

INDIAN RAILWAYS ACCOUNTING REFORMS- THE WAY FORWARD

**A PRESENTATION
BY
DIPTIMAN DAS
FA&CAO/IROAF**

PRESENT IR ACCOUNTING POLICY- GENERAL-I

- PRESENT ACCOUNTING SYSTEM ON IR IS CASH AND NOT ACCRUAL BASED. THIS IS IN CONSONANCE WITH GOVT. ACCOUNTING RULES BUT, FOR A COMMERCIAL ENTITY, IT DOES NOT GIVE CLEAR PICTURE OF CURRENT LIABILITIES AND ASSETS. IT IS NIETHER TRANSPARENT NOR MEANINGFUL TO OUTSIDERS (MULTILATERAL LENDING AGENCIES/ CREDIT RATING AGENCIES / FINANCIAL INSTITUTIONS). FURTHER PRESENT ACCOUNTING REPORTS ARE NOT MEANIGFULLY USED BY RLY MANAGERS.
- INDIAN RAILWAYS BEING A DEPARTMENTAL COMMERCIAL UNDERTAKING, AS PER ACCOUNTS CODE, PREPARE A PROFORMA BALANCE SHEET AND A PROFIT AND LOSS ACCOUNT IN SUPPORT OF THEIR APPROPRIATION ACCOUNTS. THIS IS RECOMMENDED UNDER RULE 36 OF GOVERNMENT ACCOUNTING RULES , 1990.
- IR DOES NOT FOLLOW A SYSTEM OF DISCLOSING THE SIGNIFICANT ACCOUNTING POLICIES WHICH SHOUD FORM THE VERY BASIS OF PREPARATION OF ANY FINANCIAL STATEMENT (EG., ACCOUNTING OF FIXED ASSETS, DEPRECIATION AND PROVISION OF LIABILITY FOR PENSION, REVENUE RECOGNITION ETC.).NO ACCOUNTING STANDARD(AS) IS FOLLOWED ON IR.

PRESENT IR ACCOUNTING POLICY- GENERAL-II

- IR PROJECTS AN “OPERATING RATIO” AS THE ONLY PARAMETER OF EFFICIENCY. THE SAME CANNOT REPLACE NET PROFIT (PBIT OR PAT) TO TRANSPARENTLY DEPICT ITS FINANCIAL HEALTH AND FOR BENCH MARKING.
- “DIVIDEND’ TO EXCHEQUER’ ON IR IS A MISNOMER AS IT IS PAYABLE IRRESPECTIVE OF PROFIT OR LOSS .THIS IS AN INTEREST ON DEBT IN PERPETUITY WHICH IS BOOKED TO ORDINARY EXPENSES.
- ACCORDINGLY RECOGNITION, MEASUREMENT, DISCLOSURE AND COMPARABILITY IN ACCOUNTS ARE PRESENTLY INACCURATELY DONE OWING TO THE LIMITATION IN IR’s ACCOUNTING.

PRESENT IR ACCOUNTING POLICY – BALANCE SHEET

- LIABILITIES DEPICTED IN B/S ON IR COMPRISE OF INVESTMENTS FINANCED FROM LOAN CAPTIAL (ADVANCED FROM GENERAL BUDGET) AND OTHER FUNDS (EITHER FINANCED FROM INTERNAL RESOURCES OR SPECIAL CONTRIBUTION FROM GENERAL BUDGET OR SHARE OF DIESEL CESS), BALANCES UNDER RESERVE AND OTHER FUNDS/ DEPOSITS LYING IN THE PUBLIC ACCOUNTS OF INDIA AND SUNDRY CREDITORS (DEMAND PAYABLE AND OUTSTANDING DUES).
- ASSETS OF IR COMPRISE OF BLOCK ASSETS (LAND ,STRUCTURES, EQUIPMENT, MOVEABLE ASSETS, INVENTORY AND INVESTMENTS) CREATED OUT OF LOAN CAPITAL AND OTHER RESERVE FUNDS/ DEPOSIT LYING IN GOI, OTHER ASSETS SUCH AS CASH IN HAND, UNREALIZED REVENUES AND SUNDRY DEBTORS.
- THE SCHEDULES IN THE BALANCE SHEET ARE PRESENTLY INADEQUATE TO PROVIDE INSIGHT INTO DIFFERENT ENTRIES.

NEED FOR ACCOUNTING REFORMS-I

- DESPITE BEING A COMMERCIAL ORGANISATION, A TRANSPARENT ,TRUE AND FAIR PICTURE OF PROFITABILITY IS NOT AVAILABLE IN THE ABSENCE OF OBSERVANCE OF STANDARD COMMERCIAL ACCOUNTING PRACTICES.
- ESSENTIAL REQUIREMENT OF STANDARD COMMERCIAL ACCOUNTING PRACTICES MUST BE FOLLOWED BESIDES CONFORMING TO GOVT. ACCOUNTING NORMS. THIS AS A FIRST STEP IS REQUIRED TO BE INCORPORATED IN THE PROFORMA ACCOUNT WHICH ARE KEPT OUTSIDE NORMAL GOVT. ACCOUNTS.
- STRATEGIC DECISIONS ON PRICING, INVESTMENTS, ASSET RENEWAL AND REPLACEMENT & PROFITABILITY PRESENTLY CAN ONLY BE TAKEN BASED ON RESULTS DERIVED FROM STANDARD PRACTICE OF COMMERCIAL ACCOUNTING.
- IT IS A COMMON BELIEF THAT IR UNDERPRICES CERTAIN SERVICES AND UNDER INVESTS & CREATES INADEQUATE DEPRECIATION PROVISION WHICH LEAD TO SUB OPTIMAL ASSET CREATION/MAINTENANCE, PROFITABILITY & GROWTH.

NEED FOR ACCOUNTING REFORMS ON IR - II

- IT IS ALSO AN ACCEPTED BELIEF THAT IF SIGNIFICANTLY DISCLOSED APPROPRIATE NORMS OF COMMERCIAL ACCOUNTING ON DEPRECIATION AND PENSION PROVISION WERE TO BE FOLLOWED AND CORRECT PAYMENT OF INTERST(DIVIDEND AT CHARGE) ENSURED,IR WOULD HAVE POSSIBLY PROJECTED A NET LOSS IN SOME OF THE PAST YEARS.
- 100% FDI HAS NOW BEEN PERMITTED BY GOI. FD INVESTORS AS WELL AS PPP INVESTORS WOULD DEFINITELY REQUIRE CLARITY ON PROFITABILITY OF THE NETWORK THROUGH OBSERVANCE OF GENERALLY ACCEPTED ACCOUNTING POLICY.
- IRFC WOULD FIND IT DIFFICULT TO RAISE CAPITAL WITHOUT THE SUPPORT OF COMMERCIAL ACCOUNTING BASED INDEXES.
- -ANY POSSIBLE RESTRUCTURING INITIATIVE ON IR CAN ONLY BE GUIDED BY FINANCIAL RESULTS DERIVED THROUGH ACCEPTED COMMERCIAL ACCOUNTING PRACTICES.
- - RECENTLY PLANNED REGULATORS WILL INSIST ON THIS INCLUDING TRAIN AND ROUTEWISE COST AND REVENUE DATA.
- -THE NEED HAS ALREADY BEEN ACCEPTED WITH AN INITIATIVE FROM ADB TO FUND ACCOUNTING REFORMS. THE SAME IS NOW REQUIRED TO BE TAKEN TO A FINALITY.

BLOCK ASSETS

- **BLOCK ASSET DETAILS PREPARED ARE NOT BASED ON A FIXED ASSET REGISTER(FAR) WHICH GIVE DETAILS OF EACH ASSET LIKE DATE OF PURCHASE/INSTALLATION, ORIGINAL COST AND LOCATION. (IN THE ABSENCE OF THIS, FOR EXAMPLE, THE PROJECTION OF BLOCK ASSETS OF RS. 2,89,374 CR. FOR 2012-13 DOES NOT PROVIDE MEANINGFUL PICTURE WITH OUT F.A.R BREAK-UP.**
- **THE CAPITAL WORK IN PROGRESS (CWIP) (EXPENDITURE INCURRED ON ONGOING CAPITAL PROJECTS) THOUGH A PART OF THE TOTAL BLOCK ASSETS IS NOT DISTINCTLY SHOWN IN THE FINANCIAL STATEMENT.**
- **THE BALANCE SHEET OF IR DEPICTS BLOCK ASSETS AT THEIR ORIGINAL COST AND NOT AT DEPRECIATED VALUE (WDV). AS PER PRACTICE FOLLOWED IN GOVERNMENT ACCOUNTING, IR DOES NOT DEPRECIATE ITS ASSETS IN ITS FINANCIAL STATEMENTS. HOWEVER, IT DEPRECIATES ITS ACCOUNT AT THE TIME OF REPLACEMENT / RENEWAL OR CONDEMNATION WITHOUT REPLACEMENT .**

INVESTMENTS

- INVESTMENTS SHOWN IN FINANCIAL STATEMENTS DO NOT DEPICT FAIR VALUE TESTED FOR IMPAIRMENT (DIMINUTION IN THE VALUE OF CARRYING COST AS AGAINST REALIZABLE VALUE) AS PER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.
- INVESTMENT OF IR AS PRESENTED IN B/SHEET REPRESENTED THE INVESTMENTS FROM IR CONFERENCE ASSOCIATION EMPLOYEES PROVIDENT FUND AND STAFF BENEFIT FUNDS.
- INVESTMENT IN THE GOVERNMENT COMMERCIAL UNDERTAKINGS, SPECIAL PURPOSE VEHICLES AND JOINT VENTURES ETC., ARE NOT DEPICTED UNDER THE HEAD “INVESTMENT ”. THESE ARE INCLUDED IN THE BLOCK ASSETS AT ITS ORIGINAL COST. BLOCK ASSETS ARE THUS OVERSTATED.

INVENTORY

- AS PER SYSTEM IN VOUGE ON IR, ALL ITEMS PROCURED WHETHER BALANCE IN THE STORES AT THE END OF THE YEAR WAS INCLUDED WHETHER FOR CAPITAL PROJECTS OR REGULAR OPERATION AND MAINTENANCE. THESE WERE ACCOUNTED THROUGH THE STORES SUSPENSE ACCOUNT OPERATED UNDER THE CAPITAL HEAD OF ACCOUNT THE IN THE BLOCK OF ASSETS (FIXED ASSETS).
- THUS THERE IS NO SEPARATION OF ALL ITS FLOATING ASSETS FROM FIXED ASSETS AND THE BLOCK ASSETS. AT THE END OF THE YEAR STANDS OVERSTATED.
- AS THE VALUE OF STORES SUSPENSE IN THE BLOCK ASSETS AT THE END OF THE YEAR IS INCLUDED IN THE CAPITAL AT CHARGE. THIS HAS A BEARING ON THE DIVIDEND PAYABLE BY IR TO THE GOVERNMENT.

SUNDRY DEBTORS AND OTHER RECEIVABLES

- IR BALANCE SHEET DEPICT SUNDRY DEBTORS AND OTHER RECEIVABLES AT ITS BOOK VALUE. SUNDRY DEBTORS MAINLY INCLUDE THE DUES RECEIVABLE FROM POWER HOUSES. RAILWAY SIDING OWNERS, OTHER RECEIVABLES FROM CUSTOMERS AND STAFF.
- THESE DUES ARE DEPICTED AT BOOK VALUE IN THE FINANCIAL STATEMENTS WITHOUT MAKING ANY PROVISION FOR BAD AND DOUBTFUL DEBTS. IN THE ABSENCE OF AGING ANALYSIS AND A POLICY FOR PROVISION FOR BAD AND DOUBTFUL DEBTS, THE REALISABILITY OF THE STATED DUES IS NOT ASCERTAINABLE FROM THE FINANCIAL STATEMENT.
- NO AGING ANALYSIS OF THE OUTSTANDING DUES IS DONE SO AS TO DECIDE ABOUT THEIR REALISABILITY.

REVENUE RECOGNITION

- IR ACCOUNTS FOR THE UNREALIZED INCOME AS REVENUE FOR THE YEAR AND INCOME RECEIVED IN ADVANCE. ADVANCE FARE (3 MONTHS' BOOKING) AND FREIGHT CHARGES IS ALSO TREATED AS REVENUE FOR THAT YEAR.
- AS SUCH THE REVENUE FOR THE YEAR REMAINS OVERSTATED AND CURRENT LIABILITIES STAND UNDERSTATED AS THE SERVICES ARE YET TO BE RENDERED.

DEPRECIATION-I

- THE SYSTEM IN VOGUE IN IR IS TO SET APART AN ADHOC SUM TOWARDS CONTRIBUTION TO THE DEPRECIATION RESERVE FUND BY CHARGING OFF TO THE WORKING EXPENSE AS DECIDED BY RAILWAY CONVENTION COMMITTEE CONSTITUTED BY PARLIAMENT.
- THIS APPROPRIATION IS DONE BASED ON NEED CUM AVAILABILITY BASIS INSTEAD OF IN A SCIENTIFIC MANNER TAKING INTO ACCOUNT THE HISTORICAL COST, EXPECTED USEFUL LIFE AND EXPECTED RESIDUAL VALUE OF ASSET.
- KEEPING IN VIEW OF THE ASSET MIX, IT CAN BE STATED THAT AT LEAST A 4% DEPRECIATION IS CONSIDERED REQUIRED ON BLOCK ACCOUNT. IR HAS DEFAULTED ON THIS. (FOR EXAMPLE IN 1960'S & 70'S, MORE THAN 70% OF TRACK AND OTHER ASSETS BECAME OVERDUE FOR RENEWAL. HON'BLE PM HAD TO BAIL OUT IR BY GRANTING RS. 17,000CR. IN 'SPECIAL RAILWAY SAFETY FUND').
- THIS EXISTING POLICY GIVES LEVERAGE TO IR TO MANAGE THE NET REVENUE SURPLUS AT THE DESIRED LEVEL. FURTHER DUE TO ADHOC PROVISIONING FOR THE DEPRECIATION, PROFIT AND LOSS ACCOUNT DOES NOT GIVE FAIR VIEW OF THE WORKING RESULTS OF IR.

DEPRECIATION-II

- NO DEPRECIATION POLICY MENTIONED AS A DISCLOSURE OF SIGNIFICANT ACCOUNTING POLICY.
- AN ADHOC SUM IS SET ASIDE TOWARDS CONTRIBUTION TO “DEPRECIATION RESERVE FUND” BY CHARGING OFF TO THE WORKING EXPENCES AS DECIDED BY RAILWAY CONVENTION COMMITTEE CONSTITUTED BY PARLIAMENT.
- THE NEED – CUM-AVAILABILITY BASIS IS NOT SCIENTIFIC TAKING INTO ACCOUNT HISTORICAL COST, USEFUL LIFE AND EXPECTED RESIDUAL VALUE.
- THE ‘AVAILABILITY POLICY’ RESULTS IN UNDER PROVISION OF DEPRECIATION AND SUB OPTIMAL/ INADEQUATE MAINTENANCE/REPLACEMENT OF ASSETS/ADHERENCE TO SAFETY REQUIREMENT.
- THE ADHOC NEED BASED DEPRECIATION POLICY IS ALLEGED TO GIVE LEVERAGE TO IR “MANAGE” THE NET REVENUE SURPLUS AT A DESIRED LEVEL AND DOES NOT GIVE A FAIR VIEW OF THE WORKING RESULTS.

CLEAR LIABILITIES

- PARA 220 OF IR ACCOUNTS CODE VOL-1 PROVIDES THAT REVENUE LIABILITY WHICH REMAINS UNDERCHARGED SHOULD BE BROUGHT TO THE ACCOUNTS AS WORKING EXPENSES BY DEBITING SERVICE HEADS AND CONTRA CREDIT TO THE SUSPENSE HEAD CALLED “DEMAND PAYABLE”.
- AS PER NOTE TO PARA 220 OF IR CODE FOR ACCOUNTS DEPARTMENT VOL-I, IR DOES NOT INCLUDE LIABILITIES SUCH AS SETTLEMENT DUES, SUPPLY OF SUNDRY MATERIALS, PAYMENT OF COMPENSATIONS UNDER WC ACT.
- IR DOES NOT MAKE PROVISION FOR LIABILITIES OF ARREAR SALARIES OF PAY COMMISSION LEADING TO FINANCIAL INDICATORS OF DISBURSING YEARS GETTING AVOIDABLY ADVERSELY AFFECTED.
- IR DOES NOT INCLUDE LIABILITIES SUCH AS PAYMENT OF DEFERRED DIVIDEND (WHICH IS BASICALLY AN INTEREST ON DEBT) AND GOVT. RAILWAY POLICE (GRP ENGAGED FOR MAINTAINING LAW AND ORDER).
- NON ACCOUNTING OF THE CLEAR LIABILITIES RESULT IN UNDERSTATEMENT OF EXPENSES AND CURRENT LIABILITIES AND OVERSTATEMENT OF NET PROFIT OF THE RESPECTIVE YEARS.

CONTINGENT LIABILITIES

INDIAN RAILWAYS IN THE FINANCIAL STATEMENTS DO NOT DISCLOSE CONTINGENT LIABILITIES LIKE:

- **GUARANTEES ISSUED TO PUBLIC SECTOR UNDERTAKING/SPV/JV,**
- **PENDING COURT AND ARBITRATION CASES,**
- **DISPUTED CLAIMS PENDING SETTLEMENTS ETC.**

PROVISION FOR RETIREMENT BENEFITS

- PENSION PROVISION SHOULD ADEQUATELY COVER LIABILITY TOWARDS PENSION, GRATUITY AND LEAVE ENCASHMENT.
- PENSION FUND WAS CREATED BY IR TO COVER THE CURRENT PENSION PAYMENTS AS ALSO TO MEET THE ACCUMULATED LIABILITY.
- HOWEVER THE CONTRIBUTION TO THE PENSION FUND IN IR IS BEING MADE, AS DECIDED BY THE RAILWAY CONVENTION COMMITTEE ON THE BASIS OF ACTUAL REQUIREMENT OF PENSION OUTGO EVERY YEAR WITHOUT MAKING PROVISION FOR FUTURE LIABILITIES .
- PRUDENT NORM OF CONTRIBUTION OF SAY 12% OF SALARY BILL IS VIOLATED AS CONTRIBUTION RANGED FROM 0 IN 1960-61 TO 2.9% IN 1975-76 LEADING TO ABNORMALLY HIGH APPROPRIATIONS OF 40% OF SALARY BILL SINCE 2000-01 ONWARDS. THIS SHOULD NOT BE CONTINUED.
- THE PRACTICE OF MAKING PROVISION ON THE BASIS OF ACTUARIAL VALUATION WAS FORMALLY FOLLOWED TILL 1974 AND DISCONTINUED THERE AFTER. NO DISCLOSURE WAS MADE OF THIS SHIFT IN THE FINANCIAL STATEMENT.

SEGMENT ACCOUNTING

- **SEGMENT ACCOUNTING CALLS FOR ADDITIONAL REPORTING BASED ON 'PRODUCTS' AND 'GEOGRAPHIC REGIONS'**
- **ALLOCATION OF COMMON COSTS IMPORTANT.**
- **AS MANDATED BY ACCOUNTING REFORMS ASSIGNMENT, IR'S BUSINESS IDEALLY CALLS FOR ADDITIONAL GENERATION OF SEPARATE P&L AND BALANCE SHEET FOR SAY 'PASSENGER', 'FREIGHT', 'PARCEL' AND 'SUBURBAN TRAFFIC' BUSINESS'.**
- **SEGMENT PROFITABILITY CAN HIGHLIGHT HIDDEN CROSS SUBSIDIZATION AND FAULTY PRODUCT PRICING AND AID STRATEGIC DECISION MAKING .**
- **THIS FORM OF REPORTING IS ALREADY BEEN IMPLEMENTED ON CHINESE RAILWAYS AND CAN ASSIST IN FUTURE DEBUNDLING EFFORTS OF IR.**

REVENUE RECOGNITION

- IR SHOULD BE GUIDED BY ACCOUNTING STANDARDS (AS-9) ISSUED BY ICAI.
- NO DISCLOSURE BY RAILWAYS ON THE POLICY FOLLOWED.
- UNREALIZED INCOME ADDED TO THE CURRENT YEAR'S REVENUE. NO REFLECTION IN RECEIVABLES.
- INCOME RECEIVED IN ADVANCE (THREE MONTHS' PASSENGER AND FREIGHT) ALSO TREATED AS REVENUE FOR THE YEAR. REVENUE REMAINS OVER STATED. CURRENT LIABILITIES STAND UNDER STATED AS SERVICES ARE YET TO BE RENDERED.

ACCOUNTING REFORMS- EXPERIENCE SO FAR -I

- ON REVIEW IN 2003-04, ASIAN DEVELOPMENT BANK (ADB) FUNDED THE PROJECT AT AN ESTIMATED COST OF RS.18.31 CR.
- IR TOOK UP A PROJECT ON ACCOUNTING REFORMS FOR IMPLEMENTATION PRACTICES IN LINE WITH COMMERCIAL ACCOUNTING AND REPORTING. SEPARATION OF ACCOUNTS IS ENVISAGED FOR FIVE SEGMENTS.
- CONSULTANCY CONTRACT AWARDED TO A CONSORTIUM HEADED BY M/S. S.F. AHMED & CO., BANGLADESH WITH M/S. ERNST & YOUNG LEAD PARTNER IN 2005-06 TO MAKE RECOMMENDATIONS ON ACCOUNTING REFORMS.
- THE SCOPE OF THE PROJECTS ENVISAGED RESTRUCTURING BUDGET AND ACCOUNTING SYSTEM TO SUPPORT EXISTING MANAGEMENT INFORMATION SYSTEMS, GENERATE DATA ON REVENUE AND COST TO ASSESS PROFITABILITY OF DIFFERENT BUSINESS OPERATIONS OF IR AND TO PRODUCE FINANCIAL STATEMENTS MEETING ALL THE COMMERCIAL REPORTING REQUIREMENTS.

ACCOUNTING REFORMS-MILE STONES

S.NO.	DESCRIPTION	MONTH/YEAR
1.	SIGNING OF THE CONTRACT AGREEMENT	FEBRUARY 2006
2	COMMENCEMENT OF PROJECT	APRIL 2006
3	COMPLETION OF PROJECT	OCTOBER 2008 (ORIGINAL)
4	INCEPTION REPORT	APRIL 2006
5	CURRENT STATE REPORT	MAY 2006
6	WORKSHOP NO. 1	OCTOBER 2006
7	MID TERM REPORT	DECEMBER 2006
8	WORKSHOP NO. 2	FEBRUARY 2007
9	DRAFT FINAL REPORT (SUBMISSION)	JULY 2010
10	DRAFT FINAL REPORT (ACCEPTANCE)	JANUARY 2011
11	IMPLEMENTATION AT SELECTED LOCATIONS	JULY 2012

ACCOUNTING REFORMS- EXPERIENCE SO FAR -II

- **TARGET PERIOD OF COMPLETION WAS 30 MONTHS.**
- **CONSULTANTS SUBMITTED FINAL REPORT JULY 2010.**
- **EXPENDITURE OF RS. 5.83 CR. MADE UPTO NOVEMBER 2010.**
- **M.R. IN HER BUDGET SPEECH IN FOR 2010-11 ANNOUNCED THE PROJECT TO GRADUALLY MOVE TO ACCRUAL BASED ACCOUNTING.**

RECOMMENDATION-I

- **BASED ON WIDE DISCUSSIONS/WORK SHOPS MAY NOW BE HELD WITH ALL STAKE HOLDERS. WE MAY THEREAFTER COMPLETE THE TASK OF A DETAILED PAN INDIA ACCEPTANCE OF KPMG PROJECT ON ACCOUNTING REFORMS WITH OR WITHOUT MODIFICATION.**
- **IMPLEMENTATION MAY SUBSEQUENTLY BEGIN BY ENGAGING THE SAME CONSORTIUM OR ANY OTHER FIRM FOR ROLL OUT OF THE REPORTING PROCESS WITH IN A TIME BOUND FRAME WORK, OF SAY 1 YEAR.**
- **TEAMS OF CHARTERED ACCOUNTS MAY BE ENGAGED AT RAILWAY BOARD AND ZONAL RAILWAY LEVELS BY INDUCTION AT SAY S.O. LEVEL TO AID THIS THROUGH A SPECIAL RECRUITMENT. THE TEAM CAN ADDITIONALLY HANDLE SERVICE TAX ISSUES.**
- **GASAB IS EXAMINING ADOPTION OF ACCRUAL BASED COMMERCIAL ACCOUNTING SYSTEM IN GOVT, BUDGETING AND ACCOUNTING. THE SAME MAY BE CO-ORDINATED, MONITORED AND EXPEDITED TO MEET IR'S REQUIREMENTS.**

RECOMMENDATIONS-II

- IR MAY DISCLOSE THE SIGNIFICANT ACCOUNTING POLICIES TO BE UNIFORMLY FOLLOWED AND CHANGES PROPOSED FROM TIME TO TIME IN THE PREPARATION OF THE FINANCIAL STATEMENTS .
- THE SCHEDULES AND EXPLANATORY NOTES ON ALL MAJOR ITEMS OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT SHOULD BE INCORPORATED FOR BETTER PRESENTATION AND UNDERSTANDING OF PROFORMA ACCOUNTS.
- ON RECEIPT OF THE RECOMMENDATION OF THE STUDY OF PROVISIONING OF DEPRECIATION BEING CONDUCTED BY RITES,IR MAY WIDELY DELIBERATE AND ACCEPT A POLICY.
- GENERALLY ACCEPTED COMMERCIAL ACCOUNTING PRINCIPLES IN RESPECT OF ACCOUNTING OF FIXED ASSETS, INVESTMENTS, INVENTORIES, SUNDRY DEBTORS AND CLEAR LIABILITIES NEED TO BE DECIDED AND FOLLOWED. REPORTING OF CONTINGENT LIABILITIES SHOULD ALSO BE MADE.

RECOMMENDATIONS-III

- **PROFIT AND LOSS ACCOUNT SHOULD DEPICT INCOME EARNED AND EXPENDITURE INCURRED PERTAINING TO THE FINANCIAL YEAR. IR SHOULD CLEARLY DISCLOSE ITS POLICY ON PROVISION FOR DEPRECIATION AND PENSION.**
- **ACCOUNTING STANDARDS(AS) BASED FINANCIAL REPORTING MAY BE ADOPTED FOR PROFORMA P&L AND B/S TO ENSURE CONSISTENCY AND TRANSPARENCY IN REPORTING AND PROPER PRESENTATION OF FINANCIAL STATEMENTS. ANY DEPARTURE/DEVIATION MAY BE ADOPTED WITH TRANSPARENT DISCLOSURE .**
- **IR SHOULD PREPARE AND WORK ON A ROAD MAP TO PACE UP THE PROCESS OF TRANSITION TOWARDS A SYSTEM OF ACCRUAL BASED GENERAL PURPOSE FINANCIAL REPORTING.**

THANK YOU...

SOURCES :

-ARTICLES ON INTERNET

-AUDIT OBSERVATIONS

-PERSONAL INTERVIEWS.