

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

O/O the VC & MD (Audit Wing)
Mushirabad, Hyderabad-20
DT: JUL 1986

No. INS/OH/329(86)/86_AD

ACCOUNTS CIRCULAR NO. 17/1986 DT: 31 JUL 86

Sub: INTERNAL AUDIT - Reconciliation of Inventory Values
between Store and Accounts balances - Reg

Inventory reconciliation is an important subject and due attention is not given at present by the Stores & Accounts Departments resulting in heavy accumulation of differences. The inventory of Stores on hand at the close of every financial year has to be worked out by the stores Department based on the balances as per Kardex cards and Weighted Average rates and reconcile with the Financial Ledgers maintained by Accounts Department. This process of reconciliation is the joint responsibility of the Stores and Accounts Departments.

Generally differences arise between Stores and Accounts Departments figures due to the following reasons:

- I) Adopting the Weighted average rate by Kardex Section for the purpose of inventory calculation
- II) Adopting basic rate of materials in Kardex Section for the purpose of calculating weighted average by Stores Department without taking ST, CST, Surcharges, handling charges etc Whereas Stores Audit rate is Inclusive of the above for the purpose of valuation of receipt of materials.
- III) Accepting rate amendments with retrospective effect and incorporation of the same in Stores Audit but the Weighted average is not revised by Stores.
- iv) Changes in the Statutory levies.

- v) Non-accountal of certain Ros, Issue Notes and Transfer Issue Notes either by Stores of Accounts Department.
- vi) Acceptance of Debits by Stores Accounts Wing without ensuring the Acceptance of materials by Stores.
- vii) Value of scrap materials accounted in Stores Department out not in Accounts Department.
- viii) Non-incorporation of the Values of Audit Stock Reports in the Stores Audit Wing in the same year in which they were incorporated in Kardex Section.
- xi) Non-incorporation of the values of departmental Stock Reports (issued by Stores Department) in the Stores Audit Wing.
- x) Wrong Adoption of Weighted average rates while calculating the Annual Inventory by Stores Department.

As annual reconciliation of inventory values embraces all these aspects, it may become east if reconciliation work is taken up on a month to month basis instead of postponing to the closure of the financial year.

Experience shows that Stores and Accounts Departments are attending to the day to day works but are not concentrating on the monthly inventory reconciliation. This phase of work is being attended to at the time of Annual Accounts and a simple Via media approach is taken by booking the difference in values to a Suspense Head of Account Viz., Stock adjustment Account. No effect is taken afterwards to look into such differences and call out the details. By taking up the Inventory Reconciliation work at the end of the financial year is becoming a time consuming affair since the whole years transactions have to be verified to locate the differences and availability of records is also posing a problem. The heavy accumulations of balances in Stock adjustment Account at the end of the year is attracting the attention of the AG and it is adversely commented up on in Audit Report.

The Following instructions are issued to enable the Dy CAOs and Controllers of Stores to hasten the Annual Reconciliation of Inventory with Financial Ledgers:

- i) Monthly review and reconciliation between Kardex of Stores and Accounts Section Shall be done levely objects number of Ros, Issue Notes Transfer Issue Notes, Rate Amendments, Last Sheet adjustments etc.
- ii) Monthly meetings between Stores and Accounts Wings shall be convened by Controller of Stores in the first week of every motion to review the progress.
- iii) Similar approach shall be made with regard to inventory differences already booked to Stock adjustment Account instead of allowing it to lie over.
- vi) Files may be processed to the competent authority to obtain Sanction and adjust in the Accounts.


These instructions may be followed scrupulously and keep the Inventory Reconciliation upto date.

sd/- K s KAMESWARA SARMA
FINANCIAL ADvisor &
CHIEF ACCOUNT OFFICER

To
All EDs/RMs
All Dy C A Os
All A Os/S Os
All C O Ss

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//ATTESTED//



(K R KASINATHAN)
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