

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

No.TL1/843(1)/2012-MED.

Office of the VC&MD,  
Mushirabad, Hyderabad,  
Dated: 12.01.2013.

Joint Circular No. MED/AD-03/2013, Dated: 12.01.2013.

Sub:- Accountal of cost of conversion / refurbishing of high end buses –  
Deferred Revenue Expenditure - Regarding.

Ref:- Circular No.17/2012-MED, Dated: 17-7-2012.

In terms of circular under reference, the economic life of the buses has been enhanced from 11.00 lakh KMs to 12.00 lakh KMs for Pallevelugu and 11.5 lakh to 13.0 lakh KMs for City buses and in case of special type buses, replacement mileage has been enhanced from 5.5 lakh to 6.5 lakh KMs for Super Luxury and Saptagiri Express buses and 6.5 lakh to 7.5 lakh KMs for Deluxe and Express buses, insisting to take up midterm attention/refurbishing of bus bodies at around 6.5 lakh KMs to 7.5 lakh KMs.

For conversion of special type of buses into Pallevelugu / City ordinary after attaining the stipulated mileage, detailed guidelines were also given in the same circular under reference for the procedure to be adopted. As Deluxe and Express bus bodies are fabricated with Alu.Structure, the conversion / refurbishing cost is nominal i.e., about ₹ 1.0 lakh. But as the Super Luxury bus bodies are fabricated with GI / MS structure, at the time of conversion there is a need to replace the bus body with either serviceable bus bodies available in Scrap Yard by carrying out repairs/refurbishing or with new bus body by fabricating at BBW/Miyapur. Hence the conversion cost of Super Luxury bus works out very high i.e., ₹ 3.5 lakh to 4.0 lakhs, if converted into Pallevelugu with serviceable scrap bus body and ₹ 7.0 lakhs if converted by fabricating new bus body.

As this huge expenditure towards conversion cost of Super Luxury buses into Pallevelugu ranging from ₹ 3.5 lakhs to ₹ 7.0 lakhs is being debited to the receiving depot/Region in the same month and is directly affecting the depot/Regional financial performance, conversion activity is being carried out at depot level itself by inter changing with the serviceable bus bodies of scrap buses through outsourcing. As a result the converted buses are not only looking shabby but also developing heavy rattling sounds in a short span and hence resulting in deflection of passengers to other modes of traffic.

As bus body with good up keep by taking up timely repairs / refurbishing plays vital role in improving the patronage and there by enhancing occupancy ratio, it is decided to treat the conversion cost incurred for replacement of the existing bus body with serviceable bus body and then carrying out repair/refurbishing at ZWS or for fabricating new bus body for conversion at BBW/Miyapur as "MID TERM INVESTMENT" and to charge this expenditure for a period of three years, treating the same as Deferred Revenue Expenditure.

**ACCOUNTAL PROCEDURE:**

To account for the proposed procedure the following two new accounts heads are prescribed:-

**A/H-2831 – Deferred Revenue Expenditure – Refurbishing Cost.**

**A/H-4332-R&M – Refurbishing cost written off**

On repair/refurbishing/fabrication of new bus body on existing chassis for conversion at Zonal Workshop or by BBW,Miyapur, the total cost (material+labour+overheads) would be transferred to the Depot to which the vehicle is allotted by concerned ZWS/BBW through debit advice. The concerned depot should accept this Debit Advice and pass

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the following Journal Entry.

Debit A/H-2831 – Deferred revenue expenditure –  
(Refurbishing cost).

Credit - IDT

The amount booked under A/H-2831 will have to be charged off to profit and loss account in 36 equal monthly installments from the month in which the Debit Advice is received and accepted.

The monthly Journal Entry to be passed at depot level (for monthly installment amount)

Debit A/H-4332 – R&M – Refurbishing cost written off

Credit A/H-2831 – Deferred Revenue Expenditure – Refurbishing cost.

A suspense Register has to be maintained vehicle-wise for A/H-2831.

In case the vehicle is transferred to another depot within three years, the balance under A/H-2831 should be transferred to the depot to which the vehicle is transferred duly recording monthly rate of installment to be charged off to P&L account. The receiving Depot has to follow the procedure as prescribed under pre-paras until the complete amount is charged off.

ACCOUNTING PROCEDURE for vehicles (vehicle wise list enclosed) which have already been refurbished (MS/GI bodies) by BBW and Workshops from April,2012 onwards and charged off to A/H-5696.

To regularize the amount already debited to A/H 5696, the total cost of the vehicle refurbished should be reversed by crediting A/H 5696, and debiting A/H-2831-Deferred revenue expenditure. The total cost debited to A/H-2831 should be divided by 36 and monthly installments to be arrived at. The total number of months upto December,2012 from the month of receipt of advice should be calculated and the amount to be debited to A/H-4332.

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For Example: If the amount booked to A/H-5696 is ₹7.20 lakhs towards refurbishing cost of the bus body on old chassis in the month of May,2012, the monthly installment would be ₹7.20 lakhs ÷ 36 months = ₹20,000/-. Therefore the JEs to be passed is as follows: (in November,2012 accounts to regularize the transaction upto october,2012)

Debit - A/H-2831	..	₹7,20,000/-	
Credit - A/H-5696	..		₹7,20,000/-
Debit - A/H-4332	..	₹1,20,000/-	
(₹20,000*6 upto Oct'12)			
Credit - A/H-2831	..		₹1,20,000/-

Further, every month ₹20,000/- has to be debited to A/H-4332 and credited to A/H-2831.

The above procedure will be effective from 01-4-2012.

Please acknowledge.

  
VICE-CHAIRMAN &  
MANAGING DIRECTOR

Copy to the following for information and necessary action:

Dir(V&S)/ED(E&IT)/ED(O,MIS&AM)/ED(A&P)/FA&CAO/ED(H&M)&  
Secretary to Corporation.

All Executive Directors(Zones).

CE(IT) for developing software for generating statement in VEMAS and automatic debiting in FACTIS for the deferred revenue expenditure (vehicle-wise).

All RMs/HODs.

All Dy.CMEs/WMs/COSs/Dy.CAOs.

All the Depot Managers/Accounts Officers for necessary action.

All Depot Maintenance Incharges.

AO(Computers) to create the new Account Head as above.