

SAS - II

Paper II

PUNJAB STATE TRANSMISSION CORPORATION LTD.

Departmental Accounts Examination-2023 (2nd Session)

Category- SAS Part-I

Paper-II

Roll No.....

REVENUE ACCOUNTS & COMPANIES ACT

Time allowed: 3 hours

Maximum Marks:100

Note: All question are compulsory

- Q. 1 a) Give Definition of Associate Company under Company Act 2013. (3 No.)
b) Give Definition of Books of Accounts under Company Act 2013. (3 No.)
c) Give Definition of Employees stock options under Company Act 2013. (4 No.)
d) What is fixed charges and floating charges under Company Act 2013? (5 No.)
e) What is type of register under sec. 88(1) and (2) of Company Act 2013 and what is penalty for non maintenance of registers? (5 No.)
- Q. 2 (a) Determine the steps for incorporation of company. (10 No.)
(b) What is qualification and disqualification of directors under Company Act 2013? (10 No.)
- Q. 3 (a) Explain about offences and penalties under sec. 450 of Company Act 2013. (5 No.)
(b) What is Prudence Check as per CERC Regulation 2014? (5 No.)
(c) What is State utility and state network under CERC Regulation 2008? (5 No.)
(d) What is beneficiary under PSERC Regulation 2019? (5 No.)

Departmental Accounts Examination-2023 (2nd Session)

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- Q.4 (a) What is meaning of Protection Co-ordination Committee (PCC) and what are their functions as per PSERC Regulations 2013? (10 No.)
- (b) Explain about Maintenance and rendering of Accounting Statements under PSERC Regulation (Income from Other Business) 2005. (10 No.)
- Q.5 (a) Explain about computation of capital cost as per CERC Regulation 2015. (15 No.)
- (b) What are Categories of Open Access Consumers as per PSERC Regulation 2011? (5 No)

REVENUE ACCOUNTS & COMPANIES ACT

Answer of Revenue Accounts & Company Act Paper

Ans.1)(a) Associate company, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

ANS 1(b) "Books of account" includes records maintained in respect of-

(i) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;

(ii) all sales and purchases of goods and services by the company;

(iii) the assets and liabilities of the company; and

(iv) the items of cost as may be prescribed under section 1482 in the case of a company which belongs to any class of companies specified under that section;

ANS (c) Employees' stock option means the option given to the directors, officers or employees of a company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a pre-determined price;

ANS (d) A 'Fixed Charge' is a charge on specific assets of the borrowing company. These assets are of permanent nature like land and building, machinery, office premises, etc. Further, these assets are identified at the time of creation of charge. A fixed charge is usually created by way of mortgage or by deposit of title deeds.

When a charge is created on such assets, the charge remains 'fixed' and the borrowing company is not permitted to sell such assets during the period of charge though it may use them.

Assets under fixed charge can be sold only with the permission or consent of the charge-holder.

A fixed charge is vacated when the money borrowed against the assets subject to fixed charge is repaid in full.

A '**Floating Charge**' is created on assets or a class of assets which are of fluctuating or changing in nature- like raw material, stock-in-trade, debtors, etc. It is a charge upon assets both present and future. The assets under floating charge keep on changing because the borrowing company is permitted to use them for trading or producing final goods for sale. Thus, a floating charge is a charge that floats above ever-changing assets.

Ans:-(e) Section 88 (1) of the Companies Act, 2013 requires that every company shall keep and maintain the following registers:

- (i) Register of Members (holding of each class of equity and preference shares of each member residing in or outside India shall be shown separately in the register)
- (ii) Register of Debenture-holders (DH); and
- (iii) Register of any other security holders (OSH).

Penalty for failure to maintain register in accordance with the provisions of Section 88(1) and 88(2)

If a company does not maintain a register of members or debenture-holders or other security holders or fails to maintain them in accordance with the provisions of sub-section (1) or sub-section (2), the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.

Ans:-2 (a) — Sec. 7 of Company Act for Incorporation of Company:-

(1) There shall be filed with the Registrar within whose jurisdiction the registered office of a company is proposed to be situated, the following documents and information for registration, namely:—

(a) the memorandum and articles of the company duly signed by all the subscribers to the memorandum in such manner as may be prescribed;

(b) a declaration in the prescribed form by an advocate, a chartered accountant, cost accountant or company secretary in practice, who is engaged in the formation of the company, and by a person named in the articles as a director, manager or secretary of the company, that all the requirements of this Act and the rules made thereunder in respect of registration and matters precedent or incidental thereto have been complied with;

(c) an affidavit from each of the subscribers to the memorandum and from persons named as the first directors, if any, in the articles that he is not convicted of any offence in connection with the promotion, formation or management of any company, or that he has not been found guilty of any fraud or misfeasance or of any breach of duty to any company under this Act or any previous company law during the preceding five years and that all the documents filed with the Registrar for registration of the company contain information that is correct and complete and true to the best of his knowledge and belief;

(d) the address for correspondence till its registered office is established;

(e) the particulars of name, including surname or family name, residential address, nationality and such other particulars of every subscriber to the memorandum along with proof of identity, as may be prescribed, and in the case of a subscriber being a body corporate, such particulars as may be prescribed;

(f) the particulars of the persons mentioned in the articles as the first directors of the company, their names, including surnames or family names, the Director Identification Number, residential address, nationality and such other particulars including proof of identity as may be prescribed; and

(g) the particulars of the interests of the persons mentioned in the articles as the first directors of the company in other firms or bodies corporate along with their consent to act as directors of the company in such form and manner as may be prescribed.

(2) The Registrar on the basis of documents and information filed under sub-section (1) shall register all the documents and information referred to in that subsection in the

register and issue a certificate of incorporation in the prescribed form to the effect that the proposed company is incorporated under this Act.

(3) On and from the date mentioned in the certificate of incorporation issued under sub-section (2), the Registrar shall allot to the company a corporate identity number, which shall be a distinct identity for the company and which shall also be included in the certificate.

Ans:- 2(b) Qualifications of a Director:

As regards to the qualification of directors, there is no direct provision in the Companies Act, 2013. But, according to the different provisions relating to the directors; the following qualifications may be mentioned:

1. A director must be a person of sound mind.
2. A director must hold share qualification, if the article of association provides such.
3. A director must be an individual.
4. A director should be a solvent person.
5. A director should not be convicted by the Court for any offence, etc.

Disqualifications of a director:

Section 164 of Companies Act, 2013, has mentioned the disqualification as mentioned below:

1) A person shall not be capable of being appointed director of a company, if the director is

(a) Of unsound mind by a court of competent jurisdiction and the finding is in force.

(b) An undischarged insolvent.

- (c) Has applied to be adjudicated as an insolvent and his application is pending;
 - (d) Has been convicted by a court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence;
 - (e) An order disqualifying him for appointment as director has been passed by a court in pursuance of section 203 and is in force, unless the leave of the court has been obtained for his appointment in pursuance of that section;
 - (f) Has not paid any call in respect of shares of the company held by him, whether alone or jointly with others, and six months have elapsed for the last day fixed for the payment of the call; or
 - (g) A person who has been convicted of an offence dealing with related party transactions under sec 188 at any time during the preceding 5 years;
 - (h) A person who has not complied with section 152(3), i.e. he has not been allotted DIN or such other number may be prescribed under section 153.
 - (i) A person who has not complied with the provisions of sub-section (1) of section 165, i.e. he holds office as a director (including alternate directorships) in more than 20 companies, whether public or private or he holds office as a director (including alternate directorships) in more than 10 public companies (including any private company which is either a holding company or a subsidiary company of a public company).
- 2) Such person is already a director of a public company which:
- (a) Has not filed the annual accounts and annual returns for any continuous three financial years commencing on and after the first day of April, 1999; or
 - b) Has failed to repay its deposits or interest thereon on due date or redeem its debentures on due date or pay dividend and such failure continues for one year or more:

Provided that such person shall not be eligible to be appointed as a director of any other public company for a period of five years from the date on which such public company, in which he is a director, failed to file annual accounts and annual returns under sub-clause (A) or has failed to repay its deposit or interest or redeem its debentures on due date or paid dividend referred to in clause (B).

Ans. 3(a) Meaning of 'offence' The term offence has not been defined under the Companies Act, 2013. 'Offence' refers to any act or omission made punishable under the law for the time being in force.

Residuary penalty section.

Penal provisions under the Act are scattered throughout the Companies Act, 2013. However, a general provision has been incorporated under section 450 of the Companies Act, 2013 which specifies penalty where no specific penalty or punishment is provided elsewhere in the Act. Accordingly, contravention of any provision of the Act (for which no penalty or punishment has been specified in the Act) shall result in a fine upto Rs. 10,000 plus a fine upto Rs. 1,000 per day where the offence is of continuing nature.

Ans 3(b) 'Prudence Check' means scrutiny of reasonableness of capital expenditure incurred or proposed to be incurred, financing plan, use of efficient technology, cost and time over-run and such other factors as may be considered appropriate by the Commission for determination of tariff. While carrying out the Prudence Check, the Commission shall look into whether the generating company or transmission licensee has been careful in its judgments and decisions for executing the project or has been careful and vigilant in executing the project;

Ans:-3 (c) As per CERC Regulation 2008 "State network" means network owned by the State Transmission Utility, distribution licensee or any other person granted licence by the State Commission to construct, operate and maintain the transmission system;

"State utility" means a State Transmission Utility, or a State Electricity Board, or Electricity Department of the State, or a State Government organization authorized to sell or purchase electricity on behalf of the State;

Ans:-3 (d) PSERC Regulation 2019.

Beneficiary" in relation to a

(a) Transmission Licensee means the person who has availed the transmission system on payment of transmission charges. This includes a Distribution Licensee, a Transmission Licensee, a person who has set up a captive generating plant or a Generating Company including merchant power plant or a consumer availing open access, utilising the transmission system of a Transmission Licensee. Medium term and short term open access customers shall not be treated as beneficiaries;

(b) Generating plant means the person purchasing electricity generated at such a generating plant whose tariff is determined under these Regulations;

Ans 4 (a) PSERC Regulations 2013

Protection Co-ordination Committee shall coordinate the implementation of Protection Code (Part V) to ensure that respective Users using State Transmission System discharge their obligations under the Protection Code.

Protection Co-ordination Committee shall comprise of Chief Engineer level members and Dy. Chief Engineer/SE level officer as convener to be nominated by the State Grid Code Review Committee, which shall meet once every three months and shall give their recommendations to the State Grid Code Review Committee.

The rules to be followed by the Protection Co-ordination Committee in conducting its business shall be formulated by the committee itself and shall be approved by State Grid Code Review Committee.

The committee shall perform the following functions:-

- 1) Keep Protection Code and its implementation under scrutiny & review and to ensure compliance thereof;
- (2) Consider all requests for amendment to the Protection Code which any User makes;
- (3) Create awareness about various issues related to the Protection Code;
- (4) Deliberate and decide various protection settings, testing procedure and periodicity;
- (5) Review and specify the minimum protection requirements for the User's system connected to the State Transmission System;
- (6) Deliberate and decide regarding upgradation of protection schemes and necessary switchgear equipments;
- (7) Review and analyse the failure of protection system in case of major grid disturbance and recommend modifications and improvements.

Ans:- 4(b) PSERC (Income from other Business) Regulation 2005

Maintenance and rendering of Accounting Statements:-

1. The Licensee shall:
 - a. maintain for the activities of the Other Business separate accounting records including records of revenues, costs, assets, liabilities, reserves, or provisions which have been charged from or to the Other Business together with a description of the basis of the charge;
 - b. prepare, on a consistent basis, from such records accounting statements for each financial year comprising of a profit and loss account, a balance sheet and a statement of sources and application of funds; and
 - c. provide in respect of the accounting statements so prepared, a report by the Auditors in respect of each Financial Year, stating whether in their opinion the statements have been correctly prepared and whether these statements give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions reasonably attributable to the business to which the statements relate.
2. The Licensee shall submit copies of the accounting statements and Auditor's report specified in Clause 1 (b) and 1 (c) above not later than six months after the close of the financial year to which these relate.
3. The Licensee shall, if required by the Commission, establish to the satisfaction of the Commission that the Other Business duly bears an appropriate share of overhead costs and other common costs.
4. The Licensee shall submit to the Commission such additional information as may be required to review the additional cost incurred by the Licensee for the Other Business.

Ans 5 (a) Computation of Capital Cost (CERS Fee regulation 2015)

(1) The capital cost as admitted by the Commission after prudence check, for each of the Regional Load Despatch Centre or NLDC, as the case may be, shall form the basis for determination of annual charges.

(2) The capital cost shall be computed by considering the following:

(a) The Capital cost as admitted by the Commission as on 1.4.2014 duly tried up by excluding liability, if any;

(b) Expenditure on account of additional capitalization and de-capitalization determined in accordance with the Regulation 10;

(c) The original capital cost of the fixed assets which has been replaced during control period shall be de-capitalized from the admitted capital 18 cost from the respective date duly adjusting cumulative depreciation and cumulative repayment, if any;

(d) Interest during construction and incidental expenditure during construction;

(e) Any grant received from the Central or State Government or any statutory body or authority for execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;

(3) The Capital cost shall be admitted after prudence check which may include scrutiny of the reasonableness of the capital expenditure, financing plan, Interest During Construction (IDC), Incidental Expenditure During Construction (IEDC), financing charges, any gain or loss on account of Foreign Exchange Rate Variation (FERV), use of efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission:

Provided further that interest during construction shall be computed corresponding to the loan from the date of infusion of debt fund, and after taking into account the prudent phasing of funds duly adjusting IDC on account of time over run if any ; 19

Provided further that incidental expenditure during construction shall be computed after prudence check duly adjusting the IEDC on account of time over run if any, interest on deposits or advances, or any other receipts and liquidated damages recovered or recoverable corresponding to the delay.

Ans 5(b) Categories of Open Access Consumers

The application procedure, application fee and the time frame of processing request by eligible consumers seeking Open Access shall be based on the following criteria:

- 1) System to which connected
 - a) Intra-State transmission system

 - b) Distribution system

- 2) Inter-se location of drawal and injection points
 - a) Both within the same distribution system

 - b) Injection point in the intra-State transmission system

 - c) In different States

- 3) Duration of Open Access
 - a) Long-term access

 - b) Medium-term open access

 - c) Short-term open access

- 4) Collective transactions through Power Exchange