FINANCIAL STATEMENTS OF ELECTRICITY COMPANIES

1. WEIGHTED AVERAGE RATE OF DEPRECIATION

❖ *RATES OF DEPRECIATION ON DIFFERENT ASSETS ARE AS FOLLOWS:-*

PARTICULARS	RATES
1. FREEHOLD LAND	NIL
2. LEASEHOLD LAND	3.34%
3. BUILDING	3.34%
4. RAILWAY SIDINGS	3.34%
5. STEAM STATION	5.28%
6. SWITCHGEARS TRANSFORMERS	5.28%
7. TRANSMISSION & DISTRIBUTING SYSTEM BOTHOVERHEAD AND UNDERGROUND	5.28%
8. ELECTRICAL FITTINGS & APPARATUS	6.33%
9. FURNITURE FITTINGS & OFFICE EQUIPMENTS	6.33%
10. VEHICLES	5.28%

❖ *FORMAT OF CALCULATING AVERAGE RATE OF DEPRECIATION:-*

ITEM	AMOUNT	RATE OF DEP.	DEPRECIATION
FREEHOLD LAND	XXX	NIL	NIL
LEASEHOLD LAND	XXX	3.34%	XXX
BUILDING	XXX	3.34%	XXX
RAILWAY SIDINGS	XXX	3.34%	XXX
STEAM STATION	XXX	5.28%	XXX
SWITCHGEARS & TRANSFORMERS	XXX	5.28%	XXX
O/H TRANSMISSION & DIST. SYS.	XXX	5.28%	XXX

UNDERGROUND TRANSMISSION & DIST. SYS.	*XXX*	*5.28%*	*XXX*
ELECTRICAL FITTINGS & APPARATUS	*XXX*	*6.33%*	*XXX*
FURNITURES, FIXTURES & OFFICE EQUIPMENTS	*XXX*	*6.33%*	*XXX*
VEHICLES	*XXX*	*5.28%*	*XXX*
TOTAL	**XXXX**		**XXXX**

WEIGHTED AVERAGE RATE OF DEPRECIATION

$$= \frac{TOTAL\ DEPRECIATION}{TOTAL\ VALUE\ OF\ ASSETS}\ X\ 100$$

= XXX

2. ELECTRICITY FORMATS

- *AS PER CENTRAL ELECTRICITY COMMISSION REGULATIONS, 2009*

a) *AVERAGE CAPITAL COST:-*

PARTICULARS	2011-12	2012-13	2013-14
OPENING CAPITAL COST (A)	*XXX*	*XXX*	*XXX*
ADDITIONAL CAPITAL EXP. (ALLOWED ABOVE) (B)	*XXX*	*XXX*	*XXX*

CLOSING CAPITAL COST (A+B)	XXX	XXX	XXX
AVERAGE CAPITAL COST $\left\{\frac{OP.+CL.}{2}\right\}$	**XXX**	**XXX**	**XXX**

b) RETURN ON EQUITY:-
(IF NOTHING SAID IN THE QUESTION TAKE DEBT-EQUITY AS 70:30)

PARTICULARS	2011-12	2012-13	2013-14
OP. CAPITAL (A)	XXX	XXX	XXX
OP. EQUITY = A X 0.3 (B)	XXX	XXX	XXX
ADDITIONAL ALLOWED CAP. EXP. (C)	XXX	XXX	XXX
ADD. EQUITY = C X 0.3 (D)	XXX	XXX	XXX
CL. CAPITAL (B + D = E)	XXX	XXX	XXX
AVERAGE EQUITY $\left[\frac{B+E}{2}\right]$ =F	XXX	XXX	XXX
RETURN ON EQUITY @ 14% [F X 14%]	**XXX**	**XXX**	**XXX**

NOTE: IF NOTHING IS ABOUT THE RATE OF RETURN ON EQUITY THEN TAKE 14%

c) INTEREST ON LOAN

PARTICULARS	2011-12	2012-13	2013-14
OP. CAPITAL (A)	*XXX*	*XXX*	*XXX*
GROSS OP. LOAN = A X 0.7 (B)	*XXX*	*XXX*	*XXX*
CUMULATIVE REPAYMENT OF LOAN UPTO PREVIOUS YEAR (C)	*XXX*	*XXX*	*XXX*
NET OP. LOAN (B - C = D)	*XXX*	*XXX*	*XXX*
ADD. ALL. CAP. EXP. (E)	*XXX*	*XXX*	*XXX*
ADDITIONAL LOAN = E X 0.7 (F)	*XXX*	*XXX*	*XXX*
REPAYMENT OF LOAN IN CURRENT YEAR (G)	*XXX*	*XXX*	*XXX*
CL. LOAN (D+F-G = H)	*XXX*	*XXX*	*XXX*
AVERAGE LOAN $\left[\frac{D+H}{2}\right]$ *= (I)*	*XXX*	*XXX*	*XXX*
WEIGHTED AVG. RATE OF INT. ON LOAN = (J)	*XXX*	*XXX*	*XXX*
INT. ON LOAN = (I X J)	**XXX**	**XXX**	**XXX**

WILL BE GIVEN IN THE QUESTION

d) DEPRECIATION

PARTICULARS	2011-12	2012-13	2013-14
OP. CAPITAL	XXX	XXX	XXX
ADD. CAPITAL	XXX	XXX	XXX
CL.CAPITAL	XXX	XXX	XXX
AVG. CAPITAL COST $\left[\frac{OP.+CL.}{2}\right]$ (A)	XXX	XXX	XXX
LESS: VALUE OF LAND (IF GIVEN) (B)	XXX	XXX	XXX
CAPITAL COST FOR DEPRECIATION (A-B) = C	XXX	XXX	XXX
DEPRECIABLE VALUE (90% X C) = D	XXX	XXX	XXX
DEP. RECOVERED UPTO 2009-10 (E)	XXX	XXX	XXX
DEP. RECOVERED IN 2010-11 (F)	XXX	XXX	XXX
DEP. RECEIVED UPTO PREVIOUS YEAR (E + F =G)	XXX	XXX	XXX
BAL. OF DEP. TO BE RECOVERED (D-G =H)	XXX	XXX	XXX
BALANCE OF USEFUL LIFE LEFT (I)	XX	XX	XX
YEARLY DEP. FROM 2011-12	XXX	XXX	XXX

$\left(\frac{H}{I}\right) = J$			
DEP. RECOVERED UPTO THE YEAR (G+J)	**XXX**	**XXX**	**XXX**

TIPS:

- ✓ DO PRACTICE QUESTIONS FROM PRACTICE MANUAL AND STUDY MATERIAL.
- ✓ ALSO GO THROUGH THE PAST YEAR EXAMINATONS OF ICAI WHICH IS AVAILABLE ON ICAI SITE.