

THANE MUNICIPAL CORPORATION
ACCOUNTING POLICIES USED
IN PREPARATION OF FINANCIAL STATEMENTS FOR
FINANCIAL YEAR 2014-15

A. Basis of Accounting

The accounts have been prepared on a modified accrual basis. This implies recognition whenever possible of major revenue streams when earned and recognition of expenses at the time of passing of the bills regardless of when the related cash flows take place.

B. Revenue Recognition

Significant items of revenue of the Corporation, other than those mentioned hereunder are recognized on the occurrence of the underlying transaction, i.e. on accrual basis.

C. The information provided regarding accounts for the current year was not satisfactory and also no proper accounting entries were passed hence accounts do not reflect true & fair view of the Corporation.

D. Revenue recognition in particular cases

i. Octroi/LBT

ii. Octroi collections and refunds are accounted for on receipt basis. Considering the nature of this revenue, the variation between Accrual and receipt not being significant in value, a modification from pure accrual was considered acceptable. Except in the cases of sums collected on current account and in regard to payment of refunds where there can be certain timing differences the point of accrual and collection is generally the same. ***LBT income accounted for on receipt basis and not all entries were passed properly.***

ii. Property Taxes

Rebates granted against property taxes due are recognized in the year of grant of the rebate but no information regarding rebate granted for current financial year was provided so not taken into account.

iii. Revenue Grants, Subsidies & Special Funds

Revenue from Grants is recognized on cash basis. In earlier years the sums received as MP& MLA fund grants were recognized as revenue of the year in which the same are received. From the year 2007-08 the MP /MLA funds received are treated as a liability until the time that the respective work is completed (As specified in Para 17.11 of NMAM). The asset arising out of the utilization of the said grant is also recognized as work in progress until its completion. *Interest on income from Education PF Investment and Education DCPS Investment is a liability for corporation hence shown under special fund in Balance Sheet.*

E. Previous Years Figures transferred

The Audited Balance sheet In Excel Sheet Format for the year 2011-12 provided was taken into consideration for 2012-13 opening balance and certain amounts were taken which were not present in the trial for the year 2011-12 and the following were accounted for in the year 2012-13 and the same was carried forward in the year 2014-15 as no explanation was provided for the following:

Sr. No.	Audited Balance sheet 2011-12	Treatment in 2014-15	Amount (Rs.)
1.	Schedule 17 -Incl. in Balance with Bank	Suspense Bank (2012B/S)	8336741/-
2.	Schedule 9- Incl. in Employees Liabilities	Suspense (B/S-2012)	540595/-
3.	Schedule 7- Incl. In Deposit from contractors	Suspense- Deposits(B/S-2012)	380007/-
4.	Balance sheet -under Capital Work in progress	Suspense- WIP (2012-b/s))	96998.98/-

F-1.Prepaid Expenses

Expenses such as insurance paid during the year, (a proportion of which may relate to a part of the succeeding financial year) have been apportioned over the actual period to which such expenditure relates whenever necessary information in this regard is available. The divergence in treatment does not result in a material difference and is hence adopted as a part of progressive improvement in compliance with accrual based recognition requirements. *No information regarding provision for prepaid expenses were made available so not taken into account.*

F-2. Establishment Expenses

Establishment expenses include employee costs namely; salary, bonuses, Employee welfare and other related costs but do not include any provision for Pension or gratuity, which is recognized in the year of payment.

G. Earmarked Funds

Earmarked Funds are not represented by specific identified investments as past data regarding receipt of such special /earmarked funds and their utilization is not available. Some of the earmarked funds are coming in the balance sheet since beginning because the same is invested in Chetana Co-op Bank which has been closed down.

H. Secured Loans

Secured Loans obtained from Banks are secured against the escrow of the receivables of four wards.

I. Deposits received, Creditors balances and Other Current Liabilities are unconfirmed, as there is no existing system of having third party confirmations.

1) a) *Fixed Assets*

1. Assets acquired by way of purchase or construction are valued at their cost of acquisition or cost of construction, interest and other allocable indirect expenses incurred during construction period which have not been capitalized.
2. In considering the assets, particularly fixed assets vested with TMC from Gram Panchayat, the strict test of legal title has not been always insisted upon. This is in view of certain pending matter relating to transfer of titles, which are being followed up with the authorities concerned. However, since control of assets is effectively with TMC, the same has been considered as part of the assets of TMC.
3. In determining the cost of acquisition, incidental direct costs have been considered as per the above-referred guidelines. However, borrowing costs and

certain departmental costs which cannot be directly identified with the particular assets have not been included in arriving at the valuation of Fixed Assets.

4. The fixed assets considered in Opening Statement of Affairs as at 01.04.2004 have been identified and compiled based on data/information furnished by the various departments of TMC, particulars of which is furnished as under :

Category of assets	Type of assets included in the category	Method of valuation of the assets	Rate of Depreciation
Land & Building	Land	Ready Reckoner rates	0
	Buildings	Actual Costs	3.34%
Infrastructure assets	Roads & Bridges	Actual costs for roads and Ready Reckoner Rates for Bridges	2% & 20% (See Note 2 below)
	Sewerage & Drainage	As per valuation done by INDO-USAID	3.33%
	Water Ways	As per valuation done by INDO-USAID	3.33%
	Public Lighting	Actual Costs	15%
	Lakes & Gardens	Actual Costs	20%
Plant & Machinery	Plant & Machinery	Actual costs and replacement cost for few items	10%
	Vehicles	Actual costs	15%
	Office & Other Equipment	Actual costs and replacement cost for few items	15%
Furniture & Fixtures	Furniture, Fixtures, fittings and electrical appliances	Actual costs and replacement cost for few items	15%
Computers	Computers		20%
	Computer Software		20%

Notes:

1. Fixed Assets are being depreciated on Straight Line Method, based on the rates consistently being applied by the Corporation.
2. In case of roads, the 40% of the cost incurred on roads is depreciated @ 20% assuming the life of 5 years and the balance 60% is depreciated @2% assuming the life of 50 years.
3. Depreciation has been provided on straight line method. The assets acquired on or after 1st October are depreciated by applying half the rates.
4. *In case of assets capitalized during the year out of Capital Work in Progress, date of completion of assets is not determinable accurately. Hence, depreciation has been provided by applying the rates for full year.*
5. *No statement for auction of vehicle and sale of any assets were provided.*
6. *Land TDO A/c. details were not provided(Land Amenity and Land Acquisition)*

Although all information received from the various departments has been included in the above compilation, the process of physical verification of all the fixed assets is not complete. To the extent of any discrepancy is noticed in the course of physical verification, the above noted assets would undergo a change.

b) *Capital Work in Progress (CWIP)*

Capital expenditure attributable to a particular asset, and incurred in respect of assets which are pending completion or installation, are included in the particular asset or project group under CWIP. All other expenditure, incurred during the completion or construction stage of the asset or project, and which are not reasonably attributable to any particular asset, are classified as unallocated CWIP expenditure to the extent ascertainable, and are allocated to the assets on the completion or construction of the asset or project, as the case may be. All such information regarding assets completed during the year is based on confirmations received from concerned departments.

c) *Capitalization of assets out of Capital Work in Progress (CWIP)*

Assets are capitalized during the year when they are kept ready for use and are considered as completed as per measurement book submitted by engineers.

Assets are capitalized for current year 2014-15 to the extent information provided.

2) *Investments*

Investments reflected in the balance sheet include deposits with Chetana Cooperative Bank Ltd. (Rs. 1,70,94,000/-) which is under a receiver. Legal proceedings for recovery of the deposit and accrued interest have been initiated but the amount of ultimate recovery is doubtful. No provision in regard to possible losses in this regard has been made. Interest accrued on the said deposits has, however, not been recognized as the same cannot be considered presently to be realizable.

Maturity amount of Rs.22774000/- was wrongly credited under the head JNNURM INVST-BSUP-III whereas investment belongs to JNNURM INVST-BSUP-IV therefore same was witnessed in the current year and rectified.

Matured Amount of Education PF investment and Education DCPS investment is a liability for Corporation hence credited to Municipal Fund Investment Receipt A/c under Municipal General Fund on the liability side of the Balance sheet for the current financial year.

3) *Current assets*

Cash and Bank balances: The opening balances of bank accounts as per books maintained by TMC at the time of preparation of opening statement of affairs as at 1-4-2014 were not in agreement with the balance as shown in the bank statements. The reconciliation of some of the accounts were pending, the balance taken as the starting point in the bankbook has been taken in accordance with balance as per books. Total 123 bank accounts are there, and ***no reconciliation statement was provided.*** Some bank accounts are unoperational for last many years. TMC may think about closure of these banks.

No explanation regarding Negative cash balance appearing from the year 2011-2012 of wards were provided. Many Bank Accounts reflected negative balance such as LBT Bank account and ICICI Gateway Payment and no explanation of the above was given.

The process of reconciliation of earlier years is presently ongoing and entries arising out of the said reconciliation shall be given effect to in the subsequent years as and when the specific items are identified

4) *Receivables*

The receivables on account of Estate, Filaria, Advertisement, Kalwa Hospital, Veterinary and Lbt stamp duty are taken on the basis of information furnished by the respective departments. *The year wise breakup of receivables in regard to water department & property-taxes, water charges information was not furnished by the respective department and also other debtors details were not disclosed hence not taken into account.*

5) *Inventories*

Consumable items are treated as expenditure incurred in the year purchased and balance remaining with respective departments as at 31st March (as intimated by them) is adjusted against the said figure of consumption and reflected as stock in hand at the year end. *Details regarding closing stock of all departments were not furnished.*

6) *Contingent Liabilities*

Contingent Liabilities are treated in accordance with AS 4 on Contingencies and events occurring after the Balance Sheet date.

7) *Provisions*

Provisions are made for any liabilities or expenses pertaining to the financial year, which are likely to be incurred, and the same are charged to the appropriate revenue account. *All details regarding expenses for creating provision were not made available.*

8) *Accumulated Advances Related to earlier years*

Advances to others includes advances made to various departments and wards for incurring expenditure in regard to which adjustment entries have been pending for a significant period of time .To that extent the advances represent expenditure of prior years not booked as revenue expenditure.

A special Consideration is required on following accounts i.e Secured Advance Recovery, Advance-Bsup-I and Advance -Jnnurm Sewerage -II which is reflecting negative balance and no explanation provided.

Advances given from head ADVANCE JNNURM-BSUP-I for the amount Rs.11333000 was erroneously recovered through ADVANCE JNNURM -BSUP-II thus an adjustment entry is made for rectification in the current year.

9) Interests on Housing Loan

Interest on Housing Loan to staff is not considered on accrual basis due to absence of adequate underlying data.

10) Municipal Fund Account

This account shows net surplus of assets over liabilities of Municipal Corporation. However certain adjustments are made to Municipal Fund for the year 2014-15 which are as follows:

Particulars	Amount (Rs. In Lacs)	Amount (Rs. In Lacs)
Balance as on 01.04.2014 as per Opening Statement of affairs		126678
<i>Add:</i>		
Old Creditors	Nil	
Transferred to Municipal Fund (vide meeting with CAFO dtd.11.08.2011)		
Special Fund	1350.11	
Transferred to Municipal Fund		
Municipal Fund Receipt	0.125	
Transferred to Municipal Fund		
Municipal Fund Invt Receipt	2091.91	
Transferred to Municipal Fund		
Railway Bridge Reserve Fund	0.00	
Transferred to Municipal Fund		
Salary Reserve Fund		
Transferred to Municipal Fund		
Sewerage Reserve Fund	0.00	
Transferred to Municipal Fund		

Particulars	Amount (Rs. In Lacs)	Amount (Rs. In Lacs)
Land- DRC	0.00	
Acquisition of Land		

Land- Amenity Acquisition of Land	0.00	
Land- DRC Road Acquisition of Land	0.00	
Other additions		
Sub-total of Additions		3442
Less:		
Consolidated Tax Receivable 06-07 Amount of Receivables adjusted as per data given by concerned departments.	0	
Receivables -Tax Dept Upto 31/3/2005 Amount of Receivables adjusted as per data given by concerned departments.	0	
125-BOM-Unpaid Uthasalsar Opening balance difference on account of municipal fund entry passed in tally Rs. 7597.29 dated 30/3/2007 but in bank statement passed in next month.	0	
Tender Deposit/Security Deposit Amounts Adjusted against Voucher No. 2448/18.10.03 & Voucher No. 3041/28.11.03 for SMC infrastructure Pvt. Ltd & Voucher No. 3670/25.03.03 for standard construction.	0	
Tender Deposit/Security Deposit Amount Payable to TMC-JNNURM Under -Ground Sewerage A/c. As a TMC's Fund (Proportionate Percentage) for a project.	0	
Water Pollution Cess Recognition of water pollution cess paid from the year 1984 to 2007.	0	
Election Fund which is transferred to municipal fund	0	
Other Funds		
Sub-total of Reductions		
Net Adjustments to Municipal Fund		
Municipal Fund after adjustments		130120
Add:		
P & L Appropriation A/c as on 01.04.2014	184024	
Surplus for the year 2014-15	24667	
Other additions	2	
Less: Other adjustments	6517	
Total Surplus as on 31.3.2015		202176

Municipal Fund as on 31.03.2015		332296
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