

APS RTC

O/o the VC & MD Accounts Wing
Mushirabad Hyderabad
Dated 24 Jun 98

No MA4/4(l)/98 99/AD

All the Regional Managers
A P S R T Corporation

Sub P & L ACCOUNT Making adjustments for increase or clearance for Suspense
balances in monthly P & L Accounts Reg

As per the existing Accounts procedure Cost of Damages incurred to accident vehicles is initially booked to Suspense AH 2816 After obtaining competent sanction the amount is transferred to expenditure AH 6902 So till such time the Cost of Damages remains booked in Suspense AH 2816 the P & L Account is not effected

When MACT Compensation is paid the amount is first debited to Suspense AH 2458 After obtaining competent sanction the amount is transferred to expenditure AH 6901 So till such time, the MACT Compensation remains booked in Suspense AH 2816 the P & L Account is not effected

Whenever an amount is drawn at Unit level pending competent sanction the amount is initially booked to Suspense AH 2851 Only when competent sanction is obtained the amount is transferred to relevant expenditure AH

On account of the administrative procedure involved there is usually time lag between the month in which the amount is actually paid and month in which the amount is booked as expenditure in accounts By experience, we all know that the amounts paid for such purposes as the above are always in the nature of expenditure but they are booked to expenditure accounts after much time gap on account of the administrative procedure involved Hence we intend to treat all such amounts as expenditure right in the month in which they are actually paid for the purpose of compiling monthly P & L account so as to depict true position, in monthly P & L account

Similarly when we supply buses on "credit" to Public Sector Undertakings on Special Hire as per the existing procedure, the amount billed is immediately treated as income There is usually time gap between the month in which the amount billed is treated as income and the month in which the amount is actually realised We have come across instances when the amount actually billed by us is not paid in full for various reasons Some times the rate at which buses are supplied is also disputed So we feel it prudent to treat the amount billed as "income" only on its realisation and only to the extent it is actually realised for the purpose of monthly P & L account

Keeping the above in view we have identified fifteen

- (a) suspense accounts clearance of which would involve booking of expenditure to the P & L account (Ex Cost of Damages)

- (b) suspense accounts relating to Dues Recoverable from outsiders (Ex Supply of buses to PSUs on Special Hire) and

We have abstracted amounts booked by all 23 Regions in Apr 98 accounts in all the fifteen suspense accounts in Annexure I All plus figures in the Statement indicate "Increase" in suspense balance during Current Month (Apr 98) over that at the end of Previous Month (Mar 98) All minus figures in the Statement indicate "Decrease" in suspense balances during Apr 98 from that at the end of Previous Month (Mar 98)

The sum total of "Increase" and "Decrease" in all fifteen suspense accounts is shown in last "Total" column against each Region For instance the sum total of "Increase" and "Decrease" in all fifteen suspense accounts for HCR amounted to plus Rs 57 92 lacs This is on account of HCR increasing its suspense balance mainly in AH 2339 (Special Hire - PSUs) As per the existing procedure HCR treated the amount of Rs 57 92 lacs as its income in Apr 98 but actually not realised the same in the form of cash in the same month of Apr 98 Hence we treat the net amount of Rs 57 92 lacs as "expenditure" while compiling monthly P & L account for Apr 98 When the HCR realises the dues we shall deduct the same from "Misc Expenditure" of HCR in the month in which the amount is actually realised by HCR in due course

Similarly the sum total of "Increase" and "Decrease" in all fifteen suspense accounts for EG is minus Rs 25 84 lacs This is mainly on account of realising old dues towards Police Warrants and Special Hire for buses supplied to Govt We deduct the amount of Rs 25 84 lacs from "Misc Expenditure" of East Godavan Region in Apr 98 P & L account

This exercise has the following implications in so far as individual Regions are concerned

- 01 In case of Income booked in Previous Months but realised in Current Month the Net Profit for Current Month would go up This is hoped to motivate the Managers to realise old dues expeditiously
- 02 If Income booked in Previous Months is withdrawn (write off) during Current Month the Net Profit would come down in the Current Month in which write off is forced into accounts as per existing Accounts procedure We shall at Corporate level reduce the amount from Misc Expenditure in Current Month so that Net Profit of the Region is not disturbed as a result of writing off old due amount Managers need not therefore have any reservations in withdrawing unrealisable old dues in Accounts
- 03 In case of Income booked in Current Month accounts and also actually realised in Current Month itself we shall not make any adjustments at Corporate Office

04 If accident compensation or cost of damages etc paid in Previous Months is cleared in Current Month accounts the Net Profit would come down in the Current Month in which suspense clearance is made as per existing procedure We reduce the amount from Misc Expenditure in Current Month P & L account This implies that there is no impact or reduction in Net Profit in Current Month on account of clearing old suspense balances Managers need not therefore hesitate to clear old suspense balances fearing its impact on monthly P & L Account for current period

05 In case of payments made pending receipt of vouchers or obtaining competent sanction or cost of damages incurred or MACT compensation paid etc in Current Month but not cleared in Current Month accounts we add the amount to Misc Expenditure for Current Month even though suspense clearance is not made

TO PUT IT SIMPLY, OUR EXERCISE AT THE CORPORATE OFFICE HAS THE EFFECT OF FOLLOWING "CASH SYSTEM" INSTEAD OF "MERCANTILE SYSTEM" AS FAR AS REGIONS ARE CONCERNED

As a result of making adjustments as above for the individual Regions, the Misc Expenditure for the entire Corporation for Apr 98 gets reduced by Rs 67 72 lacs (sum total of all figures in "Total" column in Annexure I) It is not desirable to effect the P & L account of the entire Corporation Hence we have neutralised the "reduction" by adding Rs 2 94 lacs (Rs 67 72 lacs divided by 23 Regions) to each Region as shown in Annexure II so that there would be "nil" impact on Corporation s P & L Account for Apr 98 So the amounts shown in column 4 of Annexure-II are finally added to or deducted from Misc Expenditure of individual Regions in Apr 98 P & L Account

You may please recall that we did similar exercise for the year 1996-97 as a whole in Mar 97 P & L Account and for the half year Apr 97 to Sep 97 in Sep 97 P & L Account We shall make similar adjustments for the half year Oct 97 to Mar 98 in the on hand Mar 98 Region wise P & L Account We shall continue this exercise hereafter every month and also provide details of amounts added to or deducted from "Misc Expenditure" for information of all We also add that this exercise is made outside the Accounts and only for the limited purpose of compiling monthly P & L Accounts

Sd/- (K V Subba Rao)
CHIEF ACCOUNTS OFFICER

End Two

Note Enclosures are not printed