

Annexure 'A'
Instructions for Finalisation of Accounts for Financial Year 2010-11
(For Divisions and Accounting Units Proper)

01. PROVISIONS TO BE MADE:-

Following provisions which are required to be made at the end Of each quarter, should be made in the said Annual Accounts.

- i) Accounting of **Material drawn from stores** w.e.f. 01.04.2010 as per the instructions issued vide Circular No MSETCL/F&A/2010-11/1481 dated 28/01/2011.
- ii) Provision for materials in transit.
- iii) Provision for outstanding liabilities (Capital and Revenue).
- iv) Material received in store or R.R. /L.R. Received in store should be accounted only in respect of purchase orders under which advance payment is effected (Material pending inspection).
- v) Provision for prepaid expenses.

In addition to the above, following provisions should also be made in the above Annual Accounts.

- vi) The provision for gratuity in respect of regular/deputation employees and NMR employees who have put in a continuous service of 5 years (Period of service in Erstwhile MSEB is to be considered) is to be made in the Accounts (separate circular is being issued).
- vii) Provision for outstanding liability in respect of reimbursement towards medical expenses to the MSETCL's employees.

In terms of C.S.No.71 dt.25.05.98 to G.O.No.20 (P) dated 17.06.1963 issued under No. GAD/Gr.VIII-O&M/F.No.617 dt.25.05.98 of erstwhile MSEB the balance of admissible amount of medical reimbursement not claimed by the employee shall be payable to him on the date of retirement, if he desires and opts to claim it without production of medical certificate. Since the "year" for the said reimbursement is calendar year i.e. from January to December, the provision for the amount of medical reimbursement not claimed by the employee shall be made considering the un-availed balance as on 31st December 2010 in the accounts for the year 2010-2011 (Further the withdrawal of said provision made during the year should be ensured.)

- viii) Provision for interest (Receivable) accrued but not due on staff loans for the year 2010-11. The amount of interest on the advance given to the staff for Scooter/Motor Cycle/Motor Car/Cycles, House Building and any advance outstanding at the end of the year (which are interest bearing advances) may be obtained from the HR Department immediately and provided for in Accounts by crediting to Account head 62.210 (Interest on Loans and Advances to Staff) and debiting to Account head 28.360 (Income accrued but not due on staff loans and advances). Interest recoverable towards these advances from employees should be debited to Income accrued and due A/c on staff Loans and Advances (28.260) with corresponding credit to Income accrued but not due on staff loans and advances (28.360). Interest recovered/ received from the employees be credited to Account head 28.260 and not to account head 28.360. Since all the interest accrued and due in the period ending 31.3.2011 is likely to be recovered in the same financial year 2010-11. There will be nil balance at the end of the year under account head 28.260. Interest accrued and not due/ interest accrued and due on staff loan and advances should be transferred if the employees are transferred.
- ix) Provision for adjustment of shortages and excesses on account of physical verification of stock and fixed assets.
- x) Provision for other Interest/Other income receivable.

After making above provisions as on 31.3.2011 a review should be taken to ensure that the balances under provisions and corresponding revenue income/revenue expenditure Accounts are correctly exhibited. Particularly, following items be reviewed for making provisions.

- a) Rents, Rates and Taxes, etc.
- b) Hire charges on equipment given on hire.
- c) Interest on interest bearing advances to suppliers/Contractors
- d) Interest on fixed deposit in lieu of adjustable deposit.
- e) Interest on refundable Capital Cost deposits.
- f) Cash in transit with full details.
- g) Amount of salaries, wages, bonus, pay fixation arrears etc. not paid/settled up to 31.3.2011 (i.e. outstanding only).
- xi) Any other provisions.

The provision for Bonus/Ex-gratia/Additional D.A. for Financial Year 2010-11 should not be made by field accounting units. The provision for the MSETCL as a whole will be made at H.O. by H.O.A/c Section.

02. FIXED ASSETS AND CAPITAL EXPENDITURE IN PROGRESS:-

- a. For Civil Engineering and electrical works executed through outside contractors, portion of the work executed but not paid for before 31.3.2011 should be brought into Account.

At the period ended 31.03.2011 there may be some Capital works which are completed but for which either contractor's bills are not received or are received but not passed for payment. A provision is to be made on the basis of contractors' bills as certified by the Engineer or on the basis of Engineer's Certificate for physical parameters of work as valued at Work Order rates whenever the bills are not received.

b. In respect of Assets commissioned during the year 2010-11 full cost including provisions for all pending bills and balance bills should be transferred to the fixed Assets Account.

c. It should be ensured that the Work Completion Reports for the Assets commissioned up to 31.03.2011 have been prepared and reconciled with the Construction / Financial Ledgers and Assets Register prepared for all Assets transferred to Fixed Asset Account. Similarly to avoid Statutory Auditor's comment these register should be updated for showing proper particulars including quantitative details and situation of the Fixed Assets.

d. Necessary entries after preparing work transfer note should be passed before preparing the Final trial balance as per Accounts Code Volume V Section VIII (2.2), of erstwhile MSEB regarding preparation of part Work completion reports and transfer of expenditure.

e. Interest charges to be capitalised will be intimated by FM Section after compilation of the accounts. Further attention is invited to ensure the capitalization of G.E.C. by Construction Circle only as per revised Accounting Policies. Please submit the reconciliation of GEC with WIP as per Accounts in proforma XXI attached herewith.

f. Accounting of Material drawn from stores w.e.f. 01.04.2010 should be as per the instruction issued vide Circular No MSETCL/F&A/2010-11/1481 dated 28/01/2011.

Instructions for withdrawal of materials under various schemes such as EHV Works, maintenance civil work etc. are given in the circular. Further, as per circular where materials are not drawn against particular estimate but against schemes, monthly usages account estimate-wise is required to be submitted and work completion reports are finalised expeditiously.

Physical inventory of such material drawn from stores and remained unutilized out of WIP is required to be taken and the same should be intimated to Division office. However, it is necessary to ensure that there should not be heavy balance of unutilized materials in this regard.

Moreover Circle/Division should furnish break-up of unutilized balance of materials directly debited to WIP during the Financial Year 2010-2011 as additional information **(Proforma XV)**.

g) In respect of Assets which are commissioned up to 31st March 2011 but for which work completion reports have not been received should invariably be prepared and finalised and accounted for. Only in exceptional cases where it is extremely difficult to finalise WCR, the cost of these Assets should be transferred to Fixed Assets Account after obtaining a Certificate from the Executive Engineer. The entry in Asset Register for these assets should however be made on receipt of work completion reports.

Under any circumstances cost of assets which are commissioned should not appear under work-in-progress account. This is essential for claiming correct depreciation under Income Tax Act 1961 and also for arriving correct ROE while finalisation of Tariff.

h) The Assets, which are purchased, wherein formal conveyance is pending and the MSETCL has at the same time put the Assets in use, the cost of such assets shall be shown as fixed Assets. The fact of pending conveyance of the Asset is to be disclosed by way of a note to the Balance Sheet.

i) The details of scheme wise / stage wise addition to assets during the year in the prescribed proforma no. XVI attached herewith should be given.

j) The details of Assets transferred from/to other Circles.

In this connection it shall be ensured that no IBA transaction for whatsoever reason shall be kept open i.e. all IBA's should be accepted & accounted for invariably. Further accepting unit shall accept the IBA & account for the same to the account code, to which the transferor unit has given debit/credit while raising IBA. The accepting unit, if required then shall account for the said IBA to appropriate account code in A/c. Group No. 10 & 12 respectively. The aforesaid details shall be given in proforma (XXII) (a) & (b).

03. DEPRECIATION:-

Provisions for depreciation should be made on straight-line method on the assets actually commissioned up to 31.03.2011. Even if any assets is commissioned during the year, the proportionate depreciation (monthly basis) should be calculated at the **MERC Rates** as per the revised accounting policies. The copy of the rates of depreciation as per MERC is enclosed herewith.

The asset shall be written down up to 90% of its value.

04. INTER UNIT TRANSACTIONS:-

It should be ensured that all the pending Inter Unit Advices are raised/accepted and accounted for in the books before closing of the Accounts. There should not be any difference under this Account at the period ending 31.3.2011 either within Circle/Major Store and/or outside Circle/Major Store transactions. It is observed that the I.U.A. in respect of transfer of assets/depreciation raised by one Accounting Unit against another have remained unaccepted resulting in understatement of Company's Assets and Depreciation Reserve. It should, therefore, be ensured that the accounting units raising such I.U.A. should obtain acceptance and J.V. No. and date of such I.U.A. before closing its account. In case such I.U.A. are not accepted, these should invariably be withdrawn by the accounting Unit raising I.U.A. Before finalising its Accounts. Further, if the Statutory Auditors has commented on the I.U.A transaction during audit, appropriate action towards acceptance/withdrawal of I.U.A. should be taken even after cut off date.

Before submission of the Final Accounts to F&A Section, all Accounting Units should carry out I.U.A. reconciliation with Head office and (F.M.S. W&M Section) Section's as per the instructions issued by Executive Director (Operations) vide Circular NO MSETCL/FA/ERP/2010-11/3549 Dt 04.03.2011.

05. SUSPENSE ACCOUNTS:-

- a. Balances under various Advance Accounts/Deposits/Retention money etc. (i.e. Suspense Accounts) in the financial ledgers should be reconciled with the balances shown in the various suspense registers. The balances under Suspense Accounts should be compared with those appearing in the last year's account and broad reasons for increase in balances should be given. **Under no circumstances, adverse balance should appear in these accounts.** It is to be ensured that balances are cleared in the same period so as to avoid comments of Statutory Auditor.
- b. It should be ensured that the recoveries made from salaries of employees in respect of Income Tax, Small Savings, Insurance and other such recoveries up to March 2011 are paid to the concerned offices in March 2011 only.
- c. Balance under Account Head "Recovery from employees Notice Pay" Account Code 46.951 and amount of fines recovered from the employees Account Code 46.952 should be transferred to H.O. These circle-wise/Major Store advices should be received by H.O. before 2nd April 2010. Unpaid salaries & wages of employees drawing wages above Rs.2,500/- if remaining outstanding for more than three years should be specified in items to be transferred to H.O. Accounts.
- d. Amounts under Account Head "Unpaid Salaries" (A/c Code 44.210), "Unpaid Bonus/Ex-gratia" (A/c Code 44.220/44.230), which are more than three years and amounts under "Notice Pay" (A/c Code 46.951) and "Fines" (A/c Code 46.952) are required to be transferred to The Bombay Labour Welfare Fund/Staff Welfare Fund as per modified Circular No.LIR/SWFC/33481 dated 05.10.1989 issued by C.I.R.O.
- e. The amounts paid on account of scholarships, prizes as declared by the Company should be transferred to Head Office by raising I.U.A. on or before 14.03.11 No field offices should book this expenditure to Revenue Account in its books.
- f. It should be ensured that the Accounting in respect of material received in Major Store is done in light of Circular No. AD/BA/7033 dt.31.03.1995 of erstwhile MSEB in respect of items shown in said circular (standard rate valuation).

06. CASH AT BANK AND IMPREST ACCOUNTS:-

- a. It should invariably be ensured, that all Permanent Imprest Accounts and Temporary Imprest Accounts are closed and accounted for by remitting balance cash to the office before 31.03.2011 and submission of the Accounts for adjustment before closing the Accounts.
- b. In exceptional circumstances, if any Permanent/Temporary Imprest advances are not closed by remitting balance amount as on 31.03.2011 and/or Imprest accounts are not submitted for adjustment before closing of the accounts, a

separate information should be given as per Proforma No. VIII of the proforma for Additional Information.

c. Bank balances of A/c 'A' & 'B' as on 31.03.2011 should be reconciled with the balances in the cash book and entries for Stale cheques, Bank charges etc. are passed. Bank balance certificates should be obtained and kept on record.

d. In case cheques are drawn before the end of year but not dispatched on or before 31.03.2011, the same should be taken into Account Head "Liability for unissued cheques" (A/c. Code 46.931) and debited to Bank A/c.

e. The balances under Account Code 28.930, 28.932, 28.935 securities other than cash as per financial ledger should be tallied with the securities physically existing and also tally with the Account Code 46.102, 46.122, 48.200 respectively as the case may be.

f. It should be ensured that cost of balance of postage stamps/ stamped agreement forms/stamp papers as on 31.03.2011 are properly accounted for. This entry should be simultaneously reversed on 01.04.2011.

07. INTRA STATE TRANSMISSION SYSTEM CHARGES FROM STU:-

In case of monthly bills for the last month of the quarter/year which are issued in subsequent month the exact amount of revenue billed is known and the same should be accounted for as unbilled revenue (A/c. Code 23.4).
(Applicable for H.O. A/cs.).

08. OTHER ITEMS RELATING TO FINAL ACCOUNTS:-

a. In respect of position of W.I.P. Division/Circle Office should furnish additional information in prescribed proforma as per Circular No.AD/BA/91-92/2613 dated 07.09.1991.

b. All bad debts, excesses/shortages and other losses for which approval from the Competent Authority has been received should be incorporated in the accounts. Attention is invited to Departmental Circular No.19 issued vide No.AD/BA/50/24135 dated 18.11.1986 on the subject "Accounting of material lost/stolen etc." wherein it is clarified in the last para to account for all loss cases whether approved or not. In view of this it should be ensured that no loss cases remain to be accounted for.

c. Stores in transit/material pending inspection are to be accounted only in respect of material received against purchase orders for which advance payment is made.

In other cases where advance is not payable and payment is to be made against S.R.Note/MRI etc. instructions as per circular No.AD/BA/50/4277 dated 17.12.1994 of erstwhile MSEB may be followed.

d. Entries in respect of excesses and shortages as per inventories taken in March-2011 should be passed in Accounts by all Major Stores in March-2011

only. Balance under the stock ledger and financial ledger as on 31.03.2011 should be reconciled.

e. The Manager/ Dy. Manager in-charge of Major Stores/Stores Centre should verify that all adverse balances as appearing in stock ledger have been rectified and adjusted in Accounts for the year 2010-11.

f. It should be noted that all S.R.Notes for material received up-to 31.03.2011 for material purchased by H.O./Field Offices are valued and necessary Inter Unit Advices are sent to Head Office/Field Offices before 14.03.2011. Inter Unit Advices for nil value S.R.Note under Direct Debit to Works procedure is sent to the concerned construction units before cut-off date i.e. 14.03.2011.

g. Accounting units of Major Stores should confirm that the rounding off to monetary transactions is carried out as per the Circular No. SM/A/c./2213 dt. 06.12.1994 and No. SM/A/c/INV/626 dtd.15.04.1995 of erstwhile MSEB.

9. INSTRUCTIONS REGARDING AUDIT AND SCRUTINY OF ACCOUNTS:-

i) It should be ensured that mistakes pointed out by the Statutory Auditors & F&A Section during the course of their audit scrutiny of the earlier year Accounts are rectified before closing the Accounts.

ii) In the case of A.Es./POMs issued by Statutory Auditors the replies should be given to the audit party during the course of audit only.

iii) All the final replies to the Statutory Audit Reports issued on the Final Accounts should be given to Statutory Auditors under intimation to Corporate Office. Xerox copies of J.Vs. Passed/shown and other related documents shown to audit should be attached to replies.

iv) It should be ensured that positive replies to the Audit comments are given. Replies such as "being done", "action is being taken", "will be done" should not be given. On the basis of such vague replies, the Audit paras are not closed but carried over in final report. Hence, the replies should be such that the Audit Paras should be closed finally.

v) Reasons for variation between the actual capital/revenue expenditure/revenue receipts and the revised budgeted figures for the financial year 2010-2011 should be furnished along with the Account.

vi) If the Company has passed a resolution either during the financial year 2010-2011 or thereafter but before final trial balance is prepared which will have a bearing on the Accounts for the Financial year 2010-2011 necessary action for making provision in the accounts as per Company Resolution should be taken before the final trial balance is submitted. A certificate to the effect that this has been done should be recorded on the trial balance.

vii) Instructions given in Circular No.AD/BA/89-90/5256 dated 18.11.1989 of erstwhile MSEB should be followed and test check should be exercised before submission of Accounts.

viii) The information for Wealth Tax & Income Tax Returns (Tax Audit Report) as asked for from time to time should invariably tally with the related figures appearing in Final Accounts.

ix) Ensure that the information regarding Major Asset completed during the year 2010-2011 unit-wise/scheme-wise is given with Accounts.

x) The figures in col.No.5 of schedule 31 i.e. "Becoming due during the year 2010-2011 should tally with the corresponding figures in column No. 6 of Schedule 32 i.e. "Repayments due during the year 2010-2011".

While submitting the certificate of physical verification of fixed assets along with the accounts by the Accounting units, it should be ensured that the value and quantity of fixed assets as per books and as per physical verification and differences, if any, on physical verification shall be made available to Statutory Audit. Division should give certificate for physical verification of Fixed Asset as per the Fixed Asset Register of the Division to Circle Office and Circles should submit the certificate for physical verification of Assets for Circle proper as per Circle Office fixed Asset Register and consolidation of the all divisions under their control along with the Final Account.

The information in the prescribed **Proforma XIII** of Additional information should be submitted Division wise.

Certificates to be furnished –

- 1) Certificate Net Realizable Value (NRV) pertaining to Assets not in use.
- 2) Certificate Recoverable value of Loss to Fixed Assets pending Investigation.
- 3) Certificate for residual value of Life Extension Schemes
- 4) Certificate of Impairment of Asset.

Additional Details required to be forwarded as per Revised Accounting Policies

- 1) Contingent liability to be provided
- 2) Lease Agreements & Details

