

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 Tel./Fax No. 0175-2203637

Accounts Circular No. 7/2017/PSTCL

To

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

Memo No. 2194-2241/A&R-20

Dated: 29.06.2017

Subject: Accounting treatment of transactions relating to deposit works and contribution works as per Chapter 7 of Capital Expenditure and Fixed Assets Manual (CEFA) and accounting treatment of Depreciation on fixed assets created through Consumer contribution, Grants and Subsidies as per Significant accounting policy adopted for such assets by PSTCL.

It has come to notice that construction divisions (Grid/TLSC/Civil Works) are not following properly the instructions regarding the accounting treatment of deposit works and contribution works prescribed in Chapter 7 of Capital Expenditure and Fixed Assets Manual (CEFA) of erstwhile PSEB amended and circulated vide Memo no. 11467-12229/CAC dated 17.06.1991.

Due to non-compliance of the above said accounting procedure/instructions and in the absence of details of balances of the heads 47.305 & 47.309 (work-wise), the statutory auditor of PSTCL is giving qualification in his report of every year that “the details are not available with the company (i.e. concerned accounting units) as to whom the amounts are payable which are shown as outstanding under the head deposit for deposit works (GH 47.305) and deposit for contribution works (GH 47.309). Further these balances are unreconciled and unconfirmed, therefore he is unable to comment upon the accuracy of the figures and effect of reconciliation on Profit & Loss Account and Balance Sheet could not be ascertained”.

Therefore, the accounting treatment/procedure is of transactions relating to Deposit works and Contribution works is being re-iterated as under for proper compliance:

1. Accounting Treatment of Deposit works:

The deposit made by the party towards Deposit works should be credited to account code 47.305 ‘Receipts for deposit works’. The record of expenditure of deposit works shall be kept in the Register of works (Form CE-2) as well as in the Register of Deposit works (Form CE-44).

The accounting procedure for accounting of deposit work already issued is re-iterated and enumerated in the following table:

Sr. No.	Event/Transaction	Debit	Credit
1	On receipt of deposit from party towards Deposit works	Bank Account (GH – 24)	Deposit for Deposit works (GH – 47.305)
2	On drawn of material from stores for deposit works	Deposit for Deposit works (GH – 47.305)	Material/Stock Account (GH-22)

3	On incurring Labour Charges/salary etc. paid to staff specifically employed for the execution of Deposit works (charged to main head in the first instance)	Employee Costs (GH-75)	Bank Account (GH – 24)
4	On incurring Administration and General Expenses specifically on execution of Deposit works (charged to main head in the first instance)	Administration and General Expenses (GH-76)	Bank Account (GH – 24)
5	On allocation of Employee cost to the concerned deposit work at month end	Deposit for Deposit works (GH – 47.305)	Employee cost charged to capital works (GH - 75.9)
6	On allocation of Administration and General Expenses to the concerned deposit work at month end	Deposit for Deposit works (GH – 47.305)	Administration and General Expenses charged to capital works (GH - 76.9)
7	Allocation of employee cost for work (including the preliminary and survey work), carried out by the existing regular staff, cost of labour worked out as per approved norms/schedule of labour rates on the basis of quantities of various items of work actually executed	Deposit for Deposit works (GH – 47.305)	Other Income (GH – 62.930)
8	On charging departmental charges at the end of every month on the total cost of work done during that month	Deposit for Deposit works (GH – 47.305)	Other Income (GH – 62.930)
9	On completion of work : (a) For taking deposit of additional amount of expenditure incurred in excess of deposit already made (if any) or (b) Refund of unspent balance of deposit for deposit works GH-47.305 (if any, after	Bank Account (GH – 24) Deposit for Deposit works (GH– 47.305)	Deposit for Deposit works (GH– 47.305) Bank Account (GH – 24)

	proper scrutiny of the case regarding accountal of all charges as per above)		
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Note: The refund of unspent balance of deposit for deposit works GH 47.305 (if any) standing till date under this head is not to be made. The decision of which will be taken in due course of time by the competent authority.

2. Accounting Treatment of Contribution works:

The deposit made by the party towards Contribution works should be credited to account code 47.309 'Receipts for Contribution works'.

The record of expenditure of deposit/contribution works shall be kept in the Register of works (Form CE-2) as well as in the Register of Contribution works (Form CE-44).

The accounting procedure for accounting of contribution works already issued is re-iterated and enumerated in the following table:

Sr. No.	Event/Transaction	Debit	Credit
1	On receipt of deposit from party towards Contribution works	Bank Account (GH – 24)	Deposit for Contribution works (GH– 47.309)
2	On drawn of material from stores for Contribution works	Capital works in progress account (GH – 14)	Material/Stock Account (GH-22)
3	On incurring Labour Charges/salary etc. paid to staff specifically employed for the execution of Contribution works (charged to main head in the first instance)	Employee Costs (GH-75)	Bank Account (GH – 24)
4	On incurring Administration and General Expenses specifically on execution of Contribution works (charged to main head in the first instance)	Administration and General Expenses (GH-76)	Bank Account (GH – 24)
5	On allocation of Employee cost to the concerned Contribution work at month end	Capital works in progress account (GH – 14)	Employee cost charged to capital works (GH - 75.9)
6	On allocation of Administration and General Expenses to the concerned	Capital works in progress account (GH – 14)	Administration and General Expenses charged to capital

	Contribution work at month end		works (GH - 76.9)
7	Allocation of employee cost for work (including the preliminary and survey work) carried out by the existing regular staff, cost of labour worked out as per approved norms/schedule of labour rates on the basis of quantities of various items of work actually executed	Capital works in progress account (GH – 14)	Other Income (GH – 62.930)
8	On charging departmental charges at the end of every month on the total cost of work done during that month	Capital works in progress account (GH – 14)	Other Income (GH – 62.930)
9	On completion of work: (a) For the amount booked under GH 14 - CWIP shall be transferred to Fixed Assets Account GH-10 (Created through Contribution) (b) The equal amount of asset created through contribution shall be transferred from Deposit for Contribution works (GH – 47.309) to Capital Reserve in the nature of Contribution towards cost of Capital Assets (GH-55.199) (Newly created sub-code)	Fixed Assets Account (GH-10) (Relevant sub-head). Deposit for Contribution works (GH– 47.309)	Capital works in progress account (GH – 14) (Relevant sub-head) Contribution towards cost of Capital Assets (GH-55.199) (Newly created sub-code)
10	On completion of work : (a) For taking deposit of additional amount of expenditure incurred in excess of deposit already made (if any) or (b) Refund of unspent balance of deposit for contribution works GH-47.309 (if any, after proper scrutiny	Bank Account (GH – 24) Deposit for Contribution works (GH– 47.309)	Deposit for Contribution works (GH– 47.309) Bank Account (GH – 24)

	of the case regarding accountal of all charges as per above)		
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Note: The refund of unspent balance of deposit for deposit works GH 47.305 (if any) standing till date under this head is not to be made. The decision of which will be taken in due course of time by the competent authority.

Apart from the above said re-iterated accounting treatment relating to contribution works, as per policy adopted by PSTCL in respect of **Fixed Assets created through consumer contribution, grants and subsidies**, a separate record/Fixed Asset Card mentioning **the asset created through consumer contribution or through grants and subsidies**, shall be prepared and sent to P&M organisation alongwith details of expenditure incurred on such work through IUT Bill.

On receipt of such Asset Cards and after issue of U- Cheque, a separate Fixed Asset Register relating to **the Fixed assets created through Consumer Contribution or through grants and subsidies** shall be maintained and necessary depreciation entries should be passed as per detailed procedure given in succeeding paragraphs.

The matter regarding providing of complete lists/details (work-wise) as pointed out by statutory auditor in its report, was taken many times in the Accounts review meetings at the level of Director/F&C. Now most of the construction divisions (Grid/TLSC/Civil) have prepared the details of these heads work-wise. After scrutiny of the lists it has come to notice that accounting treatment of Contribution works has not been made properly by the concerned Construcion Divisions. These divisions have neither created any fixed assets through consumer contribution nor any capital reserve relating to this till date.

Therefore the following rectification entry is required to be passed by the concerned Construction divisions for the contribution works completed by them till date:

Rectification Entry

Sr. No.	Event/Transaction	Debit	Credit
1	Creation of Fixed assets as well Capital Reserve (after scrutiny of other transactions as mentioned under accounting treatment of contribution works): For the amount booked/debited wrongly to GH 47.309 instead of CWIP (GH 14) or Fixed assets (GH 10) and creation of Capital Reserve in the shape of Contribution towards cost of Capital Assets (GH-55.199)	Fixed Assets Account (GH-10) (Relevant sub-head).	Contribution towards cost of Capital Assets (GH-55.199) (Newly created sub-code)

Notes:

1. After passing the necessary rectification entry, a separate record/Fixed Asset Card mentioning **the asset created through consumer contribution** shall be prepared and sent to P&M organisation alongwith details of expenditure incurred on such work through IUT Bill which is to be incorporated in books of accounts through JV in March Recasting Account 2017.
2. On receipt of such Asset Cards and after issue of U- Cheque, a separate Fixed Asset Register relating to **the Fixed assets created through Consumer Contribution** shall be maintained and necessary depreciation entries including prior period depreciation should be passed as per detailed procedure given in succeeding paragraphs and incorporate the same through JV in March Recasting Account 2017.

Accounting treatment of Depreciation on fixed assets created through Consumer contribution, Grants and Subsidies as per Significant accounting policy adopted for such assets by PSTCL:

PSTCL has adopted the following significant accounting policy in case of **fixed assets created through consumer contribution, grants and subsidies:**

- In case of assets 100% funded by consumer contribution, grant and subsidies, amount equal to the annual depreciation on such asset has been transferred from capital reserve to depreciation.
- In case of assets part funded by consumer contribution, grants and subsidies, proportionate amount of the annual depreciation has been transferred from capital reserve to depreciation and balance depreciation is transferred to Profit & Loss Account.

The following accounting treatment **in respect of depreciation on fixed assets created through consumer contribution, grants and subsidies should be made:**

Sr. No.	Event/Transaction	Debit	Credit
1	Depreciation charged on Fixed Assets created through consumer contribution or grants and subsidies	Depreciation on Fixed Assets - GH 77.1 to 77.6 (relevant sub-heads) or GH 83.6 (Prior period depreciation)	Provision for Depreciation on Fixed Assets - GH 12.1 to 12.9 (relevant sub-heads)
2	Depreciation on fixed assets created through consumer contribution transferred to Capital Reserve	Consumer contribution towards cost of Capital Assets (i.e Capital reserve) – GH 55.199	Depreciation on fixed assets created through consumer contribution transferred to Capital Reserve (GH - 77.910 (newly created sub-head)
3	Depreciation on fixed assets	Grants received	Depreciation on

	created through grants transferred to Capital Reserve	towards cost of capital asset (i.e. Capital Reserve) – GH 55.299	fixed assets created through grants transferred to Capital Reserve (GH - 77.920 (newly created sub-head))
4	Depreciation on fixed assets created through subsidies transferred to Capital Reserve	Subsidies received towards cost of capital asset (i.e. Capital Reserve) – GH 55.399	Depreciation on fixed assets created through subsidies transferred to Capital Reserve (GH - 77.930 (newly created sub-head))

Accounting treatment of grants or subsidies received for creation of fixed assets:

The accounting treatment of assets created through grant or subsidy is similar to that of contribution works except the amount received as deposit through grant or subsidy is booked under GH 47.325 or 47.329 (newly created sub-heads for this purpose) instead of GH 47.309. On completion of asset entry no. 9(b) mentioned against contribution works is passed through Grants received towards cost of capital asset GH 55.299 or Subsidies received towards cost of capital asset GH 55.399 instead of GH 55.199.

It is also directed to P&M Divisions that a separate fixed asset register/record containing separate pages for fixed assets created through contribution works, grants or subsidies and depreciation thereof is to be maintained for incorporating the proper entries regarding depreciation on these assets.

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

Harmander Singh
Accounts Officer/A&R,
PSTCL, Patiala.

Endst. No. 2242-2281/ A&R-20

Dated: 29.06.2017

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

1. Er.-in-Chief/TS, PSTCL, Patiala.
2. Chief Engineer/P&M, PSTCL, Ludhiana.
3. Chief Engineer/SLDC, PSTCL, Patiala.
4. Chief Engineer/HIS & D, PSTCL, Patiala.
5. Financial Advisor, PSTCL, Patiala.
6. Chief Auditor, PSTCL, Patiala.
7. Company Secretary, PSTCL, Patiala.
8. All Dy.CEs/SEs under PSTCL.
9. All Dy. CAOs/Dy. CAs /Dy. FAs under PSTCL.
10. All AOs under PSTCL (except DDOs).
11. AO/WAD, PSTCL, Patiala.

12. RAO, PSTCL, Patiala.
13. SE/IT, PSTCL, Patiala for placing the circular on website of PSTCL.

Harmander Singh
Accounts Officer/A&R,
PSTCL, Patiala.

CC:

1. Sr. PS to Director/F&C, PSTCL, Patiala for kind information of Director/F&C, please.
2. Sr. PS to Director/Admn., PSTCL, Patiala for kind information of Director/Admn., please.
3. Dy. Secy. to Director/Technical, PSTCL, Patiala for kind information of Director/Technical, please.