

PUNJAB STATE TRANSMISSION CORPORATION LIMITED

(Regd. Office: PSEB Head Office, The Mall, Patiala-147001)

Corporate Identity Number: U40109PB2010SGC033814

O/o Chief Financial Officer (A&R, Compilation Section), Shakti Sadan, Patiala

www.pstcl.org e-mail: ao-comp@pstcl.org

Accounts Circular No. 2/2020/PSTCL

To

All Addl. SEs/Sr. Xens/AOs (**All Accounting Units**)

under PSTCL

Memo No. 479-524/CFO/A&R-20

Dated: 05.05.2020

Subject: Accounting treatment of transactions relating to Govt. grants received towards cost of capital assets and depreciation on Fixed assets created through these grants.

The detailed instructions for accounting treatment of transactions relating to deposit works/contribution works as well as Govt. grants/subsidies were issued vide Accounts Circular No. 7/2017 dated 29.06.2017 as amended vide 9/2017 and 10/2018 (Chapter 7 of Capital Expenditure and Fixed Assets Manual-CEFA).

Now, the accounting treatment of Govt. grants received for creation of fixed assets and depreciation chargeable on such assets (mentioned in the above circulars) is required to be changed in light of the relevant Significant Accounting Policy adopted by PSTCL. Therefore, the following amended accounting treatment/procedure is to be followed from FY 2019-20 onwards:

Accounting Treatment of Govt. grants and fixed assets created from grants & depreciation thereon:

On receipt of Govt. Grant, the whole amount should be credited to deferred revenue Account Code - Govt. grants received towards cost of capital assets- yet to be utilized (GH-55.298) (Newly created) **instead of** Account Code- Deposits through Govt. Grants GH-47.325. Further on completion of such assets (for which grant received), the proportionate amount of grant received (100%/90%/70% as the case may be) be transferred from such new Account head-55.298 (instead of GH-47.325) to Account Code - Govt. grant received towards cost of capital assets- utilized (GH- 55.299) (already created and now renamed) for control purpose.. Accordingly, the amended accounting treatment/procedure for recording the transactions relating to Govt. grant and fixed assets created from grants & depreciation thereon is as under:

Sr. No.	Event/Transaction	Debit	Credit
1	On receipt of Govt. grant for creation of Fixed Assets	Bank Account (GH – 24)	Govt. grant received towards cost of capital assets- yet to be utilised (GH– 55.298 - deferred revenue)
2	On drawal of material from stores for creation of Fixed Assets through Govt. Grant	Capital works in progress account (GH – 14)	Material/Stock Account (GH-22)
3	On payment/re-imbursement made to third party/contractor (if any) for expenditure incurred (material, labour & other expenses etc.) by him for creation of Fixed Assets through Govt. Grant	Capital works in progress account (GH – 14)	Bank Account (GH – 24)
4	On incurring Labour Charges/salary etc. paid to	Employee Costs (GH-75)	Bank Account (GH – 24)

	staff specifically employed (if any) for creation of Fixed Assets through Govt. Grant (charged to main head in the first instance)		
5	On incurring Administration and General Expenses specifically (if any) on creation of Fixed Assets through Govt. Grant (charged to main head in the first instance)	Administration and General Expenses (GH-76)	Bank Account (GH - 24)
6	On allocation of Employee cost (if booked as per Sr. No. 4) to the creation of Fixed Assets through Govt. Grant (at month end)	Capital works in progress account (GH - 14)	Employee cost charged to capital works (GH - 75.9)
7	On allocation of Administration and General Expenses (if booked as per Sr. No. 5) to the creation of Fixed Assets through Govt. Grant (at month end)	Capital works in progress account (GH - 14)	Administration and General Expenses charged to capital works (GH - 76.9)
8	On completion of work:		
(a)	For the amount booked under GH 14 - CWIP shall be transferred to Fixed Assets Account GH-10 (Created through Govt. Grant)	Fixed Assets Account (GH-10) (Relevant sub-head).	Capital works in progress account (GH -14) (Relevant sub-head)
(b)	Proportionate amount of grant received (100%/90%/70% as the case may be) for creation of Fixed asset through Govt. Grant shall be transferred from account head Govt. grant received towards cost of capital assets- yet to be utilised (GH- 55.298- deferred revenue) to Govt. grant received towards cost of capital assets-utilised (GH- 55.299-deferred revenue)- This entry is made for control purpose.	Govt. grant received towards cost of capital assets- yet to be utilised (GH- 55.298)	Govt. grant received towards cost of capital assets- utilised (GH- 55.299)
9	Depreciation charged on Fixed Assets created through Govt. grant	Depreciation on Fixed Assets - GH 77.1 to 77.6 (relevant sub-heads) or GH 83.6 (Prior period depreciation) (as usual for other assets)	Provision for Depreciation on Fixed Assets - GH 12.1 to 12.9 (relevant sub-heads) (as usual for other assets)

10	Adjustment of proportionate amount of Depreciation (100%/90%/70% as the case may be) charged on fixed assets created through Govt. Grants from Govt. grant received towards cost of capital assets- utilised (Deferred revenue)	Govt. grant received towards cost of capital assets- utilised (GH- 55.299) (Deferred revenue)	Depreciation on fixed assets created through Govt. Grant adujsed from Deferred revenue (GH -77.920 (newly created sub-head)
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Note: Balance Depreciation (after adjustment of proportionate depreciation from Govt. grant received towards cost of capital assets- utilised GH- 55.299-Deferred revenue) shall be charged to Profit & Loss Account (through Annual Closing Entry alongwith the other expense/revenue heads).

Further, the transactions made till date through Account Code- Deposits through Govt. Grants GH-47.325 (including the balance standing as on 31.03.2019) be also set right/adjusted in newly opened Account code - Govt. grant received towards cost of capital assets- yet to be utilized (GH- 55.298). The above adjustment should be made in the March Annual Adjustment Account 2020 so that nil balance be appear in the Account code – 47.325.

Apart from the above, the other instructions regarding creation of separate fixed asset card/register for these assets (created through Govt. grants), charging of depreciation thereon and issue of U-cheques etc. will remain the same as mentioned in Accounts Circular No. 7/2017.

To implement the above instructions, the following new account codes are required to be added/renamed in the booklet 'Chart of Accounts' (Commercial Accounting System, Vol.-1 Part 1:

55.2 Govt. Grants towards Cost of Capital Assets		
Account Code	Account Head	
55.298	Govt. grants received towards cost of capital assets- yet to be utilized (Deferred revenue)	
Account Code	Existing Nomenclature of Account Head	Renamed Nomenclature of Account Head
55.299	Grants received towards cost of capital assets (i.e. capital reserve)	Govt. grants received towards cost of capital assets- utilized (Deferred revenue)

It has also come into notice that at the time of booking/online posting of Trial Balance, the capital expenditure relating to the assets created through Govt. grants (including contribution works), proper Scheme codes (under which the expenditure is required to be booked), are not being mentioned by the respective divisions. At present the following schemes are operational in the Online Accounts Management System of PSTCL for creation of such assets:

Scheme Code	Name of the Scheme
091	Contribution Works
092	PSDF Scheme 1 - 2nd DC Source – Govt. Grant Scheme
094	PSDF Scheme 2 - Bus Bar Protection– Govt. Grant Scheme
095	PSDF Scheme 3 - OPGW based Reliable Comm Sys– Govt. Grant Scheme

This issues with the approval of Director/F&C, PSTCL, Patiala.

Harminder Singh

Accounts Officer/A&R,
PSTCL, Patiala.

Copy of the above is forwarded to the following for information and further necessary action please:

1. Chief Engineer/TS, PSTCL, Patiala.
2. Chief Engineer/P&M, PSTCL, Ludhiana.
3. Chief Engineer/SLDC, PSTCL, Patiala.
4. Chief Engineer/HIS & D, PSTCL, Patiala.
5. CAO/F&A, PSTCL, Patiala.
6. Company Secretary, PSTCL, Patiala.
7. All Dy.CEs/SEs under PSTCL.
8. All Dy. CAOs/Dy. CAs /Dy. FAs under PSTCL.
9. All AOs under PSTCL (except DDOs).
10. RAO, PSTCL, Patiala.

Harminder Singh

Accounts Officer/A&R,
PSTCL, Patiala.

CC:

1. Sr. PS to Director/F&C, PSTCL, Patiala.
2. Dy. Secy. to Director/Admn., PSTCL, Patiala
3. Sr. PS to Director/Technical, PSTCL, Patiala

} for kind information of
worthy Directors please.