterprises shall also be credited to the above head.

Miscellaneous Income – Sub-Account Group: 4250

The amount recovered / recoverable as rent hire charges, lease charges towards buildings, land occupied / hired by the employees and other parties shall be credited to the above heads and exhibited separately in the schedule of other income to the P&L account. Water charges /electricity charges recovered / recoverable from employees and other parties towards water, and electricity charges shall also be credited to the above heads and exhibited separately in the schedule of other income the Profit & Loss account.

Profit on Sale of Assets- Sub-Account Group: 4230

The amounts treated as profits in respect of sale of machinery, equipments, vehicles and other assets shall be credited to the above heads and exhibited in the schedule of other income to the P&L account.

The amounts, exhibited in the schedule, as income under the above heads shall include all amounts credited to the relevant codes, under all schemes, including construction. If any income by way of interest, etc. is transferred to the interest, receipt & recoveries etc. allocable to the capital construction schemes, the amount so allocable shall be deducted from the total of the other income and shown separately in the schedule to P&L account as a deduction.

Grants and Subsidies : Sub-Account Group: 4270

All revenue grants or subsidies or grants and subsidies allowed to be taken to revenue upon satisfaction of certain criteria shall be accounted under this account sub head.

Write back and Provision Reversals – Sub-Account Group: 4280

If provision created earlier in respect of certain items is subsequently considered as recoverable, the provisions shall be withdrawn by crediting the respective detailed codes under the above heads. The amount so written back shall be exhibited in the schedule of other income to the P&L account as provision written back.

The total income grouped under all the above heads less the income transferred to capital account shall be taken as other income under revenue account and exhibited in the P&L account accordingly.

2.B. EXPENSES

Expenses are broadly classified as:

- Cost of Power Generation and Purchased
- Employee costs.
- Repairs and Maintenance.
- Administration and General Expenses.
- Interest and Finance Charges.
- Depreciation
- Prior Period and Extra-Ordinary Items
- Provision for taxation

The above are charged to Profit & Loss Account, proposed dividend, any other provisions are shown as appropriation of income. The balance is retained in Profit and Loss Account and carried to Balance Sheet.

Treatment of expenses

The following are some of the accounting treatment to be applied regarding individual items of expenses while preparing Profit and Loss Account.

B.i. Cost of Power Purchased – Account Group: 43

AP Genco currently has joint share in the Machkund and Tungabhadra Power projects. As part of the arrangement AP Genco shares the power generated as well as the expenses for generation of the same. These generation expenses are accounted under accounting sub head 4310 as cost of power purchased. In addition any power purchased from any other utility also has to be accounted under the accounting sub head 4300. A note in the final accounts has also to be disclosed stating that the same.

Account Group	Sub - Account Group		Account Name
43			**Cost of Power Purchased**
	430		**Cost of Power Purchased**
		4300	Cost of Power Purchased from Machkund/TB Dam
		4310	Expenditure on Inter state projects
		4320	Wheeling Charges

B.ii. Cost of Power Generation – Account Group: 44

The account group 44 has been segregated into these various sub account heads for accounting the cost of power generated. All Fuel related costs including transit and storage losses are to be accounted under the accounting sub head 440,441&442. Similarly for Hydro electric power plants water related costs are the major cost component and are to be accounted under the accounting sub head 443. Similarly all water related costs to the manufacturing process at the thermal, Hydel and others are to be accounted under accounting sub head 444,443 & 445 respectively, which includes cess paid to the government. Accounting sub head 443 & 444 includes all direct and indirect costs related to the generation of power including cost of consumables, lubricants etc. The account group and accounting sub heads are given below:

Account Group	Sub - Account Group		Account Name
44			**Cost of Power Generation**
	440		**Cost of Fuel Consumed**
		4400	Cost of Coal Consumed
	441	4410	Cost of Furnace Oil Consumed
	442	4420	Cost of Gas Consumed
	443		**Cost of Water**
		4430	Cost of Water – Hydel
	444	4440	Cost of Water – Thermal
	445	4450	Cost of Water – Others
	446		**Other Generation Expenses**
		4460	Consumption of Consumables and Stores
	447	4470	Station Supplies
	449		**Cost of Power – Capitalised**
		4499	Capitalisation of Cost of power Generation at Trial Stage (Cr.)

The requirement of Schedule VI with regard to the consumption of Raw Materials are given below:

Raw Material Consumed

Clause 3 (ii) (a) (i) of part II of schedule VI to the Companies Act 1956 requires that in the case of manufacturing Companies the following information has to be given either by way of separate statement or as part of the profit and loss account:

- Item-wise breakup of raw material consumed quantity as well as value thereof.
- The basic raw material consumed shall be separately stated item-wise.

- The items which in values individually account for 10 percent or more of the total value of the raw materials consumed shall be shown separately as a distinct item with the respective quantities.
- The other items may be grouped together without showing their quantities and values separately.

B.iii. Employee Costs - Account Group: 45

The amount exhibited in the P&L Account against the above account group head shall represent the amount chargeable to revenue account and include the expense grouped and exhibited under the following heads.

Account Group	Sub-Account Group	Account Name
45		**Employee Costs**
	450	Salaries & Wages - Provincial
	451	Salaries & Wages - O&M Staff
	452	Salaries & Wages - Casual and Other Staff
	453	Other Staff Costs

The Salaries, Wages, Incentives, Special Pay, DA, VDA, allowances, bonus etc., shall be debited to the relevant accounting sub heads 450,451,452 and 453. The payment for Bonus is to be made as per the Payment of Bonus Act, 1965 as applicable to the employees.

Company's Contribution to Provident and Other funds:

Contribution to EPF, Employee pension scheme, Gratuity and Labour Welfare Fund are to be accounted under the accounting sub heads 4502,4512 and 4522. The amounts paid/payable to the employees, Chairman and Directors, as contribution from the Company to GPF, Family Pension Scheme, Labour Welfare Fund and Gratuity shall be debited to the relevant detailed codes under the above heads and the total of such contributions is exhibited separately in the schedule under the above caption. The remuneration and other benefits paid to the Directors are to be separately disclosed in the notes to accounts.

Staff Welfare Costs – Sub-Account Group: 4531

Under this head, the expenses relating to Medical Expenses, Leave Travel Concession, Uniforms etc are to be included. The expenses incurred towards reimbursement of medical expenses, LTC/ LTA, Payment under Workmen's Compensation Act/Death Benefit Scheme, etc. and the amount incurred towards cultural and social welfare activities, are also to be debited to the same head

B.iv. Repairs and Maintenance [R & M] – Account Group: 46

Account Group	Sub-Account Group		Account Name
46			**Repairs and Maintenance**
	460		**Repairs and Maintenance**
		4600	R &M - Buildings
	461	4610	R&M - Thermal Plant & machinery
	462	4620	R&M - Hydraulic Works
	463	4630	R&M - Lines and Network
	464	4640	R&M – Civil Works
	465	4650	R&M – Vehicles
	466	4660	R&M – Furniture & Fixtures
	467	4670	R&M – Office Equipment
	469		R&M Expenditure (Capitalised)
		4699	R&M Expenditure (Capitalised) (Credit)

Repairs and Maintenance is a major cost component and the same needs to be disclosed separately in the profit and loss account. All repairs and maintenance expenses incurred in this regard and not capitalised have to be disclosed under this head. The Account group 46 has been sub classified into Sub accounting heads 4600,4610,4620,4630, 4640 ,4650,4660 and 4670 each dealing with the major heads of fixed assets. As and when the expenses are incurred on these assets the respective accounts have to be debited with the credits going to Stores or Creditors under Accounting Sub head 1821, 1817 or 2510 respectively.

The amount paid/payable to contractors and other outside agencies for repair and preventive maintenance of various assets of the Company (including Plant & Machinery) are shown under this caption. It is generally classified as under:

R & M - Buildings:

Expenditure on Repairs & Maintenance on the following buildings is booked to this accounting sub head 4600.

R & M - Plant & Machinery:

The expenditure incurred for repairs and maintenance of plant and machinery is booked under this caption accounting sub head 4610 – Thermal Plant and Machinery and Hydraulic Works - 4620.

R & M - Lines and Network:

The expenditure incurred for repairs and maintenance of the lines and networks are debited to this accounting sub head – 4630.

R & M - Others:

The expenditure on Repairs & Maintenance of office equipments, vehicles, furniture, roads and culverts, electrical installation etc. is booked under this accounting sub head -4640.

The salaries and wages paid / payable to departmental employees engaged for repairs and maintenance activities and stores and spares consumed do not, however, form part of this group but are grouped under Employees Remuneration & Benefit. However, such expenses are exhibited by way of a note as explained below in this regard.

Expenditure on repairs & maintenance not included above and charged to Employees Remuneration & Benefits under the following categories.

- Buildings
- Plant & Machinery
- Others

Expenditure on Stores & Spares:

The expenditure on stores & spares for Repairs & Maintenance booked under “Stores & Spares Consumed” and not under “Repairs & Maintenance“ is shown under the following categories:

- Buildings
- Plant & Machinery
- Others

Consumption of Stores and Spare Parts.

The stores and spare parts consumption is to be separately shown in the profit and loss account. The spare parts are kept for repair and renewal of machinery and other fixed assets. The stores and spare parts expenses should not include any expenditure incurred for capital purpose. The profit and loss account should be charged with only those items which are properly chargeable against the income of the period so that it should give a true and fair view of the profit or loss for the period.

Thus the cost of stores, spares, petrol, diesel, etc. drawn from stores and the cost of materials procured through local purchase and consumed towards operation, maintenance, repairs etc during the financial year shall be debited to the relevant detailed codes and exhibited separately in the schedule under the above head.

B.v. Administration and General Expenses – Account Group: 47

All expenses pertaining to the administration and other general expenses are to be booked under this account group. The accounting sub heads in this account group are as given below:

Account Group	Sub-Account Group		Account Name
47			**Administration and General Expenses**
	470		**Administrative Cost**
		4700	Communication Cost
		4710	Operating Lease Rentals & Property related costs
		4710	Rates and Taxes
		4720	Insurance
		4730	Professional Fees
		4740	Travelling and Conveyance
		4750	Other Administrative Costs
	471		**General Expenses**
		4760	Material Cost variance
		4761	R&D Expenses
		4762	Cost of Trading & mfg. activities
		4770	Write offs and Provisions
		4771	Miscellaneous Losses and write offs
		4780	Sundry Expenses
		4781	Losses on account of flood,cyclone,fire etc.,
		4782	Deferred Expenses
	479		**Adm & Gen.Expenses (Capitalised)(Cr.)**
		4799	Adm & Gen.Expenses (Capitalised)(Cr.)

B.vi. Administrative Expenses – Account Sub-Group: 470

<u>Communication Costs - Sub-Account Group: 4700</u>

The expenses incurred towards postage, telegrams, telephones, telex, fax, wireless, Hotlines, internet etc. are included under this group.

Property Related Costs – Sub-Account Group: 4710

The amounts paid / payable as rent towards offices and premises etc. shall be debited to the above sub account head under the respective accounting codes created for this purpose.

Rates and Taxes – Sub-Account Group: 4712

All taxes, cess and other amounts payable on account of statute or to local authority for using amenities provided shall be debited to this account. This shall not include direct taxes paid like Income Tax, Wealth Tax and any surcharge thereon. The amount paid / payable for the year towards licence fees, road tax, water cess, luxury tax, compound tax, land tax and other taxes and cess shall be debited to this accounting sub head.

Insurance – Sub-Account Group: 4720

All payments made to Insurance companies to secure the assets of the company excluding payments made to secure the lives of the employees or for medical facilities shall be debited and accounted under this accounting sub head. This account shall be progressively debited preferably on a monthly basis by crediting pre paid expenses accounting sub head 2320. The premium amounts paid / payable for the year to the Insurance Companies towards the insurance of Company's properties to cover the risks against fire, Machinery Break-down, Loss of profits etc. and Fidelity and cash in transit shall be debited to the respective accounting sub head and exhibited as a distinct item in the schedule.

Professional fees – Sub-Account Group: 4730

All expenses incurred in the nature of payments made for professional services shall be debited to this accounting sub head, including audit fees. Schedule VI of the Companies Act mandates that the payments made for audit shall be separately disclosed. In addition the following are the other issues that need disclosure for Remuneration to Auditors

This includes payment of fees to Statutory Auditors for getting the accounts of the company audited. Amount paid to statutory auditors for executing specific jobs are classified as payments made to statutory auditors in other capacities. This expenditure has to be shown under the following categories:

- For audit.
- For Expenses.
- Out of pocket expenses
- Tax Audit
- As Adviser / In other capacities

- Taxation Matters
- Company Law Matters
- Management Services
- Other matters

The other matters would include certification work, valuation of shares, investigation work, review of systems and procedures and internal controls etc. Thus, it includes fees paid to the statutory auditors for professional services rendered and all expenses for performing their duties, even though they may be in the nature of reimbursement of expenses. Internal Audit Fees paid to Internal Auditors shall be debited to this accounting sub head. Payment to Cost Auditor has to be shown separately.

Travelling and Conveyance Expenses – Sub-Account Group: 4740&4741

The amounts debited to this accounting sub head shall include the payments made to the employees as travelling expenditure by different modes of transport, daily allowance, hotel accommodation charges and taxi hire charges for local trips, towards the official tours undertaken by them to the places inside and outside the country, bus fare etc. and towards maintenance and running of cycles, scooter, cars etc. owned by them at the rates and conditions, stipulated by the company from time to time.

Other Administrative Cost – Sub-Account Group: 4750

Other administrative costs include costs incurred on printing and stationery, Advertisement, Demurrage, Wharfage, Training expenses, Books and Periodicals and other miscellaneous expenses

B.vii. General Expenses – Account Sub-Group: 476

Research and Development Expenditure – Sub-Account Group: 4760

All expenses incurred towards research and development either under the revenue head or deferred head shall be charged off to this accounting sub head.

Write off and Provisions – Sub-Account Group: 4770

All write offs and provisions created for bad and doubtful debts, obsolescence and impairment of assets shall be debited to this account with a corresponding credit to the accounting sub head – 2533.

The amounts written off during the year against loss on disposal of assets, Bad debts, irrecoverable advances etc. and debited to the following GL codes shall be exhibited distinctly in the schedule, against the respective items.

Provision for Bad and Doubtful Debts and Advances

The amounts outstanding under Sundry Debtors / Advances but considered doubtful of recovery for which provision have been created during the year by debiting the above accounting Sub Head shall be exhibited in the schedule under the above caption.

Provision for contingencies

The estimated payments towards commitments, if any, made by the company for which the actual quantum is yet to be ascertained shall be debited to this head, by credit to accounting sub head 2533 and exhibited in the schedule under the above caption.

Deferred Revenue Expenditure – Sub-Account Group: 4782

Expenses which are deferred and charged off over different accounting periods based on matching revenues are debited to this accounting sub head with corresponding credit to accounting sub head – 1615. Under this accounting sub head expenses are charged off to the Profit & Loss account based on the deferral basis. The expenses, which are yet to be written off, are accounted under the accounting sub head 1615 – Miscellaneous expenses to the extent not written off or adjusted.

B.viii. Interest and Finance Charges – Account Group: 48

Interest paid / accrued on loans taken by the company from various sources is booked to the head Interest on the expenses side of the Profit & Loss Account under the following accounting sub -heads:

Account Group	Sub - Account Group		Account Name
48			**Interest and Finance Charges**
	480		**Interest Charges**
		4800	Debentures Capital
		4801	Debentures other than capital
	481		**Interest on term loans**
		4810	Term Loans from Schedule Banks - Capital Loans
		4811	Term Loans from Non - Schedule Banks – Capital
		4812	From Financial Institutions - Capital
		4820	From Govt.Capital
		4830	From Subsidiaries – Capital
		4831	From Foreign Currency – Capital
		4832	From Directors – Capital
		4840	From Other – Capital

Account Group	Sub - Account Group		Account Name
48			**Interest and Finance Charges**
	485		**Interest on term loans – Other than capital**
		4850	Term Loans from Schedule Banks
		4851	Term Loans from Non - Schedule Banks
		4852	From Financial Institutions
		4853	From Govt.
		4854	From Subsidiaries
		4855	From Foreign Currency
		4856	From Directors
		4857	From Others
	486		**Interest on fixed Deposites**
		4860	Fixed deposits – capital
		4861	Fixed deposits other than capital
	487		**Interest on Short term loans - capital**
		4870	Term Loans from Schedule Banks
		4871	From Financial Institutions, Govt., Subsidiaries, Foreign Currency, Directors, others.
		4872	Interest on Short term loans – form Schedule Banks , Non – Schedule Banks, Financial Institutions, Govt., Subsidiaries, Foreign Currency, Directors and others.
	488		**Other Interest Charges Including O.D. Int.**
		4880	Interest of WCDL/CC Borrowing from Banks
		4881	Interest on deferred Credit Schemes – Capital Goods
		4882	Interest on deferred Credit Schemes – Others
		4883	Interest to Suppliers
		4884	Rental relating to financial leases
		4885	Interest on GPF
		4886	Interest on Saving Fund
		4887	Interest on Insurance Fund
		4888	Interest on Family Benefit Fund
	489		**Financial Charges**
		4890	Interest on unfunded liability
		4891	Finance of Charges for capital loans
		4892	Finance of Charges – others
		4899	Interest cost charged (Credit)

B.ix. Interest Charges – Account Sub-Group: 480

Interest Charges have been classified functionally and based on the different classes of borrowings.

Interest on Debentures – Sub-Account Group: 4800

All interest payable for debentures shall be debited under this accounting sub head. The accounting codes under this accounting sub head can be differentiated on the different classes of borrowers for improved control.

Interest on Term Loans – Sub-Account Group:4810

All interest paid/ payable for Term Loans shall be debited under this accounting sub head. The accounting codes under this accounting sub head can be differentiated on the different classes of borrowers for improved control.

Interest on Working capital Loans – Sub-Account Group:4880

All interest paid/ payable for Working Capital facilities shall be debited under this accounting sub head. The accounting codes under this accounting sub head can be differentiated on the different classes of borrowers for improved control.

Interest on Loans from Subsidiaries – Sub-Account Group: 4854, 4871, 4872.

All interest paid/ payable for loans taken from subsidiaries shall be debited under this accounting sub head. These interest payments have to be separately disclosed as per Schedule VI of the Companies Act.

Interest on Fixed Deposits – Sub-Account Group4860,4861:

Interest paid on Fixed Deposits shall be debited to this accounting sub head.

Finance Charges – Sub-Account Group: 4891 & 4892

Bank Charges, LC charges, Commission and other charges ancillary to the borrowings shall be debited to this accounting sub head.

The amounts exhibited under the above accounting sub heads shall include the amounts booked that require capitalisation of interest costs incurred during construction period. The interest amounts that require capitalisation shall be first accounted under the above accounting sub heads and transferred to the respective Fixed Asset heads upon commissioning of the said asset. Interest so capitalised shall be exhibited separately in the schedule as a deduction against the head "Transfer to Capital Accounts" and the net amount shown in the Profit and Loss Account against the caption Interest.

B.x. Depreciation – Account Group: 49

Account Group	Sub - Account Group		Account Name
49			**Depreciation**
	490		**Depreciation on Fixed Assets**
		4900 to 4987	Depreciation on Assets
		4988	Depreciation on Leased Assets
		4999	Depreciation and related costs charged to capital works (Credit)

Depreciation is provided to cover the loss in the value of assets due to wear and tear and passage of time and deterioration over the estimated useful life of fixed assets.

Part II of Schedule VI of the companies Act, 1956 requires the following disclosures

The amount provided for depreciation, renewals or diminution in value of fixed assets. If such provision is not made by means of a depreciation charge, the method adopted for making such provision should be stated.

Where no provision is made for depreciation, the fact that no provision, has been made must be stated and the quantum of arrears of depreciation computed in accordance with Section 205 (2) of the Act, is also to be stated by way of a note.

Accounting treatment of depreciation is as under:

- The amount of depreciation charged on the assets every year is debited to the Profit and Loss Account and credited to the provision for Depreciation Account which is allowed to accumulate from year to year.
- The date of commissioning of the plant/unit is the date of final acceptance or the deemed date of commercial production (which in any case fall beyond three months from the date of synchronisation) whichever is earlier. Once the plant/unit is accepted as ready for commercial production, it shall not be treated as work-in-progress but shall be capitalised and depreciation provided. In cases where the plant is accepted as ready for commercial production but not put to use due to certain reasons, single shift rates of depreciation are applicable for covering normal wear and tear for “non continuous process plant”. However, for “continuous process plant” applicable rates of depreciation will apply.

- In cases where the plant is shut down for repairs and maintenance, in case of "non continuous process plant" single shift depreciation is provided on the original cost of the plant for the period of shut down.
- If any addition has been made to any asset during the financial year depreciation on such assets shall be calculated from the month of such addition. The term 'month" for this purpose will only be the first 15 days of the said month .When any asset has been sold, discarded, demolished or destroyed the depreciation on such assets shall be calculated up to the month of such disposal. Te term "month" for this purpose will not be reckoned for the first 15 days of such month.
- Where the historical cost of depreciable asset has undergone a change due to increase or decrease in long term liability on account of exchange fluctuation, price adjustments, change in duties etc, the depreciation on the revised un-amortised depreciable amount is provided prospectively over the residual useful life of the asset.

In the case of leasehold land and mining rights, the cost is amortised over the number of years for which lease deed has been made.

Any change in the method of providing for depreciation should be disclosed along with the quantum of effect on the profit/loss of the company.

For purposes of calculating the income-tax payable, depreciation should be according to the Income-tax Rules even though the amount actually debited in the profit and loss account is different.

Depreciation of Assets financed through Government Grants

Depreciation charges relating to the portion of the capital cost of assets financed by Grants/Subsidy obtained from outside sources and adjusted against the corresponding Reserve Heads, through the Accounting Sub Head 1100 shall also be exhibited separately in the schedule as deduction and the net amount taken as "Depreciation" chargeable to the P&L Account.

B.xi. Taxation – Account Group: 50

Account Group	Sub - Account Group		Account Name
50			**Taxation**
	500		**Taxation**
		5000	Income Tax
		5010	Wealth Tax

Income Tax – Sub-Account Group: 5000

The tax provision computed for the current year differentiated between the current tax charge and the deferred tax charge should be accounted under the above accounting sub head. The tax payable on distribution of profits should also be accounted under the same accounting sub head. Also, the deferred tax payable shall be accounted under this head. In case there is income on account of deferred tax due to reversal of the timing differences the same has to be disclosed in the annual accounts separately under the Revenue Head.

Wealth Tax - Sub-Account Group: 5010

The amount paid as wealth tax at on the value of, motorcars (Maruti and Ambassador Vehicles) standing in the name of Company been debited to the above accounting sub head and exhibited as a distinct item in the schedule.

B.xii. Prior Period and Extra-ordinary items – Account Group: 51

Accounting Standard 5 defines Prior Period Items as those income or expenses, which arise, in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.

Prior Period items

Any expenses/Income that pertains to the above definition needs to be accounted under the accounting sub heads – 5100 to 5180.

The material charges or credit which arises in the current period as a result of errors or omissions in the preparation of the financial statements of earlier period(s) shall be accounted as “Prior period Adjustments”. Items that were accounted in earlier period(s) on best estimates, based on Information available at that time and are revised in the current period as a sequel to additional information becoming available in the current period shall not constitute an error or omission, but are to be considered only as arising out of a change in estimates and such items have to be accounted under current period only. This treatment shall be accorded only for the material cases and for determining materiality, a monetary limit of Rs.10 lakhs per individual transaction may be fixed. The individual receipt/expenses, the value of which exceeds this monetary limit shall therefore be classified as “Prior Period Transactions”.

An illustrative list of items that may require to be classified under Prior Period Transactions is given below:

- Incorrect pricing of Inventories consumed and omission of a part of inventories in pricing of inventories consumed in prior period.
- Omission in recording the sales in prior periods.
- Incorrect computation of interest chargeable to Profit and Loss Account in prior period.
- Omission of employee's remuneration and benefits in prior period.
- Errors or omissions in respect of any other items in prior period.

The amount of those items which become effective from a back date but which relate to conditions or situations existing in the current period, for example, a change in tax provision with retrospective effect or a revision in salary and wages, allowances with retrospective effect, are not to be treated as prior period items.

The items of expenses/receipts relating to the earlier periods and to be treated as prior period adjustments shall be accounted under the accounting sub heads 5100 and 5101 to 5180. The net amount of expense/income booked under these accounting sub heads shall be exhibited in the P&L Account separately after the current years transactions. The element wise break-up for the net debit/credit exhibited in the P&L Account shall be given in the separate schedule appended to the P&L Account. The prior period adjustments shall not be considered for stock valuation purposes.

<u>Extra-ordinary items – Sub-Account Groups: 5200 and 5210</u>

Accounting Standard 5 defines Extra-ordinary items as those income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.

The nature and amount of such items shall be disclosed separately in the accounts so that users of the financial statements evaluate the significance of such items and their effect on the operating results.

Virtually all items of income and expenses included in the determination of net profit or loss for the period arise in the course of the ordinary activities of the Enterprise. Therefore, only on rare occasions does an event or transaction give rise to an extra-ordinary item.

Whether an event or transaction is clearly distinct from the ordinary activities of the Enterprise is determined by the nature of the event or transaction in relation to the business ordinarily carried on by the Enterprise rather than by the frequency with which such events are expected to occur. Therefore, an event or transaction may be extra-ordinary for one enterprises but not so for another enterprise because of the differences between their respective ordinary activities. For example, losses sustained as a result of an earthquake may qualify as an extra-ordinary item for many Enterprises. However, claims from policyholders arising from an earthquake do not qualify as an extra-ordinary item for an insurance enterprise that insures against risks.

Examples of events or transactions that generally give rise to extra-ordinary items for most enterprises, are attachment of property of the enterprise or damage due to an earthquake.

Only the items of expense or receipt, which are material in value, need to be disclosed separately in the P&L Account. For the purpose it is decided to state those in excess of Rs.25 lakhs as extraordinary item.

The various items of receipts/expenses to be classified as extra-ordinary items shall be accounted for against the respective GL codes under the accounting Sub Head 5200 and 5210. The net amount of expense/income under this scheme shall be exhibited in the Profit & Loss Account after the current year's transactions.

The individual element wise break-up for this net debit/credit shall be given in a separate schedule appended to Profit & Loss Account. Extra-ordinary items shall not be considered for

- Stock valuation purposes.
- Preparation of unit wise Trading Account.

3. NOTES ON ACCOUNTS

The information required to be disclosed in the accounts, in compliance with the provisions of Schedule VI to the Companies Act, 1956 and guidelines issued by the Government of India. or Bureau of Public Enterprises from time to time, but which cannot be incorporated in the Financial statements themselves are given, by way of notes, in a separate schedule under the above caption appended to the Financial Statements or by way of separate annexure, Explanatory notes, wherever required, are also provided for the significant facts, important features/events etc. disclosed in the above schedule. The monetary impact of such items on the financial statements for the current year is also quantified, wherever possible and furnished with a comparison with the corresponding figures applicable to the previous year, against the respective items. Wherever it is not possible to ascertain the quantum in monetary terms wholly or in part, the fact is specifically disclosed as “Not Quantifiable (NQ)”.

Some of the items where disclosure notes are to be given are listed below. This list is only an illustrative and not exhaustive:

- Contingent liabilities, not provided in the accounts classified under the following categories:
- Counter guarantees issued by the company to guarantees given by Banks;
- Guarantees given on behalf of others;
- Additional customs duty, if any, on final assessment of goods released on bonds;
- Litigation expenses, if any, payable to outside parties;

Contingent liabilities are possible liabilities of presently determinable or indeterminable amounts, which arise from past circumstances or actions and may or may not become a legal obligation in future. The uncertainty as to whether there will be any legal obligation differentiates the contingent liability from an actual liability.

Claims against the corporation not acknowledged as debts classified under the following categories:

- From Employees/others under adjudication;
- From Suppliers/Contractors;
- Excise Duty on some of the Companies Products;
- Towards Sales Tax;

Compensation, if any, payable towards land based on court cases for which final decision is awaited.

Estimated amount of contracts remaining to be executed. This would include commitments on capital assets which are yet to be executed. The estimated amount should be based on Agreements/contracts entered into with the suppliers/Contractors.

Amounts outstanding under letters of credit opened with banks.

Value of Securities other than cash not considered in accounts.(call deposits furnished by contractors in lieu of EMD)

The amount directly incurred by the Company towards repairs & maintenance works and included in the P&L Account under the primary elements of expenditure (viz.)

- Salaries and wages;
- Consumption of Stores & Spares;

The expenditure incurred by the Company on employees engaged for such purposes is to be shown distinctly with other expenses in total. The ratio of such expenditure to total income should also be indicated.

The criteria adopted to group the balances under Sundry Debtors, Advances and Sundry Creditors and the fact whether the balances have been got confirmed or not from the parties concerned.

The amount of capital goods in stock and in transit included under the head “Capital works in progress”. Like-wise “Goods in Transit” under “Stores and Spares”.

Selling prices, if any, taken on provisional basis pending conclusion of agreements, for computing the sale value under the P&L Account.

The value of products produced and consumed internally, the cost of which has been included under the primary elements of the expenditure in the P&L Account.

Additional provision, if any, made consequent on the statutory changes in the rates of depreciation.

Provisions, if any, made towards wage revision, bonus, etc. pending settlement and conclusion of agreements and the adhoc/interim payments, if any, made against such provisions.

Acreage of land owned/leased/possessed in respect of which transfer/lease deeds/registration is pending; Acreage of land transferred/sold to others for which execution of conveyance deed is pending. Value of flats/buildings owned/occupied for which transfer/lease deeds awaited.

Capital works, if any, entrusted to various Government of India. Departments which have been capitalised, pending receipt of accounts/ bills (eg. Railway siding)

Waiver of interest on loans by the Government of India., if any.

Specific features, if any, of a grant in aid.

Amount kept, if any, under suspense in the schedule of loans and advances and current liabilities.

Amount of claims and counter claims pending settlement.

Effect arising out of changes in the accounting policy on the figures exhibited under various heads in the Financial Statements.

4. OTHER DISCLOSURES:

The details of securities provided for the loans classified and exhibited under Schedule–3–Secured Loans, and some of the information to be given by way of notes, as per Part-II Schedule-VI to the Companies Act, 1956 are to be given as follows, based on the particulars obtained from the Accounts Centre.

Secured Loans–Details of Security Offered (As per instructions, contained in Part-I Schedule-VI.

Under this head, the nature of security, value of security, the amount of interest accrued and due at the end of the current year with the corresponding figure applicable to the end of the previous year, are given separately.

Raw materials (fully indigenous): (3(ii)(a) – Part –II – Schedule – VI)

Under this head the quantity and value of Coal, Furnace Oil, consumed during the financial year as feed-stock for generation of Power, with corresponding figures applicable to the previous financial year should be given.

Value of indigenous and imported spares consumed on estimated basis [4 D(c)-Part-II – Schedule VI].

The value of all imported spare parts and components consumed during the financial year and the value of indigenous spare parts and components similarly consumed and the percentage of each to the total consumption during the current financial year with a comparison to the previous financial year shall be furnished under this head. The value of imported/indigenous materials consumed shall be on the basis of actual cost to the Company including incidental expenses directly related to the purchase of such materials.

Remuneration to the Directors [4 Part-II Schedule-VI.

The remuneration and benefits paid to the Chairman and Directors are given under this Annexure separately under the headings Salaries & Contribution to Provident Fund and other funds and Cost of Benefits. The expenditure on remuneration and DA are classified as Salaries. The expenditure on medical reimbursement, LTC, EL/Half-pay-leave encashment etc. are classified as Benefits.

CIF Value of Imports [4 D(a) – Part-II – Schedule-VI.

The value of imports calculated on CIF basis during the financial year are given under this Annexure, showing separately the value of such import of Capital Goods and components and spares. The value of spare parts, unit assemblies etc. imported is shown against components and spares and the value of all tangible assets classified under fixed assets/works in progress is shown as Capital Goods. The value of these items is taken on accrual basis and includes items in transit. The value of the imports shall be calculated on CIF basis, i.e. inclusive of cost, insurance and freight. Even if foreign exchange is not involved for payment of insurance and freight in a particular case, the value of such elements shall also be taken for this purpose. Only direct imports made by the Company shall be included.

Expenditure in foreign currency

The expenditure, if any, incurred in foreign currency by way of payment of royalty, know-how, professional consultation fees, travelling expenses, etc. is given in the above head in equivalent rupees separately against each kind of these expenses. The figures furnished under this head are to be computed on actual payment basis.

Earnings in foreign currency

The earnings, if any, during the financial year in foreign currency towards export of goods (on FOB basis), royalty, know-how, or any other matter is disclosed under this head in equivalent rupees.

Capacities and Production [4 C – Part-II – Schedule-VI].

The quantitative details in regard to the licensed capacity wherever applicable, installed capacity and actual production in respect of Power generated at the Thermal, and Hydro-electric Power Plants. For this purpose licensed capacity wherever applicable and installed capacity as on the last date of the year to which the P&L Account relates is taken. Special features/aspects, if any, regarding the various information furnished under the above head are also given by way of notes under this head.

Amounts due to Small Scale Industries**-**

Aggregate amount of dues to small scale industries towards supplies and services outstanding for a period of more than 30 days in each case shall be furnished.