

Accounts Circular No. 05/2011/PSTCL

To

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

Memo No. 1690/1749/CAO /A&R
Dated: 05.07.2011

Subject: Accounting of Capital Expenditure incurred on 66KV lines and 66KV sub stations on behalf of PSPCL by PSTCL and recovery of 20% of cost of such capital works executed as establishment cost.

PSTCL has been executing 66 KV works both lines and sub stations on behalf of PSPCL. PSPCL has agreed for reimbursement of the cost of such capital works executed along with 20% of the claim amount towards establishment cost on provisional basis subject to truing up after availability of actual cost of work done by respective Construction/Grid/TLSC Divisions of PSTCL. Accordingly PSPCL has been reimbursing the amount on the basis of claims submitted by Chief Engineer/TL both for transmission lines and Sub Station works being nodal agency.

It has come to the notice that the capital expenditure incurred on 66 KV works (both lines and sub stations) has been booked under GH-14 (Capital Work in Progress) by the respective Construction/Grid/TLSC Divisions of PSTCL instead of GH - 28.8 (Inter Corporation Transaction – Amount recoverable from PSPCL on account of capital expenditure incurred on, 66KV works (both lines & sub stations) on behalf of PSPCL).

Therefore, all such respective Accounting units should pass reverse entries under GH-14 (Capital Work in Progress) by charging to correct GH - 28.891 (Inter Corporation Transaction – Amount recoverable from PSPCL on account of Capital Expenditure on 66KV capital works (lines & sub station) on behalf of PSPCL) for the expenditure incurred during 2010-11 in March 2011 account. Similar entries should be passed for expenditure incurred during 2011-12. In future it should be taken care that such type of capital expenditure should be booked directly to GH -28.891 (Inter Corporation Transactions – Amount recoverable from PSPCL on account of Capital Expenditure on 66KV capital works (lines & sub station) on behalf of PSPCL)

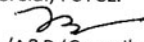
Apart from the above, it has also come to notice that no accounting is being done by any accounting unit regarding recovery of 20% of cost of such capital works executed as establishment cost recoverable from PSPCL. Chief Engineer/TL, PSTCL, Patiala is just adding 20% to the cost of such capital works at the time of submission of claims to Chief Engineer/RE & APDRP, PSPCL, Patiala. Moreover recovery of this 20% as establishment cost is a reduction in total employee cost of these Construction Divisions to be capitalized to other different works.

Therefore, it is decided that all such accounting unit should pass an accounting entry by debiting GH-28.892 (Inter Corporation Transactions – amount recoverable from PSPCL on account of establishment cost incurred on 66KV capital works (both lines & sub stations) per contra credit to GH-75.940 (Recovery/Reimbursement from PSPCL on account of establishment cost) for the 66KV capital works (both lines & sub stations) executed on behalf of PSPCL during 2010-11 in March 2011 account. Similar accounting entries should be made in 2011-12 on monthly basis. In spite of that, while capitalizing the employees cost, it may also be taken care that total employees cost GH- 75 (Debit) (including terminal benefits covered under 75.860 & 75.870) to be capitalized should be reduced by that 20% amount credited to 75.940. So that net employee cost could be capitalized on all other capital works except 66KV works executed on behalf of PSPCL.

The following New Accounts Codes/Heads are added/opened in the booklet of "Chart of Accounts" (Commercial Accounting System Vol. 1 Part 1).

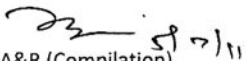
| Account Code | Account Head |
|---------------------|---|
| 28.891 | Inter Corporation Transaction – Amount recoverable from PSPCL on account of Capital Expenditure incurred on 66KV works (lines & sub station) on behalf of PSPCL |
| 28.892 | Inter Corporation Transaction – amount recoverable from PSPCL on account of establishment cost incurred on 66KV capital works (both lines & sub stations) executed on behalf of PSPCL . |
| 75.940 | Recovery/Reimbursement from PSPCL on account of establishment cost for the 66KV capital works (both lines & sub stations) executed on behalf of PSPCL. |

This issues with the approval of Director/Finance & Commercial, PSTCL.


Accounts Officer/A&R (Compilation),
PSTCL, Patiala.

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

- 1 Er. in Chief/Sub Station, PSTCL, Patiala.
- 2 Chief Engineer/TL, PSTCL, Patiala.
- 3 Chief Engineer/P&M, PSTCL, Ludhiana.
- 4 Chief Engineer/SO&C, PSTCL, Patiala.
- 5 Financial Advisor, PSTCL, Patiala.
- 6 CAO/A&R, PSPCL, Patiala.
- 7 All CAOs / CA / FA / Cost Controller under PSPCL.
- 8 All SEs under PSTCL.
- 9 Dy. CAO/A&R, PSPCL, Patiala.
- 10 All Dy. CAOs / Dy. CAs / Dy. FAs under PSPCL / PSTCL.
- 11 Company Secretary, PSTCL/PSPCL.
- 12 All Accounts Officers under PSPCL.
- 13 Accounts Officer/Broad Sheet, PSPCL, Patiala.
- 14 RAO, PSPCL/PSTCL, Patiala.
- 15 ✓ SE/IT, PSPCL / PSTCL, Patiala for placing the circular on websites of PSPCL/PSTCL.


Accounts Officer/A&R (Compilation),
PSTCL, Patiala.

CC

- 1 Sr. PS to CMD, PSTCL/PSPCL, Patiala.
- 2 Sr. PS to Director/Finance & Commercial, PSTCL, Patiala.
- 3 Sr. PS to Director/Finance, PSPCL, Patiala.
- 4 Dy. Secy. to Director/Technical, PSTCL, Patiala.
- 5 Sr. PS to Director/Administration, PSTCL, Patiala.
for kind information of the CMD/Directors respectively.
- 6 PA to Chief Accounts Officer, PSTCL, Patiala.