

FINALISATION OF ACCOUNTS

1 Purpose

The purpose of this procedure is to define a system for planning and controls of activities relating to timely preparation of annual accounts of the KSPHC by observing all the formalities required under the statute and also to ensure that the annual accounts represents the true and fair view of the state of affairs of the KSPHC.

1.1 Application

This procedure is applicable to all the financial activities conducted by the KSPHC during any financial year both at the corporate levels and division level.

2.0 Responsibility

Responsibility and Authority for various activities of project management is described in procedure part.

3.0 Terms and definitions

1. **Annual Accounts** - Representation of all the financial transaction in the financial year by drawing Income and Expenditure and Account and Balance Sheet by observing all the requirement of statutes.
2. **Board**- Board of Directors of KSPHC
3. **ETP Cost** - Equipment Toll and Plant cost is nothing but the total establishment and administrative cost in incurred in work contract which is common cost for all the work not directly related to a particular work.

4.0 Procedures

This procedure is to establish a systematic procedure for preparation of annual accounts and supportive statements in a pre determined time schedule. The procedure also ensures that all financial transaction are properly represented in the annual accounts of the KSPHC so that the annual accounts gives true and fair view of the state of affairs of for the given period.

This procedure covers all the processes of financial transactions. Wherever system procedures are established that provide detailed information about that process, relevant procedures have been referenced. In order to facilitate easy understanding of process sequence, project-management process is divided into convenient process.

Following abbreviations and terms are used in the table;

D	=	Document	R	=	Record
CMD	=	Chairman and Managing Director	ED	=	Executive Director
FA	=	Financial Advisor	CE	=	Chief Engineer

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SE =	Superintending Engineer	EE =	Executive Engineer
CAO =	Chief Accounts Officer	CS =	Company Secretary
DES =	Designs	AS =	Account Superintendent
Govt. =	Government of Karnataka	Client =	User department
CA =	Consulting Chartered Accountant		

4.1 Finalisation of Accounts

Sl. No.	Responsibility	Activity description	D / R	D / R Reference
1	FA, CAO	<p><u>Statute requirement in preparing the Annual Accounts:</u> To ensure that all the statutory requirements in recording the day to day transactions and in preparing the annual accounts have been complied and adopted.</p> <p>a) KSPHC is established under the Companies Act, 1956 and is bound to follow principles laid down under Schedule VI of the Companies Act, 1956 in maintaining books of accounts and in preparing the annual accounts.</p> <p>b) As per the section 211 of the Companies Act, 1956 the companies are required to maintain accounts on accrual basis and in preparing the annual accounts, Accounting Standards issued by the Institute of Chartered Accountants of India from time to time needs to be adopted.</p> <p>c) As per the Government Order, KSPHC is to function as no profit no loss organization and accordingly the sum of expenses incurred towards establishments and administrative expenses after netting off against the income generated are allocated to the work expenditure incurred. The interest expenses in term loan incurred will be reimbursed from Government and will be treated as interest subsidiary and have not charged to project as per Government order.</p>	D	Government order No.-----
2	FA, CAO, AS, AS (DIVISIONS)	<u>Preparation of Corporate year end Trial Balance:</u>	D	Annual Accounts File

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	<p>(a) The KSPHC maintains its books of accounts using Tally Accounting Software. The accounts are maintained at Head Office under centralized accounting system. Divisions are the working units for the purpose of recording and accounting financial transactions. All the Divisions execute the works and forward the bills duly verified, recommend for payment at Head Office. The payments for the work done by the division are made at the Head Office by drawing vouchers and recorded in the Tally System. All the concerned files in support of payments are maintained at the Division level.</p> <p>(b) The accounts maintenance in the Divisions are restricted to recording petty cash expenses incurred by them out of the imprest amount provided by the Head Office and recording of certain EMD collected and repaid at the Division level. The division does not keep any funds with them and all the surplus funds are transferred to the account of Head Office at regular intervals. The Divisions also maintain accounts on Tally System and the soft copy of the same is sent to Head Office at regular interval for incorporation in Head Office.</p> <p>(c) At the end of the financial year the corporate consolidated Trial Balance is prepared by following the steps given below:</p> <p>(i) All the transactions made up to the end of the financial year are recorded in the Tally System by following accrual system of Accounting.</p> <p>(ii) It is ensured that all the Bank Accounts transactions as appearing in the Bank pass sheets tallies with the Books of maintained in the Tally System.</p> <p>(iii) All the Divisions are directed to account al the petty expenses incurred for the financial year, by following the accrual system of accounting and forward a soft</p>		
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		<p>copy of Tally Accounting file to Head Office after reconciling the Bank Account for consolidation with the Head Office Accounts.</p> <p>(iv) All the Divisions are directed to send all the Work Bills prepared up to end of the year and also the provisional bill for all works completed up to end of the year for which no works bills have been prepared.</p> <p>(v) At the Head Office pass necessary provisional entry in the Tally System providing for work expenses which are completed as at end but no works bills have been prepared, based on risk sent by division.</p> <p>(vi) Pass necessary provisional entry in the Tally System to account the entire establishment and administrative expenses which are accrued for the year end and no payment have been made.</p> <p>(vii) Pass necessary provisional entry in the Tally System to account all the Income such as interest and Fixed Deposit, other income generation activities which are accrued for the year end and not received.</p> <p>(viii) Ensure all the control accounts maintained in the Tally System tallies with the subsidiary registered maintained, Such as EMD/FSD register, Fixed Deposit Register etc.</p> <p>(ix) Verify the print of soft copy of trial balance received from the Divisions for its correctness and accuracy and incorporate the same in Head Office Tally accounting System.</p> <p>(x) Ensure that all the Statutory Liability has been provided for and paid as per the requirements.</p> <p>(xi) Take print of Corporate ledger wise Trial Balance for verification of correctness and accuracy.</p>	
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		(xii) Calculate the depreciation as per provision of Companies Act 1956 on fixed assets and pass necessary entries in the tally system.		
3	AS (finalisation) FA, CAO,CA, As (funds), ACA	<p><u>Allocation of ETP Cost to various works:</u></p> <p>After preparing the final trial balance prepare Income and Expenditure account and arrive at the cost of construction. This amount is nothing but the total amount of ETP cost for the financial year to be allocated to various projects. ETP cost is allocated among the various works on the followings.</p> <p>a) In respect of Deposit Contribution Works, CDM&D has been authorized by the Board to fix the rate at which the ETP has to be allocated to various works depending upon the nature and quantum of work. Accordingly take approval of C&MD for the rate at which ETP to be allocated to various works, of DCW.</p> <p>b) Deducted from the total of ETP Cost the amount of ETP to be allocated to various Deposit Contribution work as stated in (a) above and arrive the balance ETP cost to be allocated to other works.</p> <p>c) The balance amount of ETP cost as arrived in step (b) above to be allocated proportionately to other works as a percentage of total work cost executed during the financial year.</p>		
4	As (finalisation) FA.CAO,CA As(funds),ACA	<p><u>Preparation of Final Accounts:</u></p> <p>a) In consultation with EEPM arrive the list of works which have been handed over to the user department in DC Works and list of units which have been handed over to the Public Works Department. Ensure that in respect of all works handed over to user department, in DC Works and PWD all the expense incurred and to be incurred are accounted and debited to the respective work.</p> <p>b) Ensure that interest payment and</p>	D	

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		<p>other financial expenses paid against Government Grants are adjusted against budgetary grants received from the Government.</p> <p>(c) Verification scripting of all ledger to ensure according proper groupings</p> <p>(d) Submit the final Trial Balance to the Internal auditors for their verification and make required changes on the comments and notifying of the Internal Auditors if required.</p> <p>e) Prepare Income and Expenditure Account from the final Trial Balance.</p> <p>f) Prepare Balance Sheet from the final Trial Balance while grouping the various works in the Balance Sheet the works which are handed over to PWD are adjusted against Government Grants Account and which are not handed over to the PWD are grouped under the head Work in Progress. In respect of Deposit Contribution works the question of handing over to PWD does not arise and cost of the total work (including ETP) to be adjusted against Deposit amount received.</p>		
5	As (finalisation) FA,CAO,CA As(funds),ACA, CS	<p>Prepare the Draft Income & Expenditure Account, Accounting Policy adopted in preparing the Accounts, Notes to accounts. Analyze the data and compare the same with the previous year to ascertain the accuracy and correctness of the draft annual accounts. Place the draft accounts before the Board for its approval. In case any change in accounting policy compared to previous financial year take separate approval of the board for the proposed change in the accounting policy.</p>	R	
6	FA, CAO	<p>Submit the approved accounts to the Statutory Auditors and AG's Auditors for their audit and reporting. The detailed procedure for audit is as indicated in QSP 22.</p>	R	Board Notes and Board Proceedings
7	CMD,CE, ED, FA, CAO,CS	<p>Board approval for audited annual accounts:</p> <p>(a) Placing the audited accounts before</p>	R	

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		<p>the Board for their adoption,</p> <p>(b) Preparing the draft Directors Report for approval of the Board and the report to include the information required under section 217 of the Companies Act, 1956 and also to highlight the achievements and progress made in financial aspects, physical aspects and innovate aspects.</p> <p>(c) Take the approval of the Board for conducting Annual General Body Meeting for adopting audited accounts.</p> <p>(d) The whole finalisation grants process has to be completed as per the time Scheduled of Companies Act 1956.</p>		
8	FA, CAO, EEQC CA/PRO	<p><u>Printing of Annual Accounts:</u></p> <p>(a) The printing of annual accounts will done with the scheduled time as per Company Act 1956.</p>	R	Check List
9	FA, CAO, CS	<p><u>Adoption of Accounts in Annual General Body Meeting:</u></p> <p>(a) The share holder is served with proper notice as required under Company Act 1956, for conducting of Annual General Body Meeting.</p> <p>(b) Conduct of AGM as per the schedule and adopting of Annual Accounts.</p> <p>(c) Filing annual returns with R.O.C. & I.T. and other statutory bodies.</p> <p>(d) Submit the annual report to legislature/ A.G's Office.</p>	D	Board Notes and Board Proceedings

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5.0 Records

Sl. No	Name of the Record	Authorizing Personnel	Custodian of record	Retention Time
1	Printed Annual Accounts	FA	AS	No time limit
2	Annual Accounts File	CAO	AS	8 years

6.0 Process measures

Sl. No	Name of the process	Process Measure	Method & frequency	Responsibility
1	Annual Accounts Finalisation	Period taken to place the Annual Accounts before the AGM from the end of Financial year	-	-

7.0 Reference

- a) ISO 9001: 2008 Clause Number 7.5.1
- b) Quality Manual Clause Number 7.5.1

8.0 Associated Documents

- a) Procedure for control of documents
- b) Procedure for control of records QSP 02

Approved by : Chairman and Managing Director
