

FERRO SCRAP NIGAM LIMITED

ACCOUNTS MANUAL

PART - I

[CHART OF ACCOUNTS]

**INNOVATIVE CONSULTANTS PRIVATE LIMITED
NEW DELHI**

We were retained by Ferro Scrap Nigam Limited (FSNL) to review their existing system of classification and to develop a scheme of classification, which meets the statutory requirements for presentation of accounts on the one hand, and management's needs for control on the other. We have, accordingly, reviewed the existing system and the accounting practices and revised it after detailed discussions with the Finance and Accounts Department. The special needs of FSNL have been built into the classification.

The revised scheme of classification meets the following main objectives:

- Provides uniform classification for the Units.
- Streamlines the book keeping function.
- Meets the statutory requirements for presentation of accounts.
- Enables compilation of cost of production statements, budgetary statements and various management returns on a uniform pattern from the Trial Balance.

The general scheme of classification of accounts is designed in such a way as to facilitate the preparation of trial balance in the same order in which the balance sheet and profit and loss account is presented.

A numerical code of five digits has been assigned to each account code. The first two digits represent the classification group and the last three digits represent its sub-classification under the group.

Explanations have been added under each account code defining its scope and operation.

CONTENTS

	Page No.
BALANCE SHEET	
EQUITY AND LOANS	
11 Share Capital	1
12 Reserves and Surplus	1
13 Secured Loans	2
14 Unsecured Loans	4
FIXED ASSETS	
16 Fixed Assets - Gross Block	5
17 Depreciation Provision	7
18 Capital Works in Progress	7
CURRENT ASSETS	
21 Inventories	8
22 Sundry Debtors	12
23 Cash in Hand	13
24 Bank Balance	14
26, 27, 28 Advances Recoverable	15
29 Deposits	18
CURRENT LIABILITIES	
30 Sundry Creditors	18
31 Deposits Received	19
33 Accrued Other Expenses	20
34 Accrued Salaries and Wages	21
35 Contribution to Funds	22
36 Pay Roll Deduction	22
37 Provisions	24

INTER UNIT CLEARING ACCOUNTS

39	Transfer of Funds	26
40	Inter Unit Accounts	26

PROFIT AND LOSS ACCOUNTS

41	Service Charges for Scrap Recovery	28
42	Equipment Rental	29
43	Miscellaneous Income	30
45	Expenditure on Salaries & Wages	31 & 33
46	Consumption of Stores and Spares	31 & 37
47	Repairs and Maintenance through Contractors	31 & 41
48	Services	31 & 42
49	Equipment Rent	32 & 42
50	Interest Charges	32 & 43
51	Depreciation	32 & 43
52	Overheads	32 & 44
53	Income Tax	32

BALANCE SHEET

11. SHARE CAPITAL

11.001 Equity

On allotment of equity shares by the Company to the shareholders, this account shall be credited with the value of shares issued.

11.002 Share Money Pending Allotment

Money received from the intending shareholders towards share capital shall be credited to this account. On allotment and issue of shares to the shareholders, account code 11.001 - "Equity" shall be credited by debit to this account.

12. RESERVES AND SURPLUS

12.001 Capital Reserve

Value of land transferred to the Company free of cost, capital gains arising out of revaluation/sale of capital assets at premium in excess of par value or original cost or any other gains, which are not directly connected with the normal operation of the Company, shall be credited to this account.

12.002 Investment Allowance Reserve

Reserve credited to the extent of 75 percent of the investment allowance available under the Income Tax Act on plant newly installed during a year, shall be credited to this account.

12.003 General Reserve

Reserve created by appropriation of profit not intended for any specific purpose but for meeting any unforeseen contingency in future or for future expansion of the Company shall be credited to this account.

12.006 Balance of Profit and Loss Account

Any surplus left over in the profit and losses account after transfers to the reserves mentioned above shall be credited to this account.

13. SECURED LOANS

13.001 Cash Credit Account with State Bank of India

Any payment authorized under cash credit facility obtained by hypothecation of Company's stock of stores and spare parts and outstanding bills receivable comprising of all the Units, shall be credited to this account. Transfers of funds to this account from the current accounts of the Company with the State Bank of India and deposits into it, shall be debited.

13.002 Term Loan from State Bank of India

Loan given by the State Bank of India for a specified period against specific securities shall be credited to this account; repayments shall be debited to it.

13.005 Loan from MSTC

13.006 Loan from HARSCO CORPORATION

13.007 Loan from TISCC - JAMSHEDPUR

13.008 Loan from SAIL - ROURKELA

13.009 Loan from IISCO - BURNPUR

13.010 Loan from SAIL - BHILAI

13.011 Loan from SAIL - BOKARO

Amounts received from MSTC and HARSCO Corporation as secured loans shall be credited and repayments debited to account codes 13.005 and 13.006 respectively.

Amounts received from Steel Plants as loans secured by hypothecation of machineries and equipment procured under the loans as and when acquired and brought to Company's sites and guaranteed by the holding company M/s Metal Scrap Trade Corporation Ltd. or any other secured loan from the Steel

Plants shall be credited to the respective account codes. Repayments of loan amounts shall be debited to these accounts.

13.013 Interest Accrued and Due on Cash Credit

13. 014 Interest Accrued and Due on Term Loan

13.015 Interest Accrued and Due on Secured Loans

Amount of interest accrued and due but not paid on cash credit/term loan/secured loans shall be credited here. As and when liabilities are cleared, this account shall be- debited.

14. UNSECURED LOANS

14.001 Loan from MSTC

14.002 Loan from HARSCO CORFORATION

14.003 Loan from TISCO-JAMSHEDPUR

14.004 Loan from SAIL-ROURKELA

14.005 Loan from IISCO-BURNPUR

14.006 Loan from SAIL-BHILAI

14.007 Loan from SAIL-BOKARO

Amounts received as loan from VSTC/HARSCO Corporation/ Steel Plants without any security / hypothecation of fixed/ current assets shall be credited to the respective accounts; repayments of loans shall be debited.

14. 010 Other Unsecured Loans

Unsecured loans from parties other than specified above, shall be credited and repayments debited to this account.

14.011 Interest Accrued and Due oh Unsecured Loans

Amount of interest accrued and due but not paid shall be credited to this account. As and when the liabilities are discharged, this account shall be debited.

16. FIXED ASSETS - GROSS BLOCK

16.001 Land Freehold

Compensation paid, to a vendor or any other agency, the initial charges in the form of registration fees, stamp duty, etc. and the nominal/fair value of land transferred to the Company free of cost and all expenses incurred on development of land shall be debited to this account.

16.002 Land Leasehold

Any premium or amount paid or expenses incurred on acquisition of land for a fixed period on leasehold basis and other expenses incurred thereon including land development expenses shall be debited to this account.

16.003 Office Buildings

16.004 Plant Buildings

The capitalised cost of office/plant buildings shall be debited to the respective accounts. Internal electrification and sanitary fittings shall form part of the buildings and shall be capitalised along with the cost of buildings.

16.005 Plant Equipment

16.006 Shop Equipment

The cost of plant/shop equipments including related expenses like freight, customs duty, incidentals, etc. erection and commissioning charges shall be debited to the respective accounts.

16.007 Plant Installation

The cost of electrical installations, oxygen and water lines and installations, weighbridges etc. in the plant area shall be debited to this account.

16.008 Aircraft

16.009 Automobiles

16.010 Furniture and Office Equipment

The total cost of acquisition of these assets shall be debited to the respective accounts.

17. FIXED ASSETS - DEPRECIATION PROVISION

17.003 Office Buildings

17.004 Plant Buildings

17.005 Plant Equipment

17.006 Shop Equipment

17.007 Plant Installation

17.008 Aircraft

17.009 Automobiles

17.010 Furniture and Office Equipment

The amount of provision created for depreciation on fixed assets shall be credited to the respective provision accounts. For exhibition in final accounts, this shall be shown as deduction from fixed assets.

18. CAPITAL WORK IN PROGRESS

18.003 Office Buildings

18.004 Plant Buildings

The expenditure on buildings under construction including internal electrification and sanitary fittings, which are finally intended for capitalisation shall be debited to the respective accounts. When capitalised, the expenditure shall be credited to these accounts by corresponding debit to the respective fixed asset accounts.

18.005 Plant Equipment

18.006 Shop Equipment

18.007 Plant Installation

The expenditure on acquisition, fabrication, erection and commissioning of plant equipment/shop equipment/plant installations shall be debited to these accounts. Expenditure here shall include that incurred on equipments being manufactured/fabricated and erected internally. On

capitalisation, the expenditure shall be credited to these accounts by corresponding debit to the respective fixed asset accounts.

18.008 Aircraft

18.009 Automobiles

18.010 Furniture and Office Equipment

Cost of acquisition of these assets till put to use, shall be deducted to these accounts.

21. INVENTORIES

21.100 Operating Materials

21.101 Black Pipe

21.102 Oxygen and Acetylene

21.104 Lubricants

21.105 Gasoline and Diesel

21.106 Sundry Supplies

21.107 Drop Balls

21.126 Containers

21.200 Maintenance Stores and Supplies

21.202 Filter Elements

21.205 Fuel, Gas, Oil etc.

21.208 Lining, Brakes and Clutch

21.709 Magnet, Electrical Cable and Wire

21.910 Repointers and Teeth

21.211 Steel Materials

21.212 Shop Supplies

21.213 Small Tools

21.214 Welding Rods and Supplies

- 21.216 Wire Rope**
- 21.218 Lamps**
- 21.220 Batteries**
- 21.221 Tyres and Tubes**
- 21.223 V. Belts and Sheaves**
- 21.224 Brake and Clutch Band Disc**
- 21.227 Trailing Cable**
- 21.300 Repair Parts - Automotive**
- 21.301 Repair Pars - Aircraft**
- 21.302 Repair Parts - Automobiles**
- 21.400 Repair Parts - Plant Equipment**
- 21.403 Bucket**
- 21.405 Crane, Shovel**
- 21.408 Haulage (Dumpers)**
- 21.410 Internal Combustion Engine**
- 21.412 Generator**
- 21.413 Magnet**
- 21.414 Electrical Control Equipment**
- 21.421 Separator**
- 21.422 Tractor**
- 21.439 Other Equipment**
- 21.600 Repair Parts - Shop Equipment**
- 21.604 Lube Trucks**
- 21.605 Welder**
- 21.606 Other Shop Equipment**

Cost of operating materials, maintenance stores and supplies and repair parts, etc. shall be booked to the respective accounts. Foods Received Notes are valued at the invoice value including excise and customs duty. Items like sales tax, freight, etc. are charged directly to profit and loss account under respective account codes. Store issues are credited to the respective accounts.

21.701 Stock of Printing and Stationery

Cost of printing and stationery purchased during the year is debited to the account code 52.011 - "Printing and Stationery At close of the year, the value of Printing and Stationery in stock is debited to this account by credit to account code 52.011. This entry is reversed at the beginning of the next financial year,

21.702 Store Suspense Account

Discrepancies in stores/repair parts found during physical verification and being investigated, are booked under this account.

21.703 Goods in Transit

The value of stores and spares in transit including those under inspection shall be debited to this account by corresponding credit to account code 28.001 'Advances to Suppliers' to the extent advances are adjustable and for the balance, liability is to be provided and where no advance has been paid, liability for the full value of material is to be provided under account code 3U.003 "Liability for Goods Received".

21.704 Stores and Spares Considered Redundant Awaiting Disposal

On determination of stores and spares becoming obsolete or redundant, the value will be debited to this account by credit to the relevant account code.

22. SUNDRY DEBTORS

22.001 TISCO - Jamshedpur

22.002 SAIL - Rourkela

22.003 IISCO - Burnpur

22.004 SAIL - Bhilai

22.005 SAIL - Bokaro

22.006 SAIL - A.S.P.

These accounts shall accommodate the transactions in respect of amount due from Steel Plants on account of service charges for recovery of scrap, slag handling charges, rental for equipments let out on hire, escalations, etc.

22.009 Other Debtors

This account code shall accommodate amounts due for debtors other than the Steel Plants.

22.010 Provision for Doubtful Debts

At the time of accounts closing, a close scrutiny of sundry debtors shall be made to arrive at the total figure of bad and doubtful debts to be provided for. Any further provision, if required, shall be made to the extent of the shortfall in this account (credit) by corresponding debit to account code 52.036 "Provision for Doubtful Debts". Excess provision, if a made in the earlier year, will be written back by credit to account code 52.036.

23. CASH IN HAND

23.001 Cash in Hand

Balance of cash at the close of financial year shall be shown under this head.

23.002 Stamps in Hand

Balance of postage stamps including the balance in postal franking machine at the close of financial year shall be shown under this head.

23.003 Imprest for Stores

23.004 Imprest for Administration

23.005 Other Imprests

Any amounts given to departmental officers on recoupment basis for meeting, day-to-day petty payments of non-specific nature shall be debited to these account codes. On receipt of recoupment bills, these accounts shall be credited by corresponding debit to respective expense accounts.

23.006 Remittances in Transit

Remittances of funds from one Unit to another/Corporate Office through banks or issue of transfer orders or cheques which are routed through Inter- unit account and not received at the other end at the close -of the financial year shall be debited to this account by the receiving Unit. At the beginning of the next financial year when the remittance is received, this shall be reversed.

24. BANK BALANCES

24.001 Current Account with SBI - Jamshedpur Unit

24.002 Current Account with SBI - Rourkela Unit

24.003 Current Account with SBI - Bhilai Unit

24.004 Current Account with SBI - Bokaro Unit

24.005 Current Account with SBI - Burnpur Unit

24.006 Current Account with SBI - Calcutta

24.007 Current Account with SBI Jamsedpur - Corporate Office

24.008 Current Account with SBI - Dividend Account

24.009 Current Account with Bank of India, Jamshedpur - Corporate Office

These accounts shall accommodate the banking transactions routed through current accounts other than cash credit. Current account at Calcutta is operated by the Corporate Office.

Current accounts with SBI - Dividend Account operated by the Corporate Office, shall accommodate the transactions relating to payment of dividend only.

24.012 Short Term Deposits with S.B.I., Jamshedpur

24.013 Short Term Deposits with Bank of India, Jamshedpur

24.016 Interest Accrued on Short Term Deposits

These accounts shall accommodate deposits of surplus funds with banks in term deposits for fixed periods and interest accrued on such deposits.

26. ADVANCES-TO EMPLOYEES - SECURED

26.001 Vehicle

Loans given to employees for purchase of motor car/scooter/moped and secured by hypothecation of the vehicles purchased with the loans shall be debited to this account. Recovery/refund of principal amount of loan shall be credited here.

26.002 House Building

Loans given to employees for the purchase/construction of house and secured by hypothecation of the houses purchased/constructed, shall be debited to this account. Recovery/refund of principal amount shall be credited here.

26.005 Interest Accrued and/or Due on Loans

This account shall be operated at the year end to bring into account interest accrued and/or due on interest bearing advances to employees.

27. ADVANCES TO EMPLOYEES - UNSECURED

27.001 Festival Advances

27.002 Travel Advances

27.003 Medical Advances

27.004 Salary Advances

27.007 Other Advances

Advances paid to employees for specific purposes shall be debited to the respective accounts and any other advances to employees not covered by specific accounts, shall be debited to account code 27.007. Travel advances will include leave travel concession advances as well. Salary advances will include leave salary advances. Refund/recoveries/adjustments of advances shall be credited to the respective accounts.

27.008 Temporary Advances for Expenses

Advances given to officers for specific purpose shall be debited to this account. Based on the statements of account furnished by the concerned officers, the total amount of expenses shall be credited here by debit to the respective expense accounts. At the close of the financial year the unspent balances against these advances lying with officers shall be remitted back and corresponding credit shall be given to this account.

28. OTHER RECOVERABLE ADVANCES

28.001 Advances to Contractors/Suppliers

Advances paid for the procurement of equipment and other fixed assets and for capital works and advances paid to other suppliers/contractors shall be debited to this account.

28.002 Claims Recoverable

The value of claims lodged with carriers, insurers, etc. shall be debited to this account. When claims are settled, the amounts recovered shall be credited to this account.

28.003 Advance Income Tax

Advance income tax paid by the Company during the year, shall be debited to this account.

28.004 Income Tax Deducted at Source

Income tax deducted by outside parties from the bills of the Company shall be debited to this account. This account will be cleared either at the

time of payment of income tax or on getting refund from the Income Tax Department.

28.005 Prepaid Expenses

The portion of expenses paid in advance during, the current financial year, corresponding to which services have not been used in that year and, therefore, proportionately applicable to latter year, shall be debited to this account. At the commencement of the next financial year, amounts applicable to the current year shall be transferred to the respective expense accounts.

28.006 Provision for Doubtful Loans and Advances

At the time of account closing loans and advances shall be scrutinised to arrive at the total figure of bad and doubtful loans and advances to be provided for. Any further provision, if required, shall be made to the extent of shortfall in this account by corresponding debit to account code 52.037. "Provision for Bad and Doubtful Loans and Advances". Excess provisions, if any, made in the earlier years shall be written back by creditor to account code 52.037 and debit to this account.

29. DEPOSITS

29.001 Deposits with IDBI

Deposits made with the Industrial Development Bank of India under the funding (of profits) scheme shall be debited to this account.

29.004 Other Deposits

Deposits with the Excise/Customs authorities, Sales Tax authorities and other agencies shall be debited to this account. On adjustment of deposits or refund, this account shall be credited by debit to the respective expense accounts or cash.

30. SUNDRY CREDITORS

30.001 Vendors and Others

Amounts of bills of suppliers/contractors for supplies made/work done/services rendered, passed for payment shall be credited to this account by debit to account code 30-002 "Liability for Goods Received/account codes under "Capital Works in Progress" / relevant expense accounts. The account shall be debited when the payments are made. The balance in this account will represent the unpaid amount at any time.

30.002 Liability for Goods Received

On Goods Received Notes being raised, cost of goods computed at the purchase order rates (excluding sales tax, freight etc.) shall be credited to this account by debit to Inventories. When such liabilities are discharged, this account shall be debited. The outstanding balance in this account at any point of time shall represent the GRNS against which bills have not been received/passed.

30.003 Liabilities for Goods in Transit

Liabilities set up for goods in transit at the year end shall be accommodated in this account, to be reversed in the accounts of the new year.

31. DEPOSITS RECEIVED

31.001 Security Deposits

All moneys received on account of security deposit from contractors/suppliers (also the conversions of earnest money into security deposit) shall be credited to this account and refunds/adjustments of security deposit shall be debited. Forfeitures of security deposit shall be debited to this account by credit to account code 43.009 - "Miscellaneous income."

31.002 Earnest Money Deposits

All moneys received along with the tenders shall be credited to this account. Refunds to unsuccessful tenderers and adjustments as security deposit for the successful tenderers shall be debited to this acc

Adjustments on account of forfeiture of earnest m(shall be debited to this account by credit to account code 43.009 Miscellaneous Income.

33. ACRUED OTHER EXPENSES

33.001 Interest Accrued but not Due

Interest accrued on secured and unsecured loans but not due for payment, shall be credited to this account at the close of the financial year by debit to the relevant account codes under Interest."

33.002 Tax De ducted from the Contractors

Amount of income tax deducted from the bills of contractors under the provisions of Income Tax Act, shall be credited to this account by debit to account code 30.001 - "Vendors and Others", and when deposited with the Income Tax authorities the same shall be debited to this account.

33.003 Accrued Payments to Steel Plants

Amounts payable to Steel Plants for supply of oxygen, gas, power, stores and spares and services shall be credited to this account. Payments, when made, shall be debited.

33.004 Accrued Payments to Heket

Liability on account of expenses incurred by and payable to heket, shall be provided here. On payment, the amounts shall be debited to the account.

33.005 Accrued Professional Fees

Liability for professional fees payable shall be credited here. On payment, the amounts shall be debited.

33.007 Accrued Other Expenses

Liability for amounts payable for any other expenses shall be provided here.

34. ACCRUED SALARIES ATID WAGES

34.001 Directors

The net salaries, allowances including house rent allowance and other payable to the Managing Director shall be credited to this account. On payment, the account shall be debited.

34.002 Other than Directors

The net amount of salaries, wages and allowances payable to the employees of the Company shall be credited to this account. When payments are made, the sane shall be debited.

34.003 Unpaid Salaries and Wages

34.004 Unclaimed Salaries and Wages

Salaries, wages and allowances remaining unpaid on regular payment dates and taken back in Cash after the prescribed period hill be credited to "unpaid salaries and wages". Account code 34.004 is to be operated for transfer of unclaimed amounts from account code 34.003 which have completed the period of limitation for claiming the same. Any payment to the employees out of unpaid/unclaimed salaries and wages will be debited to these accounts.

35. CONTRIBUTION TO FUNDS

35. 001 Provident Fund Contribution - Staff

35.002 Provident Fund-Contribution - Senior Officers

35.003 Family Pension Scheme Contribution

Company's contribution towards provident fund and fairy pension scheme shall be credited to these accounts by debit to the account codes 45.u5l and 45.052. When payments are made to Provident Fund Trusts/Regional. 'Provident Fund Commissioner, these accounts shall be debited.

36. PAY ROLL DEDUCTIONS

36.001 Pay Roll Deductions - Income Tax

Income tax deducted at source from salaries and wages and payable to income tax authorities, shall be credited to this account. When deposited with the income tax authorities, this account shall be debited.

36.002 Pay Roll Deductions - Provident Fund Staff

36.003 Pay Roll Deductions - Provident Fund Senior Officers

The amount of provident fund subscriptions recovered from pay rolls of staff/senior officers (both compulsory and voluntary) shall be credited to these accounts. On payment to the Provident Fund Trusts, the amounts shall be debited here.

36.004 Pay Roll Deductions - Family Pension Scheme

Subscriptions towards family pension scheme recovered from the employees shall be credited to this account. On payment to the Regional Provident Fund Commissioner the amounts shall be debited.

36.005 Pay Roll Deductions - Death Relief Fund

Deductions from pay bills as contributions to death relief fund shall be credited to this account and amounts paid to legal heirs of the deceased or the Committee administering the fund shall be debited.

36.006 Pay Roll Deductions - House Rent

House rent recovered from the employees for the houses taken on rent from the Steel Plants or the landlords shall be credited to this account. These amounts shall be transferred to account code 45.070 - "Other Benefits" at the time of payment of full rent by the Company to the Steel Plants/landlords.

36.007 Pay Roll Deductions - Life Insurance Premium

Life insurance premium deducted from the salaries and wages shall be credited to this account payments made to Life Insurance Corporation of India shall be debited.

36.008 Pay Roll Deductions - Professional Tax

Professional tax deducted from salaries and wages and payable to State government shall be credited to this account and payments, when made, shall be debited.

36.009 Pay Roll Deductions - Electricity Charges

Electricity charges recovered from the pay bills and payable to the Steel Plants are credited to this account and payments are debited.

36.010 Recoveries of Provident Fund Loans

36.011 Recoveries of Interest on Provident Fund Loans

Recoveries from employees on account of provident fund loans and interest thereon shall be credited to these accounts and payments, when made to the Provident Fund Trusts, shall be debited.

36.015 Other Deductions from Pay Roll

This account shall accommodate the amounts other than those mentioned earlier, recovered from the pay bills and payable to outside agencies.

38. PROVISIONS

38.001 Provision for Taxation

The amount of provision created for income tax shall be credited to this account.

38.002 Provision for Bonus

The provision made for the payment of bonus to the employees under the provisions of the Bonus Act at the end of the accounting period shall be credited to this account by corresponding debit to account codes 45.041 - "Bonus".

38.003 Provision for Leave Salary

The amount of provision created for liability on account of leave salary at the end of the accounting year shall be credited to this account.

38.004 Provision for Dividend

The amount of provision on account of dividend payable to the shareholders shall be credited to this account.

38.005 Provision for Diminution in value of redundant Stores

38.006 Provision for Diminution in value of Scrapped/Redundant Fixed Assets

The amounts of provision created for the apprehended loss in respect of fixed assets/stores scrapped or considered redundant shall be credited here by debit to account code 52.035 - "Provision for Diminution in value of Scrapped/ Redundant Assets.

38.010 Provisions -Others

Provision created for liabilities other than those mentioned earlier shall be credited to this account by debit to relevant expense account codes.

39. TRANSFER OF FUNDS

39.001 Funds to and from Corporate Office

39.002 Funds to and from Jamshedpur Unit

39.003 Funds to and from Rourkela Unit

39.004 Funds to and from Burnpur Unit

39.005 Funds to and from Bhilai Unit

39.006 Funds to and from Bokaro Unit

Funds transferred from the Corporate Office to the Units and from the Units to the Corporate Office shall be accommodated under the respective account codes.

40. INTER UNIT ACCOUNTS

40.001 Corporate Office

40.002 Jamshedpur Unit

40.003 Rourkela Unit

40.004 Burnpur Unit

40.005 Bhilai Unit

40.006 Bokaro Unit

These account codes are intended to accommodate all the transactions between the Units and the Units and the Corporate Office. The transactions will include, inter-alia, transfer of fixed assets, transfer of stores and spares and payments made on behalf of other Units. Balances under these accounts in the books of the Units shall be transferred to the Corporate Office at the end of the financial year and shall be set off with each other.

PROFIT AND LOSS ACCOUNT

41. SERVICE CHARGES FOR SCRAP RECOVERY

41.001 Open Hearth Scrap

41.002 Iron Scrap

41.003 Blast Furnace Fines

41.004 Thimble Skull

41.005 Moulds and Bottoms

41.006 Other Scrap

The service charges billed to the Steel Plants at base rates for processing of different categories of scrap shall be credited to the respective account codes by debit to the relevant steel plant account under Sundry Debtors ".

41.009 Slag Handling Charges

The service charges billed to the Steel Plants at the base rates for handling of slag shall be credited to this account code by debit to the relevant steel plant account under "Sundry Debtors"

41.010 Other Service Charges

Amounts billed to the Steel Plants for service charges other than for recovered scrap and handling of slag shall be credited to this account code by debit to the relevant steel plant account under Sundry Debtors.

41.011 Escalation

Amounts billed to the Steel Plants for escalation over base rates for all service charges/slag handling etc. shall be credited to this account code by debit to the relevant steel plant account under "Sundry Debtors".

42. EQUIPMENT RENTAL

42.001 Cranes

42.002 Shovels

42.003 Dozers

42.004 RPEPERS

42.005 Pay Loaders

Amounts billed at base rates to the Steel Plants on account of rental of equipments hired to them shall be credited to these account codes by debit to the relevant steel plant account under Sundry Debtors.

42.006 Escalation

This account will accommodate escalations billed to the Steel Plants for equipments hired to them.

43. MISCELLANEOUS INCOME

43.405 Cash Discount on Purchases

Wherever the suppliers give cash discount on purchases, the debit to the account code "Vendors and Others" shall be at the full purchase price and the amount of cash discount given to the Company shall be credited to this account.

43.001 Interest on Short Term Bank Deposits

Interest received from banks for short term deposits, time deposits, etc. shall be credited to this account code.

43.002 Interest on Deposit with IDBI

Interest received from IDBI for deposits made with it shall be credited to this account.

43.003 Interest - Employees

Interest received or accrued from the employees for the loans/advances given to them or interest recovered or accrued on investments loans etc. shall be credited to this account.

43.004 Penalty and Liquidated Damages

Amounts realised from the suppliers and contractors as penalties/liquidated damages for delayed deliveries/short performances etc. shall be credited to this account.

43.006 Disposal of Scrap and Used Materials

Realisations from disposal of scrap and used materials shall be credited to this account.

43.006 Gain on Disposal of Fixed Assets

Any profit earned on disposal of fixed assets shall be credited to this account. At the end of the accounting year, the balance under this account shall be set off against the balance under the account code to establish the net profit or loss on disposal of fixed assets.

43.009 Miscellaneous Income

Any income other than that falling under the preceding income account codes shall be credited to this code.

43.010 Prior Period Income

Any income exceeding Rs.10,000 which is not relating to the year of account (i.e. for prior periods) shall be credited to this account.

45. EXPENDITURE ON SALARIES AND WAGES

45.000 Expenditure on Salaries and Wages

46. CONSUMPTION OF STORES AND SPARES

46.000 Consumption of Stores and Spares

47. REPAIRS AND MAINTENANCE THROUGH CONTRACTORS

47.000 Repairs and Maintenance through Contractors

48. SERVICES

48.000 Services

49. EQUIPMENT RENT

49.000 Rent

50. INTEREST CHARGES

50.000 Interest Charges

51. DEPRECIATION

51.000 Depreciation

52. OVERHEADS

52.000 Overheads

These account codes shall be debited with the total expenditure on salaries. and wages, consumption of stores and spares, repairs through contractors, service like fuel, power and water, rent of equipment, other expenses as well as total of interest, and depreciation.

53. INCOME TAX

53.000 Income Tax

The income tax paid on the income of the Company shall be debited to this account.

STATEMENT OF COST OF PRODUCTION

45. EXPENDITURE ON SALARIES AND WAGES

45.001 Directors

The salaries, allowances and other perquisites allowed to the Managing Directors shall be debited to this account.

45.011 Operations Executives

45.012 Operations Supervisory Personnel

45.013 Operations Direct Labour

45.014 Operations Casual Labour

The salaries, wages and allowances (including house rent allowance) to the executives, supervisory staff and direct labour as well as to casual labour, engaged on operations shall be debited to the respective accounts.

45.015 Operations Overtime

Overtime paid to all the employees engaged on operations shall be debited to these accounts.

45.021 Maintenance Executives

45.022 Maintenance Supervisory Personnel

45.023 Maintenance Labour

45.024 Maintenance Casual Labour

The salaries, wages and allowances (including house rent) of the executives, supervisory personnel and own and casual labour engaged on repairs and Maintenance work, debited to the respective accounts.

45.025 Maintenance Overtime

Overtime paid to all the employees engaged on repairs maintenance work shall be debited to these accounts.

45.031 Other Executives

45.032 Other Supervisory Personnel

45.033 Other Clerical Staff

45.034 Other Casual Labour

The salaries, wages and allowances (including house rent) of the executives, supervisory personnel, clerical staff and casual employees engaged in work other than that of operations and maintenance shall be debited to these accounts.

45.035 Others Overtime

Overtime paid to all the employees engaged on work other than that of operations and maintenance shall be debited to these accounts.

45.041 Bonus

The provision made for bonus to the employees under the provisions of the Bonus Act at the end of the accounting period shall be debited to this account by corresponding credit to account code 38.002 "Provision for Bonus". When payment is made against such provision, the same shall be debited to account: code 38.002.

45.042 Exgratia Payments

Amount paid in lieu of bonus to the employees not covered under the Bonus Act shall be debited to this account.

45.043 Payment under Incentive Schemes

All payment on account of incentive schemes shall be debited to this scheme.

45.044 Gratuity

Payments made against demands made by the Trust administering the gratuity including the annual renewal premium of the LIC policy as well as difference between the gratuity actually paid to the employees and the gratuity reimbursed by the Trust are debited to this account.

45.051 Provident Fund

The amount of contributions made by the Company to Provident Fund shall be booked under this account.

45.052 Family Pension Scheme

The amount of contributions made by the Company to the Regional Provident Fund commissioner towards family pension scheme, shall be debited here.

45.061 Group Insurance Scheme

The amount of premium paid by the Company to the Life Insurance Corporation of India under the group insurance scheme for all the employees of the Company, shall be debited to this account.

45.062 Medical Charges Reimbursement

Reimbursement of medical treatment expenses to employees shall be debited to this account.

45.063 Workmen's Compensation

All payments made to employees on account of compensation under the Workmen's Compensation Act shall be debited to this account.

45.064 Medical I.O.W (Injury on Work)

Reimbursements of expenses for medical treatment of employees injured while on work duty are debited to this account.

45.065 Leave Travel Expenses

All payments on account of leave travel concession to employees (both to home town and other than home town) under leave travel concession rules of the Company, Shall be debited to this account.

45.066 Uniform, Dress and Shoes

All expenditure on the provision of uniforms, dresses and shoes to the entitled employees shall be debited to the account code.

45.070 Other Benefits

All payments to the employees in the nature of benefits which are not specifically covered by other accounts of this classification group, shall be debited under this account. The house rent paid to Steel Plants/landlords for houses taken on lease for the employees shall also be debited to this account and the recoveries from the employees

occupying such residences at the rates prescribed by the Management credited here.

46. CONSUMPTION OF STORES AND SPARES

- 46.100 Operating Materials**
- 46.101 Black Pipe**
- 46.102 Oxygen and Acetylene**
- 46.104 Lubricants**
- 46.105 Gasolene and Diesel**
- 46.106 Sundry Supplies**
- 46.107 Drop Balls**
- 46.126 Containers**
- 46.200 Maintenance -Stores and Supplies**
- 46.202 Filter Elements**
- 46.205 Fuel, Gas, Oil, etc.**
- 46.208 Lining Brakes and Clutch**
- 46.209 Magnet, Electrical Cable and Wire**
- 46.210 Repointers and Teeth**
- 46.411 Steel Materials**
- 46.212 Shop Supplies**
- 46.213 Small Tools**
- 46.214 Welding Rods and Supplies**
- 46.216 Wire Rope**
- 46.218 Lamps**
- 46.220 Batteries**
- 46.221 Tyres and Tubes**

46.223 V- Belts and Sheaves

46.224 Brake and Clutch Band Disc

46-227 Trailing Cable

Cost of operating materials, maintenance stores and supplies consumed shall be debited to these accounts by credit to the corresponding inventory codes.

46.300 Repair Parts - Automotive

46.301 Repair Parts - Aircraft

46.302 Repair Parts - Automobiles

46.400 Repair Parts - Plant Equipment

46.403 Bucket

46.405 Crane, Shovel

46.408 Haulage (Dumpers)

46.410 Internal Combustion Engine

46.412 Generator

46.413 Magnet

46.414 Electrical Control Equipment

46.421 Separators

46.422 Tractor

46.439 Other Equipment

Consumption of repair parts of aircraft, automobiles, and plant equipments shall be debited to the respective heads of accounts by credit to the corresponding inventory accounts.

46.500 Special Repair to Plant Equipment

46.503 Bucket

46.505 Crane and Shovel

46.508 Haulage

46.510 Internal Combustion Engine

46.512 Generator

46.513 Magnet

46.514 Electrical Control Equipment

46.521 Separator

46.522 Tractors

46.539 Other Equipment

Special repairs are those where repairs to an individual equipment are estimated to cost Rs. one Lakh or above. Consumption of repair parts in special repairs of different equipments shall be debited to the respective account by credit to the corresponding inventory accounts.

46.600 Repair Parts - Shop Equipment

46.601 Air Compressors

46.604 Lube Trucks

46.605 Welder

46.629 Other Shop Equipment

Consumption of repair parts of shop equipment shall be debited to the respective heads of account by credit to the corresponding inventory heads.

46.701 Repairs - Plant Installation

46.702 Repairs - Buildings

46.703 Repairs - Furniture and Fixtures

Value of stores consumed in repairs of buildings and Furniture and fixtures shall be debited to these account.

46.704 Inventory Adjustment

Adjustments in the inventory on account of shortages/ excesses/losses etc. shall be debited/credited to this account after obtaining approval of

the competent authority, by corresponding credit/debit to the relevant inventory head.

47. REPAIRS AND MAINTENANCE THROUGH CONTRACTORS

47.001 Repairs - Plant Equipment

47.002 Repairs - Shop Equipment

47.003 Repairs - Plant Installations

47.004 Repairs - Buildings

47.005 Repairs - Aircraft

47.006 Repairs - Automobiles

47.007 Repairs - Furniture and Office Equipment

All payments made to any outside agency for carrying out the repairs and maintenance of these fixed assets of the company shall be debited to the respective accounts.

48. SERVICES

48.001 Consumption of Water

48.002 Consumption of Power

48.003 Consumption of Fuel

48.004 Consumption of Oxygen and Acetylene (Pipe Line)

Cost of electrical power, water, fuel and oxygen and acetylene consumed in the plant shall be debited to these heads of account.

49. EQUIPMENT RENT:

49.001 Lease Rent for Equipment

All payments by way of rent for equipment taken on lease shall be debited to this account.

49.002 Other Equipment Rent

All payments towards hire charges of plant equipment taken on hire from others shall be debited to this account.

50. INTEREST CHARGES

50.001 Interest on Loans

The amount of interest paid as well as interest accrued but not paid, on secured/unsecured loans shall be debited to this account.

50.002 Interest on Bank Borrowings

The amount of interest paid or accrued but not paid, on cash credit obtained from the State Bank of India shall be debited to this account.

50.003 Interest on Other Items

The amount of interest not covered by account codes 50.001 and 50.002 shall be debited to this account.

51. DEPRECIATION

51.001 Depreciation on Fixed Assets

The amount of depreciation calculated on fixed assets in accordance with the management policy and charged to the accounting period shall be debited to this account by credit to the respective depreciation provision accounts for fixed assets.

51.002 Equipments costing up to Rs.5000/- at the time of Purchase

Equipments costing up to Rs.5000/- at the time of purchase shall be booked to this account as per policy of the Company. The quantity as well as value record of all such items are to be kept in a statistical register.

52. OVERHEADS

52.001 Sales Tax

52.002 Freight

52.003 Demurrage

All payments on account of sales tax, freight and demurrage incurred on purchase shall be debited to the respective heads.

52.004 Insurance

Insurance premium paid for insurance of plant/shop equipments etc., aircraft, automobiles, buildings, stocks etc. as well as premium paid for the insurance of cash in safe, cash in transit, theft and burglary, fidelity etc. policies shall be debited here.

52.005 Rates, Taxes and Licenses

All license fees, rates and taxes including taxes and fees on vehicles, not specifically covered otherwise, shall be debited to this account.

52.006 Space Rental

All payments towards rent of land and buildings including property tax, if any, shall be debited to this account.

52.007 Computer Hire Charges

Hire charges and any other related expenses for the use of data processing machines including computers shall be debited to this account.

52.008 Office Equipment Rental

All payments towards rent of office equipment taken on hire, shall be debited to this account.

52.009 Running Expenses of Vehicles

The cost of fuel, oil and lubricants used for the running of staff cars etc. shall be debited here.

52.010 Postage and Telecommunications

All expenditure on postage, telephone, telegrams and telex shall be debited to this account.

52.011 Printing and Stationery

The cost of printing and stationery at the close of the financial year the value of stock of printing and stationery in hand shall be credited to this account by debit to account code 21.701 - "Stock of Printing and Stationery".

52.012 Canteen Subsidy

All expenses incurred for maintenance and running of departmental canteens any, and the canteen subsidy given by the Company shall be booked to this account.

52.013 Books and Periodicals

The cost of books, journals and periodicals irrespective of their value shall be debited to this account.

52.014 Donations by the Company shall be, booked to this account.

52.015 Entertainment Expenses

All expenses on entertainment of the Company's guests shall be debited to this account. Such expenses shall not include expenditure incurred on tea, snacks, etc. in the office which shall be charged to miscellaneous expenses.

52.016 Travelling Expenses

The expenses on account of travelling by the employees including reimbursement of local transport expenses and payment of travelling expenses to candidates attending interviews etc. shall be debited to this account.

52.017 Directors' Travelling Expenses

Expenses on account of travelling by the Directors shall be debited to this account.

52.018 Legal Fees and Expenses

Fees paid and other expenses incurred in connection with legal proceedings, referring the claims to arbitration, execution of power of attorney etc. Including the payment made to any sales tax consultant shall be debited to this account.

52.019 Audit Fee

Fees paid to the statutory auditors for the audit of company accounts shall be debited to this account.

52.020 Reimbursement of expenses to Auditors

Reimbursement of travelling and out of pocket expenses to statutory auditors in connection with the audit of accounts, shall be debited here.

52.021 Payments to Auditors in Other Capacity

Payments of fees and reimbursement of expenses to auditors relating to assignments other than that of statutory audit shall be debited to this account.

52.022 Professional Fees and Expenses

The amount of fees and all other expenses incurred for consultancy, or other service, rendered by outside agencies shall be debited to this account.

52.023 Research and Development

All expenses on research and development or work studies done by the Company or got done through an outside agency shall be debited to this account.

52.024 Advertising

The cost of advertisement for recruitment of personnel, invitation of tenders, etc. shall be debited to this account.

52.025 Publicity

Expenses incurred on publicity shall be debited to this account.

52.026 Training Expenses

All expenses incurred by the Company on training of its employees shall be debited to this account.

52.027 Bank Charges

All bank charges shall be debited to this account.

52.028 Sitting Fees for Board Meetings

52.029 Board Meeting Expenses

Payment to the Directors as sitting fees and expenses incurred on holding of Board meetings including travel and other expenses of the Directors shall be debited to the respective heads of accounts.

52.030 Transit House Expenses

Expenses or share of expenses in running the Company's exclusive or shared transit houses shall be debited to this account.

52.031 Bad Debts Written Off

All bad debts and loans and advances written off during the year, shall be debited to this account by corresponding credit to respective accounts of sundry debtors or loans or advances irrespective of the fact whether provisions had been made or not in the earlier years. Where provisions had been made in the earlier years, the provisions so made will be simultaneously written back in the accounts.

52.032 Losses Written Off

52.033 Assets/Store and Spares Written Off

Any loss of cash or property on account of theft; fire or any other reason including claims not recoverable and fixed assets stores and spares written off, shall be debited to these accounts after obtaining the approval of the competent authority for write-off.

52.034 Loss on Disposal of Fixed Assets

Any loss incurred on the sale or discarding of fixed assets shall be debited to this account. However, at the end of the accounting period, the balance under this account shall be set off against the balance under account code 43.006 - "Gain on Disposal of Fixed Assets" to establish

the net gain or loss. In case of gain, the same shall be shown under that account code; otherwise, under this account.

52.035 Provision for Diminution in Value of Scrapped/Redundant Assets

Amounts provided for diminution in the value of scrapped/ redundant assets shall be debited here.

52.036 Provision for Bad and Doubtful Debts

52.037 Provision for Bad and Doubtful Loans and Advances

The balances under sundry debtors and loans and advances shall be reviewed at the end of the year and doubtful debts and loans and advances shall be provided for under these accounts by corresponding credit to account codes 24.108 and 25.991

52.040 Miscellaneous Expenses

Any expenses which are not specifically covered under any of the preceding account codes in Group 52.000 shall be debited to this account.

52.041 Prior Period Expenditure

Any item of expenses exceeding Rs. 5000/- not relating to the year of account (i.e. for prior periods) shall be debited to this account.

FERRO SCRAP NIGAM LIMITED

ACCOUNTS MANUAL

PART - II

**INNOVATIVE CONSULTANTS PRIVATE LIMITED
NEW DELHI**

Ferro Scrap Nigam limited (FSNL) was incorporated on 28th march 1979 to take over the scrap recovery business of Heckett Engineering Company (India Branch) at TISCO, IISCO and SAIL steel plants at Jameshedpur, Burnpur and Rourkela. The work of scrap recovery at Bhilai and Bokaro steel plants was commenced by FSNL in 1981 and 1985.

All the purchases and finance functions of the company were centralized in the headquarters and all the accounts were maintained there. These functions were decentralized in November 1985 and the units now account for all payments and receipts. The accounts of the company are prepared centrally in the corporate office from monthly trial balances sent by the units .

The purpose of the accounts manual is to describe the accounting principles, systems and procedures for the company so as to ensure uniformity in all the units and also to provide guidance to the staff of the

Accounts department the systems and procedures described here , take into account the existing operations and practices developed over a period of time .

Part 1 of the manual contained the of accounts. Part –2 of the manual the deals with cash and bank transactions, payroll accounts, purchase and stores accounts, miscellaneous payments, income and debtors fixed assets and compilation of accounts.

FERRO SCRAP NAGAM LIMITED

Table of contents

CHAPTER NO.	DESCRIPTION	PAGE NO.
1.	CASH AND BANK TRANSACTIONS	1- 10
2.	PAYROLL ACCOUNTS	11- 18
3.	PURCHASE ACCOUNTS	19- 29
4.	STORES ACCOUNTS	30- 37
5.	SERVICES AND MISCELLANEOUS SUPPLIES	38-42
6.	INCOME AND DEBTORS	43- 46
7.	FIXED ASSETS ACCOUNTS	47- 54
8.	COMPILATION OF ACCOUNTS	55-69

CHAPTER 1

CASH AND BANK TRANSACTIONS

Introduction

This chapter deals with the systems and procedures to be followed and accounting entries to be raised in respect of cash and bank transactions.

Responsibilities of Cash Section

1. The cash section will be responsible for receipt and payment of moneys in the form of cash, cheques, demand drafts etc. on behalf of the company, disbursement of salaries and wages etc. Till disbursement or deposit in bank, maintenance of cash /bank books recording such transactions and of all necessary records. In that connection.

Custody, Control and Physical Verification of Cash

- 2.1 Primary responsibility for custody and control of cash will rest with the Cashier who holds one of the two keys of the cash chest the other key being held by the Finance Executive (Cash). The Finance Executive will, however, have overall responsibility for cash.
- 2.2 The Cashier will verify each day that the amount of cash in hand agrees with the balance shown in the cash book and as an evidence, sign in the cash book. The cash book will be written up on a day basis and as far as practicable, be kept up-to-date.
- 2.3 Finance Executive (Cash) will ensure that the cash book is written up every day and put up to him for check and signatures. While checking, he will ensure that all moneys received in at the cash counter during the day have been duly brought to account and that all payments made have been properly recorded in the cash book and they are supported by vouchers duly passed by the competent authority, proper receipts or acknowledgements have been obtained, the totals are correct and that the closing balance has been correctly arrived at and it agrees with the actual cash balance on hand as personally verified or as certified by the cashier.

- 2.4 The head of Finance and accounts department may nominate any officer other than the one in-charge of cash periodically to conduct a surprise verification of cash. The officer so nominated will carry out the verification on the same day and furnish a report to the head of finance and accounts department, the officer conducting the surprise verification would also verify the blank cheque books/ foils and blank receipt books in custody besides verifying the days transactions. Whenever physical verification of cash is done, the actual balance in denomination of notes, coins and unpaid vouchers will be recorded in a separate form by the officer undertaking the verification. Any excess or shortage will also be reported immediately to the head of finance and accounts department by the officer making the verification.
- 2.5 The excesses or shortages noticed during such verification or otherwise will be brought to account immediately in the Cash Book. Any adjustment of such excesses or shortages will be made only after due investigation and under the orders of the head of finance and accounts department.
- 2.6 Internal Audit or an officer nominated by the Head of the Unit will verify the cash in hand on the last working day of the financial year where the statutory auditors are not in a position to carry out the verification.
- 2.7 Employees of the Company who are required to handle cash will have to furnish a security either in the form of cash or fidelity insurance bond on the scale as may be prescribed by the Company. It will be ensured that the fidelity bonds are kept current and premia are paid on due dates.
- 2.8 The corporate office/Unit will also be take out an insurance policy in respect of the person dealing with the cash. A cash-in-transit policy is also taken to cover risks of loss while in transit from bank to the cash room and vice versa and also while in transit to various pay centers for disbursement and back. The cash in chest will be insured against loss due to theft, burglary, etc. these policies will be kept in safe custody of the Finance Executive (Cash).
- 2.9 A set of duplicate keys for the cash chest will be kept in a sealed cover in the custody of State Bank of India.

Cash / Bank Receipts

- 3.1 All cheques and demand drafts will be received by the accounting sections concerned and will be forwarded to Cash section alongwith cash receipt journal vouchers. The journal vouchers will indicate the name of the party from which the cheque/demand draft was received, purpose of payment, amount and the head of account to which the money is to be credited.
- 3.2 The Cashier will enter the receipts of the money in the bank book immediately on receipt in a chronological order and also issue a receipt in the prescribed form to the party. The cash receipt number is noted in the cash receipt journal voucher and in the Bank Book.
- 3.3 Postal orders alongwith the applications for employment etc. will be recd. In the Personnel Section. These will be entered in a register in that section and then forwarded to the accounting section concerned alongwith a note stating the date of receipt, the name of the party, amounts and details of the postal orders and the purpose. After checking, the postal orders will be sent by the accounting section to cash along with the cash receipts journal voucher as indicated earlier.
- 3.4 Cash will be received either at the cash counter with a note from the department concerned giving the details as indicated above or by the Administration/Materials department. In the latter case, the same procedure as in the case of postal orders will be followed. Serially numbered receipts will be issued to the deposits of cash in all cases.
- 3.5 All cheques, bank drafts, etc. received in a day will be deposited with the bank latest by the next working day against bank pay-in-slips duly filled in.
- 3.6 All receipts deposited in the bank accounts will be entered in the bankbook. For money received on behalf of the company by the banker direct, the bank will furnish credit advise slips and entries will be made in the bank book on the basis of these credit slips.

Cash / Bank Payments

- 4.1 The cash payment will be made on the authority of approved payment vouchers sent to the cash section by the bill passing/accounting sections. The vouchers will

show the name of the payee, the amount and the head of account to which the payment to be debited.

After cash payments are made, consecutive serial numbers will be inserted on the payment vouchers by the cash section. All payments will be entered in the Cash Book, which is maintained in a columnar form. The relevant account code/cost will be noticed against each entry in the Cash Book.

- 4.2 The bank payments are made by cheque or demand draft on the authority of cash disbursement journal voucher prepared by bill passing/accounts section concerned. The cash disbursement and journal voucher will contain the party's name, amount to be paid and the account codes to which the amounts are to be credited/debited.
- 4.3 The cheques are written by the cheque writer which will then be compared by the Finance Executive (Cash) with the vouchers. The amount of the cheque will correspond to the amount against 'net payment' in the voucher. The cheque will then be signed according to the current cheque signing authority.
- 4.4 So far as possible cheque are drawn as "Account payee". Receipts are obtained for all payments and filled with the relevant vouchers. In case of payment in excess of Rs. 20/-, stamped receipt will be obtained.
- 4.5 In respect of an individual payment exceeding Rs. 2,500, account payee cheques or bank drafts will be always be issue.
- 4.6 In case the payment is to be made to the bank to get the release of documents, the accounting section will pass the proforma bill received from purchase/administration department and send it to the cash section along with a cash disbursement journal voucher in the same way as indicated above. The cash section will hand over the cheque to the bank, obtain the documents and give the same purchase/administration department. A record of all such payments made, documents received and handed over will be maintained in separate register.
- 4.7 All the cheque/demands drafts issued will be recorded in serial order in the bankbook.
- 4.8 Bank payment vouchers will also be prepared in respect of debit advices received from he banks in respect bank cheques, commission intrest etc. after checking the same.

Banking Transactions

- 5.1 Current and cash credit accounts in the name of Ferro Scrap Nigam Limited may be opened with the State Bank of India or any one of the nationalized banks with the approval of bank of directors.
- 5.2 The board will also approve the officers authorised to sign the cheques and the limits up to which they can sign. The individual names of officers authorised and sign on behalf of the company will be communicated to the bank by the chief manager (finance and account) from time to time.
- 5.3 Special cheque books/forms are supplied by the bank on requisition duly signed by the Finance Executive (Cash). The cheque books/forms received will be entered in serial order in the stock register of cheque books immediately on receipt. Issue of cheque books also will similarly be recorded. This register along with the cheque books will be kept in the custody of Finance Executive.
- 5.4 Before any cheque book is brought into use, account of the leaves in the cheque book will be done and count certificate recorded on the cover of the cheque book under the signature of the finance executive (cash).
- 5.5 As a rule, no bearer cheque will be issue. The cheque will be issue with special crossing of “accounts payee only” except when cheque are drawn in favour of the cashier for obtaining cash for payments to be made in cash.
- 5.6 In case of cancellation of any cheque, the cheque will be marked “cancelled” under the full signature of the finance executive (cash) across the cheque so that it cannot be signed again. The cancellation cheque will be preserved with the cheque counter foils to enable subsequent verification.
- 5.7 On receipt of a request from the payee for issue of fresh cheque in lieu of a cheque reported to have been lost in transit or otherwise, following action will be taken before, issue of a fresh cheque:
 - (i) An immediate intimation in writing will be sent to the bank regarding the alleged loss of the cheque and the bank advised to stop the payment, if the cheque alleged to have been lost is presented subsequently for payment. A written confirmation about the bank having the recorded the stop order is also a certificate of non-payment will be obtained from the bank.

(ii) An immediate bond on stamped paper of proper value will be got executed by the payee before issuing the duplicate cheque. On the face of the duplicate cheque, details of original cheque would be recorded.

5.8 A regular review of the cheque issued but not presented for payment in the bank will be carried out every month. In case any cheque issue by the company has not been presented within 6 months from the date of issue of the cheque, action will be taken to pass an entry in the bank book as a receipt in cancellation of the entry for the original cheque. An advice of an such adjustment will be forwarded to the concern accounts sections which originally admitted the claim for information and for initiating action pass necessary reversal entries in the account. Fresh cheques in lieu of such stale cheques will be issued only on receipt of the fresh authorization through a payment order from the concerned accounts section.

5.9 Whenever a request has to be made for transfer of funds from one account to another or remittances have to arranged or whenever funds are required to be invested in terms of deposits etc. a letter of authority will be issued to the bank duly signed by the officer authorised to operate the bank account. Such authorizations will be dealt with just like cheque payments. To ensure proper control, letters of authority for transfer of funds will be issued on pre-numbered printed forms to be kept in the safe custody like cheques. A suitable control register will be maintain in cash section for all such letters of authority issued on banks. The officer copies of the letters of authority will be filled securely and in serial order.

5.10 For items directly debited by bank to the Company's account e.g. bank charges etc. advice slips are received from the bank. On receipt , these will be accounted for the correctness of the debits will be also be checked.

The overdraft interest which is being charged each month/quarter and included in the bank statement will also be checked. For this purpose every advice/voucher will be put up to the Finance Executive for approval before admitting the payment.

5.11 The cash section will arrange for receipt of bank statements daily and on receipt, comparison of the entries included in the bank statements will be made with the entries recorded in the bank book at frequent intervals and reconciliation done in a phase manner. Whenever any details of debit or credit are not available,

immediate action will be taken to contact the bank and get the details so that the outstanding debits/credit are accounted without any delay.

In regard to receipt for which Accounts Department has initiated action, it will be seen that the credits are given by the bank in time and if the credit is not forthcoming within a responsible time, the matter will be taken up immediately with the bank.

The work of reconciliation of the bank transaction will be completed by the 15th of the following month. A report on items not adjusted within one month will be submitted to the head of the finance and accounts department.

At the end of the year written confirmation of the balances in different accounts with the banks will be obtained for submission of the same to the auditors.

Imprest

6. Cash imprests are held by certain departments as approved by the managing director. The approval by the managing director. The approval for the imprest will define the type of expenses that can be incurred out of it. The imprest holder will maintain and send to accounts statements of such expenses for recoupment at least once a month. On receipt of these statements, it will be checked that the imprest has been used for authorised purposes only and that the expenses are otherwise in order and supported by vouchers/ certificates. After check, accounts will arrange for reimbursement of amount spent every month by raising cash vouchers. The expenses will be debited to the relevant account codes.

7. Transfer of Funds

All cheques received by the units except Burnpur from the respective steel plants or from others will be deposited in their respective current accounts. The cheques received by Burnpur unit are issued by the steel plant on a Calcutta bank and will be deposited in the current account of corporate office in Calcutta.

As per standing arrangements, the balance in excess of Rs. 50,000/- in the current account at Calcutta are transferred by the bank to current account of the Corporate Office with State Bank of India, Jamshedpur, on a daily basis. The Burnpur unit sends its monthly requirements of funds (with week-wise break-ups)

to the Corporate Office to arrange transfer of funds in accordance with the requirements, from its accounts at Jamshedpur to the credit of the unit's current account at Burnpur.

There are standing arrangements with state bank of India that the entry amount in the current account of other units will be transferred on a daily basis to the current account of the Corporate Office, leaving a balance of Rs. 7 lakhs to meet the requirements of the units. When ever additional funds are needed by these units, Corporate Office arrange transferred from its current/cash credit accounts.

Custody of Documents and Valuables

8. All valuable documents owned by the company/in the name of the Company i.e. government securities, fixed deposits receipts/term deposit receipts, bank guarantees, title deeds of the company's properties etc. will be kept in the safe custody of the banks, in sealed covers and their acknowledgements obtained. These acknowledgements will be entered in the register of Valuables.

The register will be examined periodically by the finance executive (cash). At the time of inspection, it will be ensured that the documents have been revalidated/encashed on the due dates.

Chapter 2

PAY ROLL ACCOUNTS

Introduction

This chapter deals with the system and procedures to be followed and accounting entries to be passed in connection with monthly salaried and wages and other disbursements of the employees.

Monthly payroll

1.1 Following items are included in the monthly payroll prepared on the computer:

A. PAYMENTS :

- (i) Basic pay and personal pay
- (ii) Dearness allowance
- (iii) Leave salary
- (iv) Acting allowance
- (v) Overtime
- (vi) Production bonus
- (vii) House rent allowance
- (viii) Education subsidy; transport subsidy
- (ix) Injury on work pay (IOW pay)
- (x) Local traveling expenditure (LTE)
- (xi) Special incentive

B. DEDUCTIONS :

- (I) Contributory and voluntary provident fund
- (II) Family pension scheme

- (III) Provident fund loan recovery and interest
- (IV) House rate and electricity charges
- (V) Income tax and professional tax
- (VI) Life insurance premium
- (VII) Recoveries of festival advances, vehicle advances, house building advances and traveling advances.
- (VIII) Cumulative time deposits (CTD)
- (IX) Death relief fund
- (X) Miscellaneous recoveries

1.2 The work for preparation of monthly payroll on the computer comprise of:

- (a) Generating and updating of master information relating to the employees held in computer storage, used for payroll preparation.
- (b) Feeding in variable input data to computer, used for payroll preparation.
- (c) Controlling the input documents at (a) and (b) above and establishing their accuracy.
- (d) Arraigning to get the payroll process on the computer.

1.3 The source documents used for compilation of regular monthly pay roll will be:

- (i) Payroll master, update by inputs of payroll master changed information in respect of both new and existing employees.
- (ii) Fixed deduction statements.
- (iii) Variable attendance data
- (iv) DA rate control information
- (v) Variable deduction advice

These inputs will be forwarded to the EDP by the pay bill section every month in accordance with the prescribed time schedule.

Payroll Master

- 2.1 The payroll master in the master data of the employees stored on the computer. Various information containing in the payroll master are the appointment order/registrations, basic pay roll and allowances, increased rates and dates, allotted of leased houses, provident fund membership, promotion orders, pay fixation and also the designation and grade.
- 2.2 EDP will print out the first week of every month the master data based on the data of the previous month and send it to the pay bill section for incorporation of changes. The change data will flow in mainly from the personnel department and will relate to fresh appointments, registration, promotions, transfers, retirements, changes in grades, pay changes etc. the changes will be incorporate in the print out for preparation of payroll in the current month.

Fixed Deduction Statements

3. EDP will print out fixed deduction statements for all employees in the first weak of the month. These deductions include income tax, LIC premier, CTD, voluntary provident fund, loan recovery, recoverable advances, etc. this will be forwarded by EDP along with payroll master to the pay bill section. The section will incorporate any changes and return it to be included in the next payroll.

Attendance

4. A bank variable data format will be printed out every month by EDP in respect of all employee. The items covered will be attendance overtime, excess pay and allowances, variable earnings etc. this will be filled in on the basis of attendance records received of the employees. As the salary is paid for certain days on assume attendance in a month the assumed attendance will be adjusted on receipt of actual attendance in the following month and unauthorized leave taken. Overtime for the month will be entered from the overtime statements.

Dearness Allowances

5. To enable calculation of dearness allowances on the basic salary on computer, the pay bill section will every month compile DA rate control information on the basis of DA includes application to various scales of basis salary and send it to EDP.

Recoveries

6. Recovery notes including recoveries to be made from employee's salary (TA/LTC/Medical advances, house, rent, electricity charges etc.) will be entered in a variable deduction advise to be given effect to in the next pay bill.

Advance to Employees

- 7.1 The company gives the following recoverable advances to its employees:
 - (i) Vehicle advance for purchase of cycle, scooter, car etc.
 - (ii) House building advances for purchase or construction of house
 - (iii) Festival advance
 - (iv) Leave salary advance/salary advance
 - (v) Medical advance
 - (vi) Travel advance
- 7.2 On receiving the application for an advance, duly sanctioned by the competent authority, the pay bill section will prepare a cash payment voucher. The payment voucher together with the original bill of advance will be forwarded to the cash section for payment. A statement of advances paid and the mode of recovery will be sent to EDP for pay bill compilation.

Data Control Register

8. A data control register will be maintained in the pay bill section to keep control on the inflow of documents/data requires for monthly payroll and outflow to EDP.

Computer Outputs

9. The outputs obtained from EDP will be:
 - (i) Pay bill, pay slips and acquaintance rolls.
 - (ii) Department wise summery
 - (iii) Grand summery of all groups

- (iv) Accounting summary (showing accounts codes to be debited/credited)
- (v) Bank transfer statements
- (vi) Currency denomination statements
- (vii) Deduction statement with summary

Pay Bills and Disbursement

- 10.1 After the input documents have been received in EDP, they will arrange to print out regular pay bills. These will be in quadruplicate, the original with perforation (pay slips), will be given to the employees and the first bill section will have the other copies.

The payments vouchers will be prepared according to bill numbers by the pay bill section who will forward both the copies to the cash section the net amount payable to the employees will be credited to “accrued salaries and wages” (classification group 36), payroll deduction will be credited to the relevant account codes under classification 36- “pay roll deduction” and advances recoveries will be credited to classification 26/27- “advances to employee’s – secured/unsecured”. The gross amount will be debited to the relevant account codes under classification group 45 – “expenditure on salaries and wages”.

- 10.2 The pay bills together with the payment voucher will be received by the cash section one day before the actual disbursement. The cashier will draw the total amount needed for payment æ per voucher and in denomination given in the currency denomination statement given by EDP.

The cash section will prepare pay packets and attach the original pay bill, which is performed, with each pay packet. The duplicate pay bill will be use to obtain receipt for payment. A revenue stamp will be affixed and defaced by the employee’s on receipt of the pay packet either by signature or thumb impression.

- 10.3 Payments to the executives are generally made through bank. For these bank payments bank transfer statements showing the employees names, bank account number and the net amount payable and printed out on computers. Bank vouchers will be prepared by the pay bill section in duplicate for payments to officers through bank. One copy will be sent to the cashier for preparation of cheques and onward dispatch to the banks.

- 10.4 The pay packets remaining unpaid will be taken back to cash and disbursed later on fixed dates. A cash voucher will be prepared for taking the cash remaining unpaid even on these dates; the amounts will be credited to account code 34.003 “Unpaid salaries and payments and wages”. Reverse entry will be passed when paying out at in a later date. The details of unpaid salaries and wages will be entered in a separate register. Items remaining unpaid beyond the period of limitation will be transferred to account code 34.004 – “Unclaimed salaries and wages”.

Pay Roll Deductions

- 11.1 The payroll show the deductions made from the pay bill of the employees which are payable to outside authorities and separate statements of such deductions will be printed by EDP.
- 11.2 Remittance to the concerned parties are made in the case of these deductions by cheque for which purpose a payment voucher is prepared by the pay bill section supported by schedules of recoveries made. These deductions will be debited to the relevant account course under classification group 36 – “pay roll deduction” by debit to “expenditure on salaries and wages”. On payment these account code will be cleared.

Company’s Contribution to Provident Funds/Family Pension Scheme

- 12.1 Payments will be made for company’s matching contribution to prevent funds and family pension scheme. This contribution will be credited to account codes 35.001/35.002/35.003 – “Provident fund contribution –staff “/” provident fund contributions – senior officers “/” family pension scheme by debit to account code 45.051 and 45.052. On payment to provident fund trust/regional provident fund commissioner, former account will be debited.

TA, LTC, Medical Bills

- 13.1 The company has its own rules for rates of entitlements of employees in respect of above expense bills and advances to be taken against these. These payments are made by preparing cash slips on the basis of bills passed for payments in

accordance with the check lists as prescribed and are debited to account codes 45.065 (LTC) 45.062 (Medical) and 52.016 (TA).

- 13.2 Advances to the employees in respect of these will be certified by the departmental needs. On submission of employee's bills for the expenses duly certified by the departmental heads, these will be passed for payment with reference to rules and cash payments/receipt voucher raised for making balance payment or taking refund of excess advances, unless already affected thorough pay bills.

CHAPTER –3

PURCHASE ACCOUNT

Introduction

This chapter deals with the systems and procedures to be followed for processing and payment of suppliers and contractors bills as well as bills for services and accounting entries to be passed for purchase of goods and services.

Documents Received

- 1.1 For regulating the payment of suppliers claims, purchase accounting section will receive the following documents; 1) purchase orders (POS) II) Goods receipt notes (GRNS) III) Bills of the suppliers.
- 1.2 All the three sets of documents are controlled through serial numbers given to them. The control serial numbers are given for P.Os and GRNS in the purchase department and the stores respectively whereas in the case of suppliers' bill the same is given in the purchase accounting section.
- 1.3 GRNS are not raised for supply of capital equipment and purchases made by administration department. In these cases, certificates of receipt / completion will be recorded and sent to purchase accounting section by the department concerned.

Purchase Order

2. Number purchase orders will be received from the purchase department. On receipt, these will be checked for the number of financial concurrence record there on and then entered in the register of purchase orders. Purchase orders and their amendments will be filled vendor wise.

Goods Receipts Notes

- 4.1 GRNs will be received through the stores ledger keeper these will be filled vendor wise.

Receipt of Supplier's Bills

- 5.1 The suppliers send their bills direct to the purchase accounting section. In case of progress and final payment, the bills will be supported by supplier's copy of GRN.
- 5.2 A control register of incoming bills will be maintained in the purchase accounting section to watch their disposal. On receipt, the bills will be entered in the register and the serial no after the register and the dates of receipt will be noted on them. Disposal of the bills also will be noted in the register as soon as these are passed for payment are returns to the supplier for rectification/clarification, etc. no bill will be kept pending for more than a weak
- 5.3 A weekly report of out standing bills will be submitted by the purchase accounting section to the head of the finance and account department along with reasons for daily i in their disposal.

Advances to Suppliers

- 6.1 Advances to the suppliers are of the following kinds :
 - (i) Advances payable along with the placement of order against bank grantee/indemnity bond.
 - (ii) 90 to 100 percent payments against proof of dispatch.
 - (iii) Clean advances
- 6.2 Where advance payments are provided in the purchase orders, suppliers' bills will be checked with the terms thereof. In case the suppliers are required to furnish bank guarantee/ indemnity bond to obtain the advance, purchase accounting section will be forwarded to cash section along with the payment vouchers.
- 6.3 All advance payments to suppliers including those made for materials received subject to acceptance, will be debited to account code 28.001- "advances to contractors/ suppliers".
- 6.4 The advances paid will be noted on the relevant purchase orders and will be adjusted as per the agreed terms. Where an advance payment has been made against proof of dispatch, adjustment will be on receipt of material. The adjustments also will be noted on the purchase order.

Verification and Payment of Supplier's Bills

- 7.1 Suppliers bills will be verified and passed with reference to purchase order and GRNs and checked as to rate, quantity order quantity received and quantity accepted. Calculations will be checked.
- 7.2 If the relevant GRN has not been received, the bill will be kept pending. In case a bill is not correctly priced but is otherwise matched with purchase order and GRN, the bill will be corrected and passed. Similarly, if a bill is not correctly calculated but is otherwise matched with PO and GRN, it will be corrected and paid.
- 7.3 The bills received from the suppliers may be (a) part supply and (b) full supply. Where a bill is for complete supply, an endorsement of full supply by a stamp – “supply completed” - will deface the purchase order so that any excess supply bill may be not passed without obtaining an amendment order to extend of excess supply. In case of part supply bills, the purchase order of excess supply. In case of part supply bills, the purchase order will be endorsed with the quantities accepted will be kept so that any excess supply can be detected. With the respect of final supply, the stamp – “supply completed”- will be affixed on the purchase order.
- 7.4 When a bill is passed for the payment, the relevant GRN will be stamped –“paid”.
- 7.5 Details of all bills passed will be extended as to bill number, quantity and value on the back of representative purchase order.
- 7.6 Advance adjustment will be done at the bill passing stage. Advances paid earlier will have been recorded on the reverse of the purchase order and will be adjusted earlier wholly or in part, as per the term of the journal voucher and on the purchase.

A cash disbursement journal voucher will be presented for each of the bills passed for payments and sent to the cash section along with the bill.

Where the GRNs have been priced and accounted for, the amount of bills passed for payments is debited to account code 32.002 – “Liability for goods received”. However, incase of capital equipment where GRN is not raised, the amount will be debited to account codes under classification group –“capital work-in-progress”. The liability is cleared on payment to the suppliers.

Payment Through Bank

8. In certain cases, the R/Rs and other documents are sent by the supplier through bank. The bank advice which is usually accompanied with the copy of the Performa invoice will be received by the purchase department. That department will check the same and ensure that the payment claim is in terms of the purchase order. If so, the department will forward the Performa invoice and the bank advice to purchase accounting section. The purchase accounting section will check the documents and send these to the cash section will check the documents and send these to the cash section for arraigning the payment and getting delivery of the document from the bank. The document, on receipt will be entered in a register and handed over to the stores against acknowledgement.

Payments for Import Equipment/Spares

- 9.1 Payments for import equipments and spares to foreign suppliers are usually made irrevocable letter of credit opened by the corporate office.
- 9.2 In these cases, the purchase department will send requisitions for opening of letters of credit (L/C/O in the prescribed preformed after obtaining release of foreign exchange and import license. On receipt of requisition, the purchase accounting section will make an application in a pre-printed bank format to the banker to establish the L/C as per conditions and special instructions in the P.O. one copy of the P.O. will be attached with the application. When the advice regarding establishment of letter of credit along with two copies of L/c is received from the bank, one copy of the L/C will be retained and the other sent to the purchase department. The bank will keep informed of any amendments to the L/C arising from amendments to PO.
- 9.3 The foreign supplier will intimate the company of the shipment with advance copies of each bill of lading and invoice with shipping intimation. The banker on receipt of the shipping documents will issue a bank debit advice after debiting the amount against L/C and forward it to the company with the shipping documents and invoice. Copies of the shipping documents will be sent to purchase department for arraigning clearance of materials through clearing agents.
- 9.4 On receipt of the banks debit advice, a bank vouchers will be raised booking the debit to the advance account.

The advance amount account will be adjusted when the materials reached the stores or the operations department on the basis of GRNs/certificates.

- 9.5 The purchase accounting section will maintain a register of letters of credit counting particulars of L/Cs and payments against these.

Capital Items

10. Purchase order for all capital equipments will be processed and issued order will be made by the corporate purchase accounting section. No GRN will be prepared for capital equipments. The pink copy of the purchase order will be sent by the units received the equipments to the purchase accounting section with supplies bill along with a material verification report and inspection note about the satisfactory supplies for processing and payment.

Purchase of Printing and Stationary

- 11.1 GRNs will also not be raised in the case of stationery etc. purchased by administration department. In this case, certificate of receipt of materials is record on the pink copy of the purchase order.
- 11.2 Purchase or printing and stationary will be debited to account code 52.011 – “printing and stationary”.

Storage, Damages, Losses in Transit

- 12.1 The stores will record on each GRN details of shortages, damages rejections and losses-it-transit. Purchase department will take action to (i) get replacement in case or rejections for to obtain refund in case replacement is not possible but an advance has paid or (i) lodge claims on the insurance company and/or carries.
- 12.2 All correspondence made by the purchase department with the suppliers / insurance company / carries will be enclosed to purchase accounting section. Copies of the letters to the suppliers will be filed in the relevant purchase order files.
- 12.3 On lodged of value claims on the insurance company/carries, the amount will be debited to the account code 28.002 – “claims recovery”.

- 12.4 Weather the payment is to be made to the supplier or not in case of damages/shortages/losses in transit will depend upon the term of the purchase order and will be decided in consultation with the purchase department.
- 12.5 Liability for goods supplied but damage or lost in transit where the supplier is not at fault will be provided based on value claims lodged on the carriers and/ or insurance company.

Security Deposit

- 16.1 Receipt of security deposits whether in cheque , bank draft or fixed deposits receipts will be checked with reference to terms in the purchase order . in case of fixed deposit receipts, it will be checked that these have been properly endorsed in the name of deposit receipts will be entered in a register of security deposits.
- 16.2 The amounts of security deposit received will be credited to account code 31.001- "Security deposits".

Payment of Transport, Freight and Other Charges

17. Transport, freight, demurrage and handling charges will be paid either out of departmental imprests or by the purchase accounting section. Payments made by the stores through their imprest cash will be included in expense summary for imprest. Payments will be checked and booked to the account codes 52.002/52.003- "Freight"/ "Demurrage". Where payments are not made from the imprest bills for these charges will be received and verified by stores and forwarded to purchase accounting section for payment.

Customs Duty, Port Charges and Clearing Agent's Commission

18. Personal deposit account will be maintained with customs authority for payment of customs duty and with port authority for payment of port charges. Deposits will be made in these accounts from time to time on the advice from stores. After clearance of materials, the duty assessed by the customs authority will be checked as per the current tariff. Clearance of imported materials is arranged through

clearing agents. Their bills are certified by the stores and sent to purchase accounting section for payment.

Subsidiary Ledgers

- 19.1 Subsidiary ledgers are maintained for creditors and for advances to suppliers.
- 19.2 Advance accounts will be reviewed every quarter to identify advances remaining outstanding for a long period in the following cases;
- (a) Advance payments made which have not been adjusted against supplies for want of bills.
 - (b) Advance payments made which have not been adjusted fully though the supplies have been completed.
 - (c) Advance payments made but materials not yet received or received and rejected.
- In respect of (a) and (b) the outstanding amounts will be adjusted against the next available bills or action will be taken to recover the amount. Regarding (c) the purchase department will be asked to pursue the supplier for delivery of materials.
- 19.3 Creditors accounts also will be reviewed quarterly to ensure that balances are composed of specific entries for purchase and payment against these. Long standing credit balances and all debits balances will be specific credit balances and all debit balances will be specifically looked into.
- 19.4 Similarly, the outstanding claims against the insurance company and the carriers will be received with a view to get these realized expeditiously.

Work contracts

- 20 Work contracts will either be for construction of buildings, fabrication/erection of equipment/plant installation, etc. or for repairs and maintenance.

Payment of Contractors Bills

21.1 In case of works contracts on capital account, all payments to contractors including advances will be made by the corporation office. In cases where the units are authorised to make the payments, the amount paid will be debited to the corporate office through the inter accounts.

Payments for Repairs and Maintenance Contracts Will be Made by the Respective Units.

21.2 The procedures for receipts of contracts and contractors bills and control of these documents will be similar those for receipts of purchase and suppliers' bill.

21.3 Besides the general checks as in the case of suppliers' bills, the bills will be specifically checked against:

- (i) Certified measurements/certificates of work done
- (ii) Certified materials issued (were ever provided in the contracts), consumed, returned and recoverable statements.
- (iii) Certified statements of services provided to the contractors.

21.4 Whenever the contractors provide for deduction of a percentage of the value of work done by way of security deposits, these deductions will be made and credited to account code 31.001- "security deposits".

21.5 As in the case of suppliers bills, records of all payments including advances, material issued and adjustments and work done will be kept on the face on the contractors or in separate register of contracts.

21.6 Payments to the contractors for capital work will be debited to the relevant account codes under classification 18 – "Capital Work in Progress".

Payments to the contractors for repair and maintenance will be debited to the relevant account codes under classification 47-'repairs and maintenance through contractors".

Advance paid to the contractors for both capital works and repairs and maintenance will be debited to a account code 28.001 – "advances to contractors and suppliers".

Chapter 4

STORES ACCOUNTS

Introduction

This chapters deals with the system and procedures to be followed, documentation to be used and accounting entries to be passed in relation to company's inventories. The activities n this regard include receiving, controlling and processing of all documents in connection with receipt, issue, return, inter-unit transfer, scrapping, discrepancy in physical verification etc. of stores and spares and maintenance of price stores ledger.

Documents received

- 1.1 This various types of documents generated by the materials department and received in stores accounting section for accounting treatment are:
 - (i) Goods receipt note (GRN)
 - (ii) Material requisition-cum-stores issues voucher (SIV)
 - (iii) Store return note
 - (iv) Inter plant transfer
 - (v) Stock verification discrepancy note
- 1.2 Each of these documents will have separate running serially. On receipt, the stores accounting section will keep record of these in separate control registers.

Accounting Month

- 2.1 The accounting month for store accounting will be from 26th of the previous month to 25th of the current month. Goods receipt notes, store issue vouchers, return notes will be sent by the stores from time to time in batches; the last batch for the month being sent by 29th.
- 2.2 Stores will inform the stores accounting section the first and last number of each category of documents raised during a month and specific numbers of documents cancelled along with the last batch for the month.

Purchase Orders

- 3 One copy of purchase order and the related amendments will be received in the stores accounting section from the material department for pricing of GRNS. The purchase orders and amendments will be filled serially after noting their particulars in a control register.

Goods Receipt Notes

- 4.1 Two copies of the GRNs will be received by the stores accounting section on a day-to-day basis from the stores. Both the copies will be priced by the stores ledger keeper at the basic rate provided in the relevant purchases order plus the excise duty or customs duty payable, if any.
- 4.2 After pricing the GRNs the store ledger keeper will enter the receipts of material and their value in the priced stores ledger and initial the certificate for having done so.
- 4.3 Thereafter one copy of GRN will be retained and kept in a serial order. The other copy will be sent to the purchase bill group for processing suppliers bills for payment.
- 4.4 The GRNs will be arraigned serially and entered in the control register. Missing numbers will be followed up.
- 4.5 At the end of the month, goods receipt notes summary will be prepared, showing the amount to be debited to inventories code wise by credit to account code 30.002 – “Liability for goods received”. This summary will form the basis for the monthly journal voucher in respect of stores receipts.

Store Issue Voucher

- 5.1 Two copies of the SIVs will be sent by the stores accounting section. On receipt, SIVs will be checked in respect of the following:
 - (i) Description and part number
 - (ii) Inventory code, consuming unit and the account code

(iii) Authority for requisition and acknowledgement of materials by the authorised persons .

- 5.2 Store issue will be valued on the basis of rates available in the priced stores ledger under the FIFO method.
- 5.3 After pricing the SIVs, the stores ledger keeper will post these in the price store ledger and initial certificate for having done so.
- 5.4 While processing the SIVs, it will be seen that the line balance in the kardex cards maintained in the stores before issue shown on the SIV tallies with the balance in the price stores ledger. In case of a discrepancy, it will be investigated and reconciled with the stores.
- 5.5 All the SIVs received during a month will be arranged serially and entered in the control register. Missing numbers will be followed with the stores.
- 5.6 At the end of the month, a summery of SIVs will be prepared, showing the amount to be debited/adjusted to account codes under the classification 46 – “consumption of stores and spares” and classification 18 “capital work-in-progress”. This summery will form the basis of the monthly journal voucher in respect of store issues.

Return Notes

- 6.1 Drawn out material not used or not likely to be used in the near future will be returned to stores with a return note. Amongst other details, reference of original store issue voucher against which the material was taken out from the stores, will be filled in.
- 6.2 Copies of return notes will be received in the stores accounting section in batches from time to time. On receipt, the returned material will be priced at the original issue rates and returned in the priced stores ledger. The value of returned material will be debited to the relevant inventory account code by credit to the account code originally debited at the time of issue of such materials
- 6.3 Certain items are repeated in the workshop are partly used but are in serviceable condition and are return to store for safe custody. These materials will be taken on stock in the priced stores ledger at no charge basis.

Inter Plant Transfer

- 7 Inter plant transfer advices will be raised for store and spares transferred from one unit to another. Materials transferred from other units and received in the stores will be documented by GRNs having reference of IPTs raised by the transferring unit. Usual procedure will follow as in the case of GRNs as described above. The value of materials so transferred will be debited to the relevant inventory code by credit to the unit, which had transferred the materials under the classification code 40 – “inter unit account”.

Price Store Ledger

- 8.1 A price store ledger will be maintained by the stores accounting section for all stores and spares. All receipts and issues of stores and spares as well as stock verification discrepancies will be posted in the ledger from priced goods received notes return notes, store issue vouchers, count sheets etc. the balance will be arrived at after each posting of receipts and issues. The inventory balance shown in the ledger will be agreed every month with the inventory balances shown in the general ledger after all journals for all movements in inventory have been processed.
- 8.2 Period reconciliation will also be made between the balance appearing in the period priced stores ledger and those in the kardex card maintained in the stores. Discrepancies between the two balances if any will be investigated.
- 8.3 A review will also be made periodically of irregular balances in the priced stores ledger.

Physical Verification Discrepancies

- 9.1 Perpetual verification/count of stores and spares will be carried out throughout the year. An inventory count sheet will be used for entering the details of items physically verified. The count sheet will show the discrepancies between the physical balances as verified and the balance in the kardex card maintained by the stores as well as the discrepancies between the verified physical balance and the balance in the priced stores ledger. The count sheets will be signed by the

respective store officer in acceptance of the differences between the physical balance and the kardex balance.

- 9.2 The discrepancies between the physical balances verified balance and the kardex card balances will be investigated by the stores and wherever necessary, addition/subtractions will be made on the kardex cards to bring the card balances in line with the physical balances.
- 9.3 The differences between the physical balances and the price balance stores ledger balance will be investigated. Value of discrepancies in stores/spare parts found during physical verification and being investigated, will be transferred to account code 21.702 – “stores suspense account”.
- 9.4 After investigations are complete and if certain discrepancies remain unreconciled, relevant proposals will be made by the stores to the appropriate authority for its recommendations for adjustments including write of to the competent authority. On approval, the shortages will be return off by debit to account code – 52.933 “assets/stores and spares written off” with corresponding credit to 21.702 – “stores suspense account”.
- 9.5 Proper details will be kept of the shortages/excesses under the stores suspense account and progress of their clearance will be reviewed periodically.

Reconciliation With Control Account

10. At the end of the each quarter a reconciliation between the total value of individual stores ledger cards with the control account (inventory valuation as per trial balance) will be done by store accounting section. In case of discrepancy. The same will be looked into by reference to individual cards.

Goods in Transit

- 11.1 At the close of the year, the store will prepare and value list of:
 - (i) Materials received but awaiting/under verification.
 - (ii) Materials which have not received but relevant RRs have been received.
 - (iii) Materials were the relevant RRs were dated up to the year end but the latter were not received till the year end.

- 11.2 On receipt of copies of these lists, store accounting section will create liability for such materials by credit to account code 30.003 “liability for goods in transit”. This liability will be received in the account next year.

Stores and Spares Considered Obsolete/Redundant

- 12.1 On determination of store and spares becoming obsolete/redundant, the value of stores and spares so considered will be debited to account code 21.704 – “stores and spares considered redundat awaiting disposal” by credit to relevant inventory account code.
- 12.2 On disposal of items with approval of the competent authority, their book value will be charged off to revenue.
- 12.3 At the time of closing of accounts for the yea, any apprehended loss in respect of obsolete/redundant/surplus stores and spares as well as slow moving or non moving stores and spares will be provided under the account code 38.005 – “provision in dimunition in value of stores and spares” by debit to account code 52.035 – “provision for dimunition in value of scrapped/redundant assets”.

Non Moving and Slow Moving Stores/Spares

- 13 At the year end, the following statements will be prepared and sent to Corporate office:
- (a) List of inventory at the close of the year containing IDM code, part no. , description, quantity in stock unit price, total value of stock, and last date of issue if no movement as taken place during the last three years a covering summery for all the groups also will be made.
 - (b) List of inventory of such items which did not move are were not issued/consumed for last 3 years/2 years.
 - (c) Results of review of non moving and slow moving items identifying the obsolete/redundant/surplus store and spares.

CHAPTER-5

SERVICES AND MISCELLANEOUS SUPPLIES

Introduction

This chapter deals with the systems and procedures for processing of bills for payment on account of services and miscellaneous supplies and accounting of these payments.

Electricity, Water, Fuel

1. Services like electricity, water, fuel and oxygen and acetylene (through pipeline) are obtained either from steel plants or from electricity boards and other bodies. Bills for these services are received in the operation/ administration department. These departments will certify the bills as to the unit consumption and calculations. on receipt in the accounts, the bills will be checked mainly for correction of rates charged and being in conformity with the agreements; method of computation also will be checked.

Payment made to the steel plants, electricity boards and other bodies will be debited to the relevant account codes under classifications 48-“services”

Lease Rent for Equipment / Other Equipment Rent / Computer Hire Charges

- 2.1 Contracts agreements for taking the equipments on lease /hire and use of computer on hire will be entered into with the approval of the competent authority. Copies of these contracts / agreements will be forwarded to accounts where these will be checked and filled like the purchase orders/ works contracts.
- 2.2 Bills for lease rent, equipment rent, hire charges etc. will be received by the user department who will verify the use and certify the bills being in accordance with the terms of contracts /agreements and forward to accounts. On receipt in accounts, the bills will be checked as to calculations etc. as well as with the terms of contracts/agreements.
- 2.3 The payment will be debited to the account code 49.001 –“lease rent for equipment”/49.002 – “other equipment rental”/52.007 – “computer hire chargers” / 52.008 – “office equipment rental” as the case may be.

Temporary Advances

3. Advances will be given to the officers (authority by departmental heads with the approval in finance) for specific purpose for urgent repairs/urgent purchase/other jobs. These advances will be debited to the account code 27.008 – “temporary advances for expenses”.

The officer receiving the advance will submit the expense statement within the time limit prescribed. The statement will be checked in accounts and a cash payment or receipts vouchers will be prepared for balance payment to or refundable by the officer.

Consultants' Fee / Legal Fee and Expenses

- 4.1 A sanction for utilization of services of consultants/legal experts etc. will be given by the competent authority. The consultants' bills will be certified by the concerned department along with a copy of the sanction to accounts for payment. Bills for reimbursement of expenses will be supported by vouchers/certificates. For advance payments, the department concerned will send an approval note to the accounts. The bill will be checked against the sanction and passed for payment. On payment, the amounts will be debited to account code 52.022 – “professional fees and expenses”/52.018 – “Legal fees and expenses”.
- 4.2 Expenses incurred in connection with legal proceedings, execution of power of attorney etc. can be met through imprest also.

Telegram, Postal, Telephone Bills

- 5.1 Telegram bills will be paid through imprest and accounted for through the expense statements submitted.
- 5.2 Postage deposits for utilizing franking machine will be kept with the postal department and the deposit reimbursement as and when required. Actual expenses will be charged off on the basis of consumption.
- 5.3 Telephone/telex bills will be certified by the user/administration department and forwarded to accounts for payment. Recoveries will be made from the officer for personal trunk calls for which register will be maintained by them.

- 5.4 These payments are debited to the account code 52.010 – “postage and telecommunication”.

Fire, Theft and General Insurance

- 6 Bills of payment of premium will be receive in the stores/administration department which will certify the bills and send to accounts for payments. Premia paid will be debited to account code 52.004 – “insurance”.

Local Purchase

- 7 Local purchases of material/spares parts will be made for operation purpose and only in use of urgency when such material/spares are not available in the stores. These purchases will be made from the imprests held by the departmental officers. The bills and expenses summary will bear the certificates of receipts of material, non-availability with the sores and urgency. On receipt of the expense summary, accounts will check these certificates, reasonableness of the prices of item purchase and calculations of the bills. The expenditure will be debited to the relevant account code.

Rent / Hire of Premises / Houses

- 8 Certified bills will be received in accounts from the concerned departments. Payments will be made after checking with the agreement in question.

Miscellaneous Repairs etc.

- 9 The department concerned will issue a work order the approval of the competent authority. A copy of the work order will be sent to accounts. The bills of work done will be submitted to the department concerned who will verify and certify satisfactory completion of the work done. On receipt of the bill from the department, account will check it with the work order and pass it for payments on the basis of certified recorded. The payment will be debited to the relevant account codes.

Group Insurance Scheme

- 10 The personnel/administration section will prepare statements employee covered as required by the insurance company. This statement will be forwarded to the insurance company, who will present the premium bills. These bills will be checked by accounts with the terms of policy and payments vouchers prepared and sent to each section for cheques prepared and onward dispatches.

Audit Fees in Other Capacity

- 11 A letter will be issued, with the approval of the competent authority, to the auditors. On receipts of their bills, these will be checked with the letter o engagement and passed on that basis.

Miscellaneous Expenses

- 12 Miscellaneous expenses like local purchases of printing and stationary, advertisement and publicity, entertainments, books and periodicals, running expenses of vehicles and sundries will be met from the imprest.

Outstanding Liabilities

- 13 Outstanding liabilities will be provided at the end of the year for accrued expenses for electricity, telephone and any other expenses which are not accounted for on accrued basis.

Chapter 6

INCOME AND DEBTORS

Introduction

This chapter deals with the system and procedure to be followed, documents to be used and accounting entries to be made in respect of income of the company.

Agreements With Steel Plant

- 1 The main income of the company is from scrap recovery processing for the steel plant. The company has contracts with Jameshedpur, Rourkela, Burnpur, Bhilai and Bokaro steel plants which stipulate:
 - (i) Items of work to be done and services to be provided.
 - (ii) Categories and specifications of recovered scrap including the Fe content.
 - (iii) Procedure and basis for determining the quantities of recovered scrap and the Fe content, etc.
 - (iv) Base service charges for different categories of recovered scrap, slag handling, equipment rental and other services.
 - (v) Procedure and basis of escalation in the base rates.
 - (vi) Procedure for billing and payments.

Raising of Invoice

- 2.1 The documents which form the basis for raising of invoice on the steel plant are:
 - (i) Contracts with the steel plants
 - (ii) Shipment notices
 - (iii) Test reports of Fe content
 - (iv) Certificates of accepted escalation
- 2.2 The shipment notice will be prepared jointly by the time and shipping officer in the unit and scrap and salvage department of the respective steel plant. The notices will show the gross, tare and net weight of the wagons are loaded with different

categories of recovered scrap and shipped to the steel plant during a month. Similarly, joint statements will be prepared for (a) slag handled during the month, (b) equipments let out to the steel plants and the number of hours these worked during the month and (c) nature and quantum of other services rendered to the steel plant.

- 2.3 Test reports showing Fe contents of the recovered scrap (wherever applicable) will be issued by the research and control laboratory of steel plant concerned on the basis of specifies tests.
- 2.4 Half yearly admissible escalations in the base service charges, equipment rental, slag handling charges, etc. will be worked out by the steel plants who will also issue certificates of admissible escalations.
- 2.5 All invoices will be raised on or before the 15th of the following month. Separate invoices will be prepared for escalations under each category. These will be sent in triplicate to the scrap and salvage department of the steel plant concern for acceptance/certification and onward transmission to its finance department for payment.

Collections

- 3 The contracts with the steel plant provide for payment of bills with in one month. A close watch will be kept on their realization.

Accounting of Invoices

- 4.1 Invoices raised on the steel plant will be accounted for by preparing sales journal debiting the steel plant codes under classification 30- "sundry debtors" and crediting the appropriate account code under classification 41- "service charges for scrap recovery"/42-"equipment rental". When the amount are realized, sundry debtors will be credited by debit to bank.
- 4.2 At the end of the month, all the sales journal vouchers will be sent to EDP for preparation of sales journal summery and day book.

Review of Sundry Debtors

- 5.1 Steel plant accounts will be reviewed at the end of every month. Monthly balances of outstanding debits will be listed and the total figures arrived at will be reconciled with the control account in the general ledger.
- 5.2 The out standing in the sundry debtors ledger will be regularly preview and the reasons for non payments of invoices more than three month old bill be gone into and reminders issued to the steel plants. It will be necessary to reconcile either the steel plant invoice-wise periodically to ensure that company's records and their record of their outstanding agree.
- 5.3 At the time of closing of accounts for the year, a detailed review of the sundry debtors will be made to ascertain the items are likely to provide bad or doubtful so that necessary provision could be made in the account. The amount so provided will be credited to account code 22.010 – “provisions for doubtful debts” by debit to account code 52.036 – “provision for bad and doubtful debts”
- 5.4 When bad debts and written off with the approval of the competent authority, the amount will be credited to sundry debtors by debit to account code 52.031 – “bad debts written off”. Provisions made earlier for such debts will be written back.

Miscellaneous Income

- 6.1 The miscellaneous income of the company comprises mainly of interest on term deposits with the banks, proceeds from disposal of scrap, applications fees, tender form fees, penalties released from suppliers/contractors, etc. these receipts will be accounted for under the respective detailed heads under the classification 43- “miscellaneous income”.
- 6.2 A separate register will be maintained for the term deposit to watch the receipt of interest and also encashment or renewal of deposits.
- 6.3 Disposal of scrap will be as per company procedure. The materials department will conduct the auction or invite tenders for these materials. Tender/bid amounts will, on realization, be credited to account code 43.005 – “disposal of scrapped/used materials”.
- 6.4 Fees along with applications for employment are received by postal orders. Personnel department will prepare a list and forward it together with the postal orders to account for preparation of the receipt voucher to account for the transaction and sending the same to cash section for receiving the money.

Chapter 7

FIXED ASSETS ACCOUNTS

Introduction

This chapter deals with the system and procedures to be followed and accounting entries to be released in respect of capitalization of fixed assets, their disposal, inter-unit transfer, depreciation, physical verification etc. and maintenance of control records.

Classification of Fixed Assets

1 The fixed assets of the company will be classified as follows:

Land-freehold and leasehold

Buildings – office and plant

Equipment – plant and shop

Plant installations

Aircrafts

Automobiles

Furniture and office equipments

Capital Expenditure Sanction

2 Expenditure and fixed assets will be provided in the capital budgets of the company and sanctioned after detailed examination. Capital job codes will be allotted by the finance and accounts department to each purchase of equipment/other assets capital contract work, assets being assembled/fabrication internally, etc.

Capital Work-in-Progress

4 All payments to the contractors free issues of materials if any, for building installations would be booked to the capital work-in-progress accounts. Similarly,

all expenditure on acquisition of plant/shop equipments, their fabrication, erection and commissioning and acquisition of automobiles, furniture, office equipments etc. will be booked to the capital work-in-progress accounts.

Basis for Capitalization of Assets

- 4.1 Building will be capitalized on receipt of completion/possession certificate from the departments concerned. On receipt of these certificates, accounts will pass journal entries clearing the capital work-in-progress accounts and capitalization the amount debited there earlier.
- 4.2 Equipments will similarly be capitalized on receipt of commissioning/completion certificate from the departments concerned.
- 4.3 Furniture, office equipments and vehicles will be capitalized on receipt of certificates for the assets having been put to use.
- 4.4 Every year in march, accounts will list out departments wise capital jobs which appear in work-in-progress accounts through these lists invite comments of the departments concerned as to their status and dates or expected dates of commissioning. On receiving intimation of completion along with commissioning / completion / use certificate, capitalization will be done as indicated earlier.

Valuation of Fixed Assets

- 5.1 While capitalising the expenditure on fixed assets it will be ensured that there is no over-capitalisation and that expenses relating to revenue are properly charged to profit and loss account.
- 5.2 When an operating unit carries out a programme of expansion etc. concurrently with normal operation, only the direct capital expenditure relating to such expansion will be capitalized.

However, where a new unit is being established in a new location, all direct capital expenditure as well as indirect expenditure incident to construction will be capitalized.

Control of Fixed Assets

- 6.1 For proper control and recording of the fixed assets, each asset will be allotted a district identification number.
- 6.2 The management will also designate the authorities responsible for control of these assets.

Fixed Assets Register

- 7.1 A major aspect of the control over fixed assets is the maintenance of fixed assets register. These registers will be maintained in order to fixed assets in the chart of Accounts and each type of asset, according to their location.
- 7.2 A fixed register will be maintained centrally in the corporate office for all assets of the company. The register will broadly contain the following in respect of each separately identification unit of assets:
 - (a) Description including identification numbers of makes.
 - (b) Location
 - (c) Date of acquisition, construction, etc.
 - (d) Quantity in terms of units
 - (e) Original cost
 - (f) Depreciation
 - (g) Written down value

The register will be continuously update with the inclusive new items and deletion of scrapped/sold items.

- 7.3 Periodically, figures from the original cost and depreciation columns will be extracted, totaled and agreement with the balances appearing in the relevant control accounts in the general ledger as check on the accuracy of accounting.
- 7.4 In addition to the register maintained centrally in the corporate office, the units will al so maintained their own fixed assets register showing details as at (a) to (d) in paragraph 7.2 above.

Physical Verification of Assets

- 8.1 It is necessary, from the control point of view , for the company to ensure that the assets appearing in the records do actually exist. This is also required by the companies Act 1956. All items of fixed assets will accordingly be verified physically by officers designated by the management once a year, before the accounts for the year are closed.
- 8.2 The physical verification term will be provided with a copy of the exiting assets register. As part of physical verification, the term will:
- Verify the items existing in the register of fixed assets.
 - Note any fixed asset at the site of inspection not listed in the register.
 - Note the condition of the assets verified
- 8.3 On completion of the verification, discrepancy reports showing discrepancies, if any, between the entries in the fixed assets register and the assets physically verified will be prepared by the team. The excesses/shortage will be brought to account after investigation and with the approval of the competent authority. Entries of such excesses/shortages will also be made in the registers maintained both in the corporate officer and in the units.

Depreciation

- 9.1 The depreciation on all the fixed assets will be provided at the end of the year on straight line method in such manner that it is not less than the quantum of depreciation as prescribed in section 205 (2) (b) of the companies act 1956. Under this section, depreciation in respect of each depreciable assets is worked out by dividing 95 percent of the original cost thereof to the company the prescribed life in respect of that asset.
- 9.2 The charge of depreciation will cease on writing down for 95 percent of the cost of assets. No depreciation will be charge for the year in which the asset is scrapped or sold or declared obsolete.
- 9.3 Depreciation will be provided on all assets existing on the last date of the accounting year. Full depreciation will be provided on assets capitalisation during the year.

Equipment Costing Rs. 5000 or Less.

- 9 Items of equipments costing Rs. 5000 or less at the time of purchase will be charged off as expense in the year in which these are brought to used by debit to account code 51.002. in such cases, capitalization will not be effected and the equipment will not be included in the gross block. However, quantity and value records of such items will be kept in a statistical register.

Spares

- 10 In most of the contracts for procurement of equipments, mandatory spares are acquired alongwith the original equipment. The cost of such spares will be transferred to inventory accounts and not capitalised along with the cost of equipment. Where separate cost of such spares is not available in the relevant purchase contracts, these will be valued on an estimate basis.

Inter Unit Transfer

- 12.1 When as asset in transferred by one unit to another unit with the approval of the competent authority, the transfer will be made at original cost the asset through inter unit accounts. No accounting adjusted will be necessary; only the location will charge on receipt of transfer advice.
- 12.2 A copy of transfer advice will also be sent to the corporate office for making necessary charges in the fixed assets register maintained by it.

Disposal / Condemnation / Scrapping of Assets

- 13.1 When a proposal for disposal/ condemnation/ scrapping is made by the asset controlling authority, the item/ items will be inspected by a survey committee formed for the purpose .the committee will examine aspects like year of purchase or construction, acquisition / construction cost, hours worked, details of major repairs/ overhauling carried out, present condition of the equipment together with broad details of defects, feasibility of economic repair, estimated scrap value in case of disposal and give their recommendations. In case of surplus equipments, the committee will also consider the possible alternative uses including to other

units. It will be recommended the action to be taken to the competent authority for sale/provision/write-off.

- 13.2 An asset will be declared surplus or unserviceable or redundant only after the recommendation of the survey committee have been examined in the finance department and accepted by the competent authority.
- 13.3 At the time of accounts for the year all such items awaiting disposal will be reviewed. In case, were the amount expected to be realized is less than the written down value, the difference will be provided under the account code 38.006 – “provision from diminution in value of scrapped/redundant assets” by debit to account code 52.035.
- 13.4 Where an asset is written off, the relevant fixed asset account and depreciation provision will be adjusted. Income from asset previously written off will be treated as miscellaneous income.
- 13.5 The relevant fixed asset account and depreciation will similarly be adjusted on disposal of an asset. The entries to be passed are illustrated as below.

		Illustration I	Illustration II
		Rs./lakhs	Rs./lakhs
Original cost		20.0	20.0
Written down at the end of 8 th year		12.8	12.8
Disposal value in 9 th year		24.0	10.0
Book entries			
Bank account	debit	24.0	10.0
Depreciation provision	debit	7.2	7.2
Gross block (for disposal of Asset)	credit	20.0	20.0
Depreciation written back (to adjust profit on sale of asset)	credit	7.2	-
Capital reserve (to adjust profit to capital revised)	credit	4.0	-
Loss on disposal of assets (to adjust loss)	debit	-	2.8

Chapter 8

COMPLICATION OF ACCOUNT

Introduction

This chapter deals with the system and procedures for complication of account of the company.

Unit Account

- 1 All the units to (this expression include the corporate officer also) will have monthly trial balance along with the days books prepared on the computer and send these to the corporate office fro consolidation and compilation of monthly account.

Inputs to EDP

- 2.1 For the purpose, the following documents will be sent by the units to EDP on monthly basis:
 - (a) Cash receipt journal vouchers
 - (b) Cash disbursement journal vouchers
 - (c) Sales journal vouchers
 - (d) Accounts payable journal vouchers
 - (e) Summary of cash book.
- 2.2 EDP will prepare summaries of cash receipt journal vouchers, cash disbursement journal vouchers, sale journal vouchers and accounts payable journal vouchers and also day book for cash receipts and payments.
- 2.3 These summaries will form the basis for preparation of journal entries for the main journal. This journal entries alongwith journal vouchers (JVs) for stores received and issued and other adjustment entries will be sent to EDP for further processing.

Journal Vouchers

- 3.1 Individual accounting sections will be responsible for raising journal vouchers. The compilation section will be responsible for receiving, controlling and arranging to get processed on the computer and maintaining necessary records for this purpose.
- 3.2 The accounting sections will ensure that the journal vouchers are properly coded with account code, have their debit and credit columns totaled up with tally, are properly authorised and are supported documents were ever applicable.
- 3.3 On receipts of copies of the JVs duly number with section JV series, the compilation section will a lot its own serials number, irrespectively of section JV series, too be maintained annually.
- 3.4 On receipt journal vouchers will after being used for computer processing, be maintained in a master J.V. file. Another copy with all supporting documents will be maintained in separate control serialwise files.
- 3.5 On receipt of all journal vouchers, the details will be entered in control register at the compilation section.
- 3.6 While the responsibility of inserting proper accounts/cost codes on the journal vouchers will be of individual sections, the compilation section will review and rectify the apparent mistakes in the codes vis-a-vis description of account in consultation with individual section, before these are sent for processing on the computer.

Output from EDP

- 4 The following documents/statements will be presented by the EDP:
 - (a) Main journal statement
 - (b) General ledger
 - (c) Cost ledger
 - (d) Subsidiary ledger
 - (e) Trial balance (general ledger)
 - (f) Trial balance (costly/subsidiary ledgers)

General / Cost / Subsidiary Ledgers

- 5 The ledger will set out account code/sub code wise opening balances, moments of the current month and closing balances, having the accounts/sub-accounts arrange strictly in accordance with their marshalling in the chart of the accounts.

Trial Balance

- 6 After compiling the general ledger each month, EDP will draw up account code-wise trial balances marshaled according to the chart of accounts after agreeing the total debits with the total credits.

Consolidation of Accounts

- 7 Finance and account department in the corporate office will examine, consolidate the unit account and prepare the monthly accounts of the company.

Annual Accounts

- 8 The financial year of the company is April to march. Under the company's act 1956, the audited accounts of the company are to be placed before the annual general meeting of the share-holders (AGM) with in 6 months of the close of the accounting year. In other words the last date by which the account duly audited are to be laid before the AGM will be 30th September of each year.

Programme for Annual Accounts

- 9 The chief manager, finance and accounts, will issue each year detailed programme for the closing of account, preparation of the balance sheet and profit and loss account and completion of audit of these accounts.

Format of Accounts

- 10 The annual accounts will be prepared by the company in accordance with the requirement and guidelines of the sixth schedule of companies act 1956 and in the formats prescribed for the balance sheet and profit and loss account therein.

Grouping of Expenses

- 11 As the balance sheet and profit and loss account are presented in the abridged form, grouping of certain income/expenses and showing them under the principal heads in the final presentation form will be necessary. The chief manager (F&A) will issue standing instruction as to the various individual accounts that are to be clubbed under principal heads in the balance sheet and profit and loss account.

Schedule and Notes

- 12 Schedule forming part of annual accounts will be indicated in the balance sheet and the profit and loss account as relevant, notes forming part of the accounts will be listed separately by way of schedule.

Presently, the company prepares the following schedules:

Schedule I	Share capital
Schedule II	Reserves and surplus
Schedule III	Loan funds-secured and unsecured
Schedule IV	Fixed assets
Schedule V	Current assets
Schedule VI	Current liabilities and provision
Schedule VII	Service charges for scrap recovery
Schedule VIII	Miscellaneous income
Schedule IX	Employee's remuneration and benefits
Schedule X	Other expenses

Schedule XI Prior period account

Schedule XII Note on accounts

Schedule of Fixing Assets

13 The schedule of fixed assets will show (a) the opening gross block, addition during the year, assets sold, assets scrapped but awaiting disposal and the closing gross block, (b) opening depreciation, depreciation provided for the year, depreciation written back on items sold and items scrapped but awaiting disposal and the cumulative depreciation at the end of the year, (c) net block and (d) capital work-in-progress

Schedule of Current Assets, Loans and Advances

15.1 Current assets will be shown under the following heads:

- (i) Inventories broken into stores and spares parts, loose tools, printing and stationeries and stores and spares parts-in-transit.
- (ii) Sundry debtors with analysis of debts outstanding for a period exceeding six months – considered good and considered doubtful, other debts considered good and provision for doubtful debts.
- (iii) Cash and bank balance broken into cash in hand, with schedule bank in current accounts and short term deposit account separately and remitted in transit.
- (iv) Other current assets like items scrapped/considered redundant but awaiting disposal – stores and spares and fixed assets – reduced by provision for diminution in value and (b) interest accrued on bank deposit and loans.

15.2 Loans and Advances will be shown as under:

- (i) Loans to employee, secured and considered good
- (ii) Advances recovered in cash or kind or for value to be received.

- (iii) Deposit
- (iv) Advance payment of income tax including tax deduction at source.

Schedule of Current Liabilities and Provision

16. (i) Current liabilities will be shown under:
- (a) Sundry creditors
 - (b) Interest accrued but not due on loans
- (ii) Provision will be shown as under:
- (a) For taxation
 - (b) For bonus
 - (c) For leave salary
 - (d) For proposed dividend
 - (e) Other provision, if any

Schedule of Service Charges for Scrap Recover

17. The service charges including escalation, will be shown separately for:
- (a) Recovery scrap
 - (b) Equipment rental
 - (c) Other services

Schedule of Miscellaneous Income

18. Miscellaneous income will be shown under the following heads:
- (h) Interest on short term bank deposit
 - (i) Interest accure but not due loans
 - (j) Penalty realised
 - (k) Other miscellaneous income

Employees' Remuneration and Benefits

19. Employees' remuneration and benefits will be shown as under:

- (i) Salaries and allowances
- (ii) Fund contribution towards employees provided and pension funds
- (iii) Gratuity
- (iv) Staff welfare – reimbursement of medical expenses and other welfare expenses
- (v) Bonus
- (vi) Other benefit – lease accommodation for executives (net), employees leave travel expenses.

Other Expenses

20. The other expenses will be shown under:

- (i) Power, fuel and water
- (ii) Lease rent of equipment taken on hire and other rent including hire charges of equipment from other rent including hire charges of equipment from other used.
- (iii) Rent, taxes and licenses.
- (iv) Repairs and maintenance of (a) plant and machinery, (b) building and (c) others
- (v) Insurance
- (vi) Freight
- (vii) Traveling and entertainment expenses – (a) directors traveling expenses, (b) other traveling expenses, (c) entertainment expenses and (d) transit house expenditure
- (viii) Miscellaneous expenses – bank charges, postage and telecommunication, printing and stationary, legal expenses and other professional fees, computer hire charges, advertisement, research and work-study expenses and others.

- (ix) Auditor's remuneration – fees, expenses and payment in the other capacity.
- (x) Inter auditors remuneration fee and expenses.

Prior Period Account

21. The schedule will show the expenses and income incurred/accrued in current year's account but relating to the previous year(s) and individually exceeding Rs. 10000/-. Any expense, irrespective of the amount, incurrent for preceding year(s) arising out of general decision of the management in a current year e.g. ex-gratia payment, wages revision will be accounted for as prior period expenditure.

Notes on Accounts

22. Notes on account annexed to and formatting part of the balance sheet and profit and loss account will include:
- (i) Contingent liabilities.
 - (ii) Claims against the company not acknowledge as debts.
 - (iii) Capital commitments (net of advances) not provided for
 - (iv) Quantitative information with to :
 - (a) Quantity of recovered scrap produces and shipped during the year for which service charges have been realised in accordance with scrap recovery contracts.
 - (b) Licensed and installed capacity.
 - (c) Scrap recovered during the year .
 - (d) Expenditure incurred on employees receiving not less RS. 36,000/- PER year and employed throughout the year and employed for part of the year under salaries, contribution to provision of income tax act 1961 and rules made there under (excluding gratefully) as well as the number of such employed.

- (e) Consumption of imported and indigenous spare parts and components during the year.
- (f) CIF value of imported made during the year (components, spare parts and capital goods)
- (g) Expenditure in foreign currency charged to revenue during the year.
- (h) Amounts remitted in foreign currencies during the year separately towards import of spare parts, components and capital goods (b) repayment of loan installments and (c) on account of dividend (also the year to which the dividend relates, number of non-resident shareholders and shares held).
- (i) Significant accounting policies.
- (j) Any other attempts which the management may like to explain.

Instructions from Corporate Office

23. The corporate office will each year issue instructions to the units as to the various requirements to the units as to the various requirement for annual accounts including schedules and notes forming part of such accounts and the target dates for the receipt of the unit account, schedules/statements and other supporting documents/data. He also prescribe the date till when the books of account for the year will remain open. Until such date, all accounting entries including adjustments entries can be raised and incorporate in the account and the trial balance figures revised accordingly. We further entry will be raised and incorporate in the year's accounts after that date unless approval is obtained from the chief manager (F&A).

Instruction Within the Units

24. Based on the instruction of the corporate office, the head of unit finance and accounts officer will issue instructions to all concerned of the various requirements for the purpose of preparation of annual accounts including target dates for receiving basic input information.

Check Points for the units

25. At the close of the year, the unit finance and account department will:

- (a) Prepare in consultation with other departments concerned, statements of outstanding liabilities in respect of:
 - (i) Services received but not paid for
 - (ii) Unpaid leave salary, bonus etc.
 - (iii) Jobs executed by contractors but bills not paid
 - (iv) Any other liabilitiesand provided liabilities in the accounts on the basis of these statements.
- (b) Revive the existing provision and provided for additional amounts wherever required.
- (c) In respect of stores accounting and inventory valuation, ensure:
 - (i) Raising the account GRNs for all stores and spares received during the year.
 - (ii) Raising the accounting of SIV's for all stores and spares issued during the year.
 - (iii) Physical counting of stores and spares in accordance with the approval programme and adjustment of discrepancies arising from it.
 - (iv) Identification of non-moving and slow moving stores and spares and provision for possible diminution in their value.
- (d) Review old outstanding advances to suppliers and contractors and to employees and make provision for advances which are doubtful of recovery.
- (e) In respect of physical assets-
 - (i) Capitalization of all fixed assets competed/commissioned/brought into use during the year.
 - (ii) Physical verification of al fixed assets and adjustment of discrepancies.

- (iii) Survey reporting of assets considered to be beyond economic repair or redundant and provide for possible diminution in value.
- (f) Preparation in consultation with other departments concerned off lists of contingent liabilities.
- (g) Reconciliation and verification of various control account in the general ledger and subsidiary ledgers, reconciliation of bank account etc. as individual in various chapter of this manual.
- (h) Passing of all adjustment/rectification entries.

26. The following schedules will be prepared by the units and sent along with the annual accounts to the corporate office:

- (i) Advances to employees under the following heads:
 - (a) Vehicles advances
 - (b) House building advances
 - (c) Festival advances
 - (d) Travel advances
 - (e) Medical advances
 - (f) Salary advances
 - (g) Other, if any
- (ii) Advances to suppliers and contractors
- (iii) Sundry creditors
- (iv) Deposits
- (v) Accrued interest
- (vi) Claims recoverable
- (vii) Prepaid insurance
- (viii) Prepaid other items
- (ix) Cash and bank balance along with a bank certificate
- (x) Priced store ledger

Security of Unit Accounts / Data by the Corporate Office

- 27 The finance and account department in the corporate office will examine the accounts/schedules/data received from the units and satisfy that these have been prepared in accordance with the instructions contained in this manner or issued from time to time. It will be specifically seen that all the items under inter unit accounts and fund transfers to and from the corporate office have been accounted for so that there is no balance left under these account.
- 28 Following items of work will be completed by the corporate finance and accounts departments
- (a) Completion of fixed assets register and adjustment of discrepancies.
 - (b) Review of adequacy of provisions
 - (c) Adjustments in the balance sheet and profit and loss account out of events occurring after balance sheet date.

Appointment of Auditors

- 29 The statutory auditors of the company are appointed department of company law on the recommendation of the comptroller and auditor general of India. The account of the company are also test checked by the director of commercial audit. The director of commerce audit also prepares a supplementary report under section 619 (3) of the companies act.

Statutory auditors

- 30 After the profit and loss account is prepared, the same will be submitted to auditor's for certification. If on the statutory auditor's scrutiny, any entry is required to be passed, the same will be passed and then the final profit and loss account and balance sheet will be prepared.

The presentation of the profit and loss account, balance sheet and schedules will be finally vetted by statutory auditors. Thereafter the account will be presented to the board of directors for adoption and approval. After the board approves the annual account. The account will be submitted to the director of commercial audit, as required under the companies act 1956 for his comments. On receipt of his

comments, the company and statutory auditors will give replies. If the final account need any changes and if the company and the auditors agree to amend the account, the revised account will be placed before the board for adoption and resubmitted to the director of commercial audit for nil comments. Thereafter AGM of the shareholders will be convened for adoption of the accounts.