



Chapter A-01

ELECTRICITY COMPANY**Double Accounting System:**

The final accounts of public utility concerns, such as electricity companies, railways, water supplies, gas companies etc. are prepared following the double account system. Double Account System is a method of presenting the final accounts where a firm prepares two Balance Sheets instead of one. The chief features of the Double Account System are as follows:-

1. The ordinary balance sheet is split in two parts: Capital account: This records all receipt and expenditure on capital accounts. It shows the sources from which the fixed capital has been raised and the purposes for which it has been utilized. The purpose of this account is to give the general public full and complete information about raising and utilization of fixed capital. One part contains fixed assets and fixed liabilities. It is called "Receipt and Expenditure on Capital Account". On each side there are three columns for amount - one column to show figures up to the beginning of the year, the second column to show expenditure (assets) or receipts (liabilities) during the year and the third column to show total. The other part (called General Balance Sheet) contains other assets and liabilities and the balance of the Receipts and Expenditure on Capital Account. In case of electricity companies, however, the total of the expenditure as per Capital Account is shown on the assets side and the total of receipts is shown on the liabilities side.
2. A Revenue Account is prepared which is like the ordinary Profit and Loss Account. Also, a Net Revenue Account is prepared which is like the ordinary Profit and Loss Appropriation Account. The exceptions are as follow: -
 - a) Interest in all cases is debited or credited to Net Revenue Account and not to Revenue Account. In case of Railways, rent on leased land, etc., is also debited to Net Revenue Account.
 - b) Depreciation is debited to Revenue Account and credited to Depreciation Reserve. Depreciation Fixed A/c appears on the liability side of the General Balance Sheet. The amount standing to the credit of depreciation fund is invested in securities outside the business. The depreciation fund and the corresponding depreciation fund investments are shown in the general balance sheet. The fixed assets are shown at cost in the capital account. For the sake of convenience of the readers, we are giving below the prescribed form of important accounts/statements in a concise and summarized manner:

ANNEXURE V**[Sec Section II and Rule 26(3)]**

Electric Licence, 19.....

Date of Commencement of Licence....

Name of undertaking.....

Year of operation.....

No. I

STATEMENT OF SHARE AND LOAN CAPITAL**for the year ended 31st March, 19...****(Applicable to Licensees other than Local Authority Licensees)**

<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
<i>Description of Capital</i>	<i>Balance at the beginning of the year</i>	<i>Receipts during the year</i>	<i>Redeemed during the year</i>	<i>Balance at the end of the year</i>	<i>Remarks</i>
A. Share Capital					
Authorized	...	...	...	...	...
Issued	...	...	...	...	...
Subscribed	...	...	...	...	...
Called up capital	...	...	...	...	...
Less: Calls-in-arrears	...	...	...	...	...
Total paid up capital	...	...	...	...	...

B. Capital Reserve

Share Forfeited a/c	...	...	...	...	...
Share Premium	...	...	...	...	...
Other Items	...	...	...	...	...
	...	...	...	...	...

(a) Loan Capital :

Loan from State Electricity Board	...	...	...	...	...
Debentures	...	...	...	...	...
Unsecured Loans	...	...	...	...	...
Total Loan Capital	...	...	...	...	...

(b) Other Capital :

Contributions from consumers including local authorities	...	...	...	...	...
Total Capital raised and Appropriated	...	...	...	...	...
(A + B + C + D)	...	...	...	...	...

No. II Statement of Capital Expenditure for the year ended 31 March 19...

<i>Particulars</i>	<i>Balance at the Beginning of the year</i>	<i>Additions during the year</i>	<i>Retirements during the year vide Col. 3 statement IIA</i>	<i>Balance at the end of the year</i>	<i>Remarks -</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	
A. Intangible Assets					
(a) Hydraulic Power Plant					
(b) Steam Power Plant					
(c) Internal Combustion Power Plant					
E. Transmission Plant					
(High or Extra High voltage)					
F. Distribution Plant-High Voltage					
G. Distribution Plant-Medium and low voltage					
(a) Public Lighting					
(b) General Equipment					
Total Capital Assets in use.					

The details of assets under each head of Capital Expenditure are as given below:

A. Intangible Assets:

1. Preliminary and Promotional Expenses.
2. Cost of Licence.
3. Other expenses, e.g. expenses incidental to conversion from D.C. to A.C. change of frequency, etc.

B. Hydraulic Power Plant:

1. Land and Rights.
2. Buildings and Civil engineering works containing generating and equipment.
3. Hydraulic works forming part of a hydroelectric system including :
 - i. dams, spillways, weirs, canals, reinforced concrete flumes and siphons.

- ii. reinforced concrete pipelines and surge tanks, steel pipe lines, sluice gates, steel surge tanks, hydraulic control valves and other hydraulic works.
- 4. Water wheels, generators and ancillary equipment including plant foundations.
- 5. Switchgear including cable connections.
- 6. Miscellaneous power plant equipment.
- 7. Other civil works (to be specified)

C. Steam Power Plant:

- 1. Land and Rights.
- 2. Building and civil engineering works containing generating plant and equipment.
- 3. Boiler plant and equipment including plant foundations.
- 4. Engines, Turbines, Generators and ancillary equipment including plant foundations.
- 5. Water-cooling system comprising cooling towers and circulating water system.
- 6. Switchgear including cable connections.
- 7. Miscellaneous power plant and equipment.
- 8. Other civil works (to be specified)

D. International Power Plant

- 1. Land & Rights.
 - a) Buildings and civil engineering works containing generating plant and equipment.
 - b) Engines, Turbines, Generators and ancillary equipment including plant foundations.
 - c) Water-cooling system comprising cooling towers and circulating water system.
 - d) Switchgear including cable connections.
- 2. Miscellaneous power plant and equipment.
- 3. Other civil works (to be specified)

E. Transmission Plant (High or Extra High Voltage)

- 1. Land and Rights
- 2. Building and Structures including civil engineering works containing transmission plant and equipment.
- 3. Substation transformers, transformer kiosks, substation equipment and other fixed apparatus including plant foundations :
 - (i) transformers including foundations having rating of 100 kilo volt amperes and over.
 - (ii) other.
- 4. Switchgear including cable connection.
- 5. Tower, Poles, Fixtures, overhead conductors and devices
 - (i) Lines on steel or reinforced concrete supporters operating at normal voltage higher than 13,2 kilovolts.
 - (ii) Other lines on steel or reinforced concrete supports.
 - (iii) Lines on wood supports.
- 6.
 - (a) Underground cables and devices including joint boxes and disconnecting boxes.
 - (b) Cable duct system.

F. Distribution Plant (High Voltage):

- 1. Land and Rights
- 2. Building and Structures including civil engineering works containing transmission plant and equipment.
- 3. Substation transformers, transformer kiosks, substation equipment and other fixed apparatus including plant foundations :
 - (i) transformers including foundations having rating of 100 kilo volt amperes and over.
 - (ii) other.
- 4. Switchgear including cable connection.
- 5. Tower, Poles, Fixtures, Overhead conductors and devices
 - a. Lines on steel or reinforced concrete supporters operating at normal voltage higher than 13.2 kilovolts.
 - b. Other lines on steel or reinforced concrete supports.
 - c. c . Lines on wood supports.
- 6.
 - (a) Underground cables and devices including joint boxes and disconnecting boxes.
 - (b) Cable duct system.
- 7. Service lines.
- 8. 8. Metering equipment.

G. Distribution Plant (medium and Lower Voltage)

- 1. Land and Rights
- 2. Building and Structures including civil engineering works containing transmission plant and equipment.
- 3. Substation transformers, transformer kiosks, substation equipment and other fixed apparatus including plant foundations :
 - (i) transformers including foundations having rating of 100 kilo volt amperes and over.
 - (ii) other.
- 4. Switchgear including cable connection.
- 5. Tower, Poles, Fixtures, Overhead conductors and devices
 - (i) Lines on steel or reinforced concrete supporters operating, at normal voltage higher than 13.2 kilovolts.
 - (ii) Other lines on steel or reinforced concrete supports.

- (iii) Lines on wood supports.
- 6.
- (a) Underground cables and devices including joint boxes and disconnecting boxes.
- (b) Cable duct system.
7. Service lines.
8. Metering equipment.

H. Public Lighting Street and signal lighting systems :

I. General Equipment (Not allocated to other sub-head)

- | | |
|--|----------------------------------|
| 1. Land and Rights | 6. Workshop plant and equipment. |
| 2. Building and Structures. | 7. Tools and work equipment. |
| 3. Office Furniture and equipment. | 8. Communication equipment. |
| 4. Transportation equipment. | 9. Miscellaneous equipment. |
| 5. Laboratory and meter testing equipment. | |

No. IIA Statement showing the Written-down Cost of Fixed Assets retired on account of Obsolescence, Inadequacy, Superfluity, etc.

<i>Particulars of Assets</i>	<i>Written down cost of asset at the beginning of the year</i>	<i>Written down cost of assets retired during the year</i>	<i>Written down cost of assets sold during the year</i>	<i>Amount realised during the year</i>	<i>Excess of sale proceeds over written down cost transferred in Contingencies Reserve A/c vide Col. 4 of statement VI</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>

No. III Statement of Operating Revenue for the year ended 31st March, 19....

<i>Particulars of revenue</i>	<i>Corresponding Amount for the previous year of account</i>	<i>Amount for the year of account</i>	<i>Remarks</i>
	<i>Rs.</i>	<i>Rs.</i>	
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>

- A. Net Revenue by the sale of Electricity for Cash and Credit:**
1. Domestic and residential
- (a) Lights and fans.
- (b) Heating and small power
2. Commercial
- (a) Lights and fans.
- (b) Heating and small powers.
3. Industrial :
- (a) Low and Medium Voltage.
- (b) High Voltage.
4. Public Lighting
5. Public Water-works and Sewage pumping.

6. Irrigation.
7. Traction.
8. Supplies in bulk to distributing licensees
- Total Revenue by sale of electricity
- B. Miscellaneous Revenue from consumers
 1. Rent from
 - (a) Meters.
 - (b) Electric motors, fittings, appliances and other apparatus hired to consumers.
 2. Service connection fees.
 3. Public Lighting Maintenance.
- Total Miscellaneous Revenue from consumers
- C. Other Revenues:
 1. Sale of Stores.
 2. Repair of lamps and apparatus.
 3. Commission for collection of electricity duty.
 4. Other miscellaneous items (to be specified).
- Total other revenue
- Total Operating Revenues
- Deduct*
- Total Operating Expenses as per Statement IV
- Net Surplus or deficit carried to the Net Revenue and Appropriation A/c Statement X.

NO. IV Statement of Operating Expenses for the year ended 31st March, 19...

<i>Particulars of Expenses</i>	<i>Corresponding amount for the previous year of account (Rs.)</i>	<i>Amount for the year of account (Rs.)</i>	<i>Remarks</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
A. Hydraulic Power Generation			
(a) Operation			
(b) Maintenance			
(c) Depreciation			
Total Hydraulic Power Generation Exps.			
B. Steam Power Generation:			
(a) Operation			
(b) Maintenance			
(c) Depreciation			
Total Steam Power Generation Exps.			

- C. International Combustion Power Generation
 - (a) Operation
 - (b) Maintenance
 - (c) DepreciationTotal Internal Combustion Power
Generation Expenses
 - D. Power Purchased Total Production Expn. (A+B+C+D)
 - E. Transmission(High or Extra Voltage)
 - (a) Operation and maintenance
 - (b) Deprecation on Transmission Plant and equipment (from statement V)Total Transmission Exps
 - F. Distribution (High Voltage):
 - (a) Operation and maintenance
 - (b) Deprecation on Transmission Plant and equipment (from statement V)Total Distribution (H.V) Expenses
 - G. Distribution (Medium & Low Voltage):
 - (a) Operation and maintenance
 - (b) Deprecation on Transmission Plant and equipment (from statement V)Total Distribution (M. and LV Exps)
 - H. Public Lighting:
 - (a) Operation and maintenance
 - (b) Deprecation on Transmission Plant and equipment (from statement V)Total Public Lighting Expenses
 - (a) Servicing, Meter Reading. Billing
Connecting, Accounting, Sales Promotion, etc.
Proportionate salaries, allowances, etc.
Meter reading and inspection
 - J. Rates and Taxes
 - K. General Establishment Charges
Total General Establishment charges
 - L. Other Charges Total Other Charges
 - M. Management Expenses
Total Operating Expenses Transferred to Statement III
-

Statement X**Statement of Net Revenue and Appropriation Account for the year ended 31 March 19...**

<i>Figures for last year Rs.</i>	<i>Particulars</i>	<i>Amount Rs.</i>	<i>Figures for last year Rs.</i>	<i>Particulars</i>	<i>Amount Rs.</i>
1.	To Balance of loss brought forward from last account		1.	By Balance profit brought forward from last account	
2.	To net operating deficit as per Statement III.		2.	By Net Operating surplus As per statement III	
3.	To appropriations (applicable to local authority licensee only)		3.	By interest on securities and investments.	
	(a) Interest on loan capital		4.	By Other receipts (non operating),	
	(b) Instalment of redemption of loan capital, as per col.8 of Statement I-A(I)			e.g. rents (less out goings not otherwise provided).	
4.	To Taxes on income and profit pd.		5.	By Balance or loss carried	
5.	To Instalment written down in respect of tangible assets.				
6.	To instalment of contribution towards arrears of depreciation, as per Statement V Column 6.				
7.	To Contribution towards contingencies Reserve as per Statement VI Columns 3.				
	(a) To Appropriation towards development reserve as per statement VII columns 4 or 8 or 4 plus 8.				
9.	To Appropriation to Tariffs and dividends Control Reserve, as per Statement VII column 3.				
	(b) To Appropriation to Consumers Rebate Reserve, as per Statement VIII column 4.				
	(c) To Other special appropriation permitted by the State Govt., as per Column 3 of Statement IX.				

(d) To Appropriation towards interest paid and accrued and dividends paid /payable.

(a) Interest on debentures.

(b) Interest on other secured loans.

(c) Interest on unsecured loans, advances, deposits, bank overdrafts etc.

(d) Dividends on preference share capital.

(c) Dividends on ordinary share capital.

To Balance of profit carried over.

General Balance Sheet as on 31 March,19.....

<i>Figures for last year Rs.</i>	<i>Particulars</i>	<i>Amount Rs.</i>	<i>Figures for last year Rs.</i>	<i>Particular</i>	<i>Amount Rs.</i>
1	Capital Reserve appropriated vide statement I or I-A		1.	Capital amount expended on Works in use	
	Reserve and Surplus			Statement II.	
2.	Non Statutory Reserve.			Less : Accumulated provision for depreciation	
3.	Contingencies Reserve Fund as per Statement VI.			Statement V	
				Net Block	
4.	Tariffs and Dividends Control Reserve as per Statement VII.	2.		Balance of written down cost of obsolete.	
5.	Consumers' Rebate Reserve as per statement VIII.			inadequate etc.	
				Current Assets:	
6.	Special appropriations (as permitted by the State Govt.)	3.		Capital work-in-progress.	
	reserve as per Statement IX.	4.		Stores and materials in hand :	
7.	Balance of Net Reserve and Appropriations Accounts as per Statement X.			(a) Fuel-Coal and/or oil etc. at cost.	
	Current Liabilities and Provisions			(b) General Stores at or below cost,	
8.	Balance due on construction of Plant Machinery etc.	5.		Debtors for amount paid in advance on account of contracts,	
9.	Creditors on open accounts (as per schedule attached	6.		Sundry debtors for electricity supplied.	
10.	Consumers' security deposits				

11.	Accounts payable (to be specified)	7.	Other debtors (as per schedule attached)
12.	Temporary accommodations, bank overdraft	8.	Accounts receivable (to be specified)
		9.	Investments in statutory securities at cost : (a) Contingencies Reserve Fund Investment (Market value on cl. date) (b) Depreciation Reserve Fund Investment (Market value on cl. date) (c) Other Investments (Market value on cl. date)

Replacement of Asset:

Ordinarily, the amount standing in books against an asset is written off when the asset is replaced by another. The amount spent on the new asset is capitalised. Under the Double Account System, however, the practice is different, Firstly, the account of the asset which is replaced is not affected at all. An appropriate amount out of the new expenditure is charged to revenue or written off and the balance is capitalised. Secondly, the amount to be written off is the amount which would have been spent had the asset been acquired now.

Suppose, a railway station built in 1990 at a cost of Rs.3,00,000 is replaced, in 1996, by a new station costing Rs. 16,00,000, Suppose further that between 1990 and 1996, prices of materials have risen to 2.50%, that labour rates have trebled and that the proportion of materials and labour in the old station is 4.6.

The amount to be written off will be arrived at as under

Total cost of the old station			3,00,000
Proportion of Materials	$3,00,000 \times 4/10$	or	1,20,000
Proportion of Labour	$3,00,000 \times 6/10$	or	1,80,000

Had the station been built in 1996,

Materials would have cost, and	$1,20,000 \times 250/100$	3,00,000
Labour would have cost	$1,80,000 \times 3$	5,40,000
Total		8,40,000

Out of Rs. 16,00,0000 spent in 1996, Rs. 8,40,000 would be written off and Rs.7,60,000.i.e. (16,00,000 – 8,40,000) would be capitalised. The total amount capitalised is Rs. 10,60,000 i.e. Rs. 3,00,000 + Rs. 7,60,000.

The entries to be made are as follows —

- 1. Debit Replacement Account with the amount to be written off,**
Debit Works Account (new) with the amount to be capitalised and
Credit Bank with the amount actually spent.
- 2. If any old materials have been used in the new construction :**
Debit Works Account
Credit Replacement Account
- 3. If any old materials have been sold.**
Debit Bank
Credit Replacement Account.

The logic behind the treatment outlined above is firstly, that additional amount should be capitalised only if there is additional capacity and, secondly, that, when an old asset is replaced, the amount lost is the asset present value rather than its historical cost.

DOUBLE ACCOUNTING SYSTEM AT A GLANCE

1. DOUBLE ACCOUNTING SYSTEM:

Electricity Company accounts are prepared by following the double accounting system. Accounts are made on Double Accounting System because a Public Utility company cannot invest in fixed Assets until & unless it arranges for some long-term liabilities. In other words such companies cannot use its short-term fund for financing fixed assets. Thus in this system of accounting the: -

Balance sheet is prepared in two parts i.e.

- **Capital account:** -
 - ✓ It is a receipt & expenditure on capital account.
 - ✓ Shown in three columns i.e. Opening, during the year, closing.
 - ✓ Preliminary expenses on formation are treated as capital expenditure.
 - ✓ Premium received on issue of shares or debentures is deducted from the proceeds of the issue and the proceeds are shown net.
- **General Balance-sheet**

Profit and loss account in two parts i.e.

- **Revenue Account:** - Similar to P&L a/c. But it should be noted that depreciation is debited to this account and credited to Depreciation Reserve and not to asset account.
- **Net Revenue Account:** - Similar to P&L Appropriation a/c. But it should be noted that interest on loans & debentures are treated as an appropriation and therefore debited to this account. This is done because debentures and loans are considered as part of the capital of the concern.

2. REPLACEMENT ACCOUNTING:

a) <u>Replacement of New Asset</u>			
New Asset Account	DR	(Cash capitalization or Balancing Figure)	
Replacement Account	DR	(Present Value of Old Asset)	
To Bank Account		(Cash Cost of New Asset or Net Payment)	
b) <u>Cost of Auxiliary Assets</u>			
Auxiliary Assets account	DR		
To Bank Account			
c) <u>Use of Old Material in Auxiliary Assets</u>			
Auxiliary Assets account	DR		
To Replacement account			
d) <u>Combined entry for Use of Old material in new asset; Sale of old material; Any balance in Replacement account transferred to Revenue account</u>			
New Asset Account	DR	(Amount of old Material used in New Asset)	
Bank Account	DR	(Sale of old material)	
Revenue Account	DR	(Balancing figure of Replacement account)	
To Replacement Account			

Note :- Auxiliary Assets are any abnormal expenditure for repairing any existing Assets. For Example on a total track of 80 KM, 50 KM is totally replaced but 30 KM is repaired. Thus the track of 30 KM is called Auxiliary Asset and the track of 50 KM is called New Asset.

3. DISPOSAL OF SURPLUS**Step 1****Computation of Reasonable Return (R.R.)**

(RBI rate + 2%) of Capital Base XXXX
 Income from investment (Excluding income from investment against contingency Reserve) .05% of: - XXXX

- Debentures XXXX
- Development reserve balance XXXX
- Approved institution borrowings XXXX
- Electricity Board loans XXXX

Reasonable Return **XXXX**

Less: Clear Profit (i.e. Actual profit after interest & tax) XXXX

Gross Surplus XXXX

Less: Return to customer by rebate in rate XXXX
 (Gross surplus – 20% of R.R.)

Gross Adjusted Surplus XXXX

Step 2**Disposal of gross Adjusted Surplus (G.A.S.)**

- At company disposal XXXX
 (1/3 of GAS or 5% of RR whichever is less)
- Transfer to Tariff & Dividend Control Reserve XXXX
 (1/2 of the Balance)
- Transfer to Consumer Benefit Reserve XXXX
 (1/2 of the Balance)

XXXX

Notes: -**1. Calculation of Capital Base**

- Original cost of fixed assets available for use XXXX
- Cost of intangible assets XXXX
- Original cost of WIP XXXX
- Compulsory investments (contingency reserve) XXXX
- Working capital equal to 1/12th of: -
 - ✓ Book cost of stores, material & supplies at end of each month XXXX
 - ✓ Cash, bank balance, call & short deposits at end of each month XXXX
 (Not exceeding in aggregate 1/4th of the expenditure)

LESS

- Depreciation w/o XXXX
- Intangible assets w/o XXXX
- Loans advanced by Board XXXX
- Loans borrowed institutions approved by SG. XXXX
- Debentures issued by the licensee XXXX
- Security deposits held in cash XXXX
- Tariffs & Dividends Control Reserve XXXX
- Development reserve XXXX
- Amount c/f for distribution to consumers XXXX

XXXX

General conclusion above calculation of Capital Base is that in calculation of Capital Base we take every item except share capital and Investment (other than contingency Reserve investment)

2. Compulsory transfer to Contingency Reserve

Minimum .25% and maximum .50% of original cost of fixed assets must be transferred to contingency reserve until it equals 5% of the original cost of fixed assets.

3. 4% of the opening balance of depreciation fund is charged from revenue account and added to depreciation fund in the balance sheet.**4.** If nothing is given about Bank Rate than it is taken as 10%

Question 1

The ABC Electricity Company decided to replace some parts of its plant by an improved plant. The plant to be replaced was built in 1958 for Rs 27,00,000. It is estimated that it would now cost Rs 40,00,000 to build a new plant of the same size and capacity. The cost of the new plant as per the improved design was Rs 85,00,000 and, in addition material belonging to the old plant valued at Rs 2,75,000 was used in the construction of the new plant. The balance of the plant was sold for Rs 1,50,000. Compute the amount to be written off to revenue. Also pass the necessary Journal entries.

Question 2

An electricity company laid down a main at a cost of Rs 16,00,000. Some years later the company laid down an auxiliary Main for one-fourth of the old Main at a cost of Rs 6,00,000. It also replaced the rest of the length of the old Main at cost of Rs 18,00,000. The cost of material and labour has gone up by 15%. Sale of old materials realised Rs 40,000. Old materials valued at Rs 40,000 were used in renewal and those valued at Rs 60,000 were used in auxiliary Main.

Show necessary Journal entries for recording the above transactions.

Question 3

Bijlee Power Supply Co. Ltd. has built a power station and the connecting lines during the year 1994 the following further particulars are furnished to you:

- i. In the year 1994, the company incurred an amount of Rs 35,78,200 towards purchase of machinery items and Rs 3,97,500 towards labour expenses. The company also used stores worth Rs 7,82,300 from its existing stock which were in godown.
- ii. Extension and replacement was carried out to the power station in the year 1997 at a cost of Rs 15,20,000 out of which material worth Rs 30,000 was used from existing stock for replacement purposes. The extent of replacement was estimated at 20% of original cost.
- iii. The cost of materials and wages in 1997 has gone up by 25%.
- iv. The old material discarded in the process of extension and replacement was of the value of Rs 1,42,000.
- v. Out of the above, material valued at Rs 75,000 was used for extension purposes and the balance not being used was sold for Rs 67,000.

You are required to show the journal entries for the year 1994 and 1997.

Question 4

Electric supply Ltd. rebuilt and reequipped one of their Mains at a Cash Cost of Rs 40,00,000. The old mains thus superseded cost Rs 15,00,000. The capacity of the new Main is double that of the old Main. Rs 70,000 was realised from sale of old materials. Four old motors valued at Rs 2,00,000 salvaged from the old Main were used in the reconstruction. The cost of Labour and material is respectively 30% and 25% higher now than when the old Main was built. The proportion of Labour to Material in the main then and now is 2:3.

Show the Journal entries for recording the above transactions, if accounts are maintained under Double account System.