Electricity Companies.

Double Account System:-

(i) Distribution of profit of Electricity Company.
(ii) Replacement of component.
(iii) Final Account of Electricity Company.

(i) Steps applied for distribution of profit as per Electricity supply Act 1948:-

(a) Reasonable Return & How to calculate it:-

R.R is Computed as follow:-

Capital Base x (Bank Rate + 2%) = —
+ $\frac{1}{2}$% on loan Capital = —
+ Income from Reserve fund Investment = —

R.R. = —

(b) Refund:-

Refund = Profit − 120% of R.R.

P.T.O.

(C) Reward :-

Reward will be lower of following :-

(i) 5% of R.R. (or)

(ii) $\frac{1}{3}$ rd of Surplus after refund.

ie (Profit earned − R.R. − Refund).

(d) Calculation of Tariff & dividend control reserve and consumer benefit amount :-

C.B / TDCR = $\frac{1}{2}$ × [Profit earned − R.R − Refund − Rew

Page 35

Formula of Capital Base :-

	Fixed Asset (Closing Bal.)	—
+	Contingency Fund Investment (Closing Bal)	—
+	Monthly Avg of Current Asset (Avg).	—
+	Preliminary Exp.	—
	(Cost of Intangible Asset)	—
		—
Less :-	Dep. of fixed Asset	—
	Loan	—
	Development Reserve.	—
	Tariff & Dividend Control Reserve (old Bal.)	—
	Consumer Benefit (old Bal.)	—
	Consumer Refund (old Bal)	—
	Security Deposit from Consumer	—
	Consumer Lines	—
	Capital Base.	

(ii) Replacement of Components:-

As per AS-10, Accounting for fixed Asset, whenever any expenditure is incurred which improves performance of asset beyond standards and such expenditure is material then such expenditure is to be captialized.

[Actual Performance is to be ignored for the examination purpose].

Following entries are to be journalized.

(i) When expenditure is incurred:-

Replacement A/c Dr
To Bank A/c.
(Being expense paid)

(ii) for Capitalization:-

Fixed Asset A/c Dr
To Replacement A/c.
(Being amount capitalized)

(iii) for Sale of Scrap:-

Bank A/c Dr
To Replacement A/c.
(Being scrap sold)

(iv) for transferring expenditure to Revenue A/c / P&L A/c :-

Revenue A/c / P&L A/c Dr
To Replacement A/c.
(Being amount written off).

Replacement A/c.

Particular	Amt	Particular	Amt
To Bank (amt incurred)	–	By Fixed Asset (amt capitalized)	–
		By bank (Sale of Scrap)	–
		By Revenue A/c (B.Fig) (Amt written off)	–

How to calculate amount to be capitalized :-

Exp. incurred on replacement	–
+ Reuse of old material.	–
Total expenditure of replacement	–
Current cost of old component	–
Amt to be capitalized.	–

(iii) Final Account of Electricity Companies:-

Following statement are prepared by electricity company:-

(a) Statement of Capital Expenditure.
(b) Statement of Capital & Loan.
(c) General Balance Sheet.
(d) Statement of operating Expenditure.
(e) Statement of operating Revenue / Revenue A/c (P&L A/c)
(f) Net Revenue A/c (P&L App. A/c)

(A) Statement of Capital Expenditure:-

Particular	Op. Bal.	Addition	Deletion	Closing
Land				
Building				
Plant / Machinery.				
Furniture				
Internal Construction				
Plant				
Transformer				
Transmitter				
Public lamp				

(b) Statement of Capital & Loan:-

Particulars	Op. Bal	Addition	Deletion	Closing Bal.
Equity Share Capital				
Pref Share Capital				
Capital Reserve				
Security Premium				
Loan (excluding development loan)				

(C) General Balance Sheet:-

Bal. from Capital & loan	–	Bal. for Capital Exp.	x x x
Revenue		Expenditure –	
Reserve fund	–	(–) Dep. (–)	x x x
Contingency fund	–		
Development fund	–	Investment	–
Current Liabilities	–	Reserve fund	–
		Capital fund	–
		Current Asset	–
		Preliminary Exp.	–

(d) Statement of operating Expenditure :-

All Expenses (Operating or Non operating)	xxx
Total Expenditure	xxx

(e). Statement of operating Revenue / Revenue A/c

	All Incomes. (operating or non operating)	= xxx
(–)	Balance of operating Expenditure	= (xxx)
	Profit.	= xxx
Less:-	Transfer to development Reserve	= (xxx)
	Transfer to Contingency Reserve	= (xxx)
	Clear Profit.	xxx

(f) Net Revenue A/c :-

Particular	Amt.	Particular	Amt.
To Refund	—	By bal. b/d.	—
To Consumer benefit A/c	—	By Clear Profit.	—
To T.D.C.R.	—		
To b.c/d.	—		
	—		—