

2.0 EXPENSE CONTROL

2.1 ESTABLISHMENT EXPENSES

Objective

The objective of this chapter is to prescribe the accounting and disclosure norms for employee benefits that The Tea Board should recognize.

Employee costs are incurred for all such employees with whom Tea Board has an 'employer – employee' relationship arising out of a contract / employment arrangement.

Employee benefits are all forms of considerations given by the Tea Board in exchange for service rendered by employees. This obligation is a contractual obligation, based on the terms of employment and stipulation by competent authority from time to time. The various types of employee benefits have been highlighted below:

1. **Short-term employee benefits** are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service.
2. **Post-employment benefits** are employee benefits (other than termination benefits) which are payable after the completion of employment.
3. **Other long-term employee benefits** are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service.
4. **Termination benefits** are employee benefits payable as a result of either:
 - (a) The Tea Board's decision to terminate an employee's employment before the normal retirement date; or
 - (b) An employee's decision to take voluntary retirement.

1. Short-term Employee Benefits

Short-term employee benefits include items such as:

- (a) Wages, salaries and contributions to various funds which are for the benefit of the employees;
- (b) Short-term compensated absences (such as paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related employee service;
- (c) Bonus as per Payment of Bonus Act
- (d) Non-monetary benefits such as medical care, housing, cars and free or subsidized goods or services for current employees.

Accounting Treatment for the above:

All Short-term Employee Benefits

When an employee has rendered service to the Tea Board during an accounting period, the Tea Board should recognize the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

As a liability, to pay, if the amount due is greater than that already paid

As an asset, when the amount paid is greater than that due, or

As an expense at the time of payment

Dearness allowance (DA) means a specific **percentage** of basic pay, paid to employees which could help in mitigating the impact of inflation upon low income earners. Dearness allowance should be calculated as a fixed percentage of (Pay Band and Grade pay) it is to be paid twice in a year. DA norms are announced by the central government from time to time and needs to be adhered to.

Accounting Treatment

The following entry is to be passed on payment of Dearness Allowance

Dearness Allowance A/c Dr

To Bank A/c

House Rent Allowance

Employees generally receive a house rent allowance (HRA) from their employers. This is a part of the salary package, in accordance with the terms and conditions of employment. HRA is given to meet the cost of a rented house taken by the employee for his stay. House

Rent Allowance is received every month which is to be calculated by the payroll officer on the basis of rules prevailing at that time.

Accounting Treatment

The following entry is to be passed on payment of House Rent Allowance

House Rent Allowance A/c Dr

To Bank A/c

Children Education Allowance – .

The Government enterprises and others provide lump sum amount to the employees for the education of their children. The allowance can be claimed on a yearly basis(limit as specified from time to time) per child up to 2 children (subject to changes) is to be allowed which can be claimed by the employee either in lump sum(only in the last quarter) or quarterly as the case maybe.

Accounting Treatment

The following entry is to be passed on payment of Children education allowance

Children Education Allowance A/c Dr

To Bank A/c

Honoraria/Overtime Allowance

The employees who belong to Group-D category and lower division are paid for working overtime. An employee should only be paid for 6 hours overtime even if he or she has worked for more hours on weekdays. On holidays or Sundays payment of only 8 hrs overtime should be made as prescribed by the Government. This is as per ongoing practice. Honoraria are paid very occasionally in the event of any special or unusual service rendered by an employee. There was no Honoraria paid by Tea Board in the last one year, however, as practice, the ledger name is not being changed. Accounting Treatment

The following entry is to be passed on payment of Honoraria/overtime

Honoraria/Overtime Allowance A/c Dr

To Bank A/c

Transport Allowance

Travelling Allowance generally refers to the payment of allowances paid to the staff of any organization for journeys made by them for attending the Board Meeting or for any official tour made for business purposes in accordance to the Travelling Allowance rules prescribed to the organization. It is payable for journey from the residence of the staff of the organization to the very place of meeting or the place where business is transacted and again back to his/her residence

The members of Tea Board are entitled to payment of travelling allowance in accordance to the journey undertaken by them at rates which are applicable for Government servants under the rules framed by the Central Government. The Travelling Allowance paid to the members of Tea Board for any business of the Board should be governed by Central Government rules for the time he or she is employed for the purpose. Travelling Allowance should not be allowed to any member who has drawn allowance from any other source. The Travelling Allowance should be payable from the residence of the member to the place of meeting where business of the Board takes place. The Travelling Allowance should be limited to the amount payable if the journey was restricted to the residence. No Travelling Allowance for journey outside India should be paid to any officer where the journey is not deemed to have been completed.

Travelling allowance needs to be claimed as per a stipulated Travelling Allowance claim form used for this.

Accounting Treatment

The following entry is to be passed on payment of Travelling Allowance

Transport Allowance A/c Dr

To Bank A/c

Medical Charges

Medical expenses incurred by employees are reimbursed after scrutiny. This is called as medical charge. The Board may grant some officers and employee

medical attendance and treatment as are admissible to officers and employees of the Central Government under the rules and orders made by the Central Government and for the time being in force.

Accounting Treatment

The following entry is to be passed on payment of Medical Charges

Medical Charges A/c Dr

To Bank A/c

Special Compensatory Allowance

Special Compensatory Allowance means an allowance granted to meet personal expenditure necessitated by the special circumstances in which duty is performed, but it does not include dearness allowance, sumptuary allowance, or any other allowance. The employees working in the hilly areas of North-East are required to be paid special compensatory allowance. The amount to be paid is prescribed by the Government and varies with locality and pay scale.

All the Allowances payable to employees are reflected under Schedule-20, Establishment Expenses.

Accounting Treatment

The following entry is to be passed on payment of Special Compensatory Allowance

Special Compensatory Allowance A/c Dr

To Bank A/c

Short-term Compensated Absences

Compensated absences mean employees' absences for which they will be paid. eg: vacation or Personal Time off (PTO), holidays and illness

The Tea Board should recognize the expected cost of short-term employee benefits in the form of **compensated absences** as follows:

(a) In the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and

(b) In the case of non-accumulating compensated absences, when the absences occur.

(a)**Accumulating compensated absences** are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. Accumulating compensated absences may be either vesting (in other words, employees are entitled to a cash payment for unused entitlement on leaving the Tea Board) or non-vesting (when employees are not entitled to a cash payment for unused entitlement on leaving).

(b)**Non-accumulating compensated absences** do not carry forward, they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Tea Board.

An obligation arises as employees render service that increases their entitlement to future compensated absences. The obligation exists, and is recognized, even if the compensated absences are non-vesting, although the possibility that employees may leave before they use an accumulated non-vesting entitlement affects the measurement of that obligation.

Disclosure

No specific disclosures required.

2. Post-employment Benefits

This includes

(a) Retirement benefits, e.g., gratuity and pension; and

(b) Other benefits, e.g., post-employment life insurance and post-employment medical care.

Post-employment benefit plans are classified as either **defined contribution plans** or **defined benefit plans**, depending on the economic substance of the plan as derived from its principal terms and conditions.

Defined contribution plans

The Tea Board's obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by the Board and also by the employee to a post-employment benefit plan or to an insurance company.

Recognition and Measurement

When an employee has rendered services and is eligible for **defined contribution plans**, its calculations are straightforward because the Board's obligation for each period is determined by the amounts to be contributed for that period. Consequently, no actuarial assumptions are required to measure the obligation or the expense and there is no possibility of any actuarial gain or loss. Moreover, the obligations are measured on an undiscounted basis, except where they do not fall due wholly within twelve months after the end of the period in which service to the Board during a period, the Board should recognize the contribution payable to a defined contribution plan in exchange for that service:

As a liability, to pay, if the amount due is greater than that already paid

As an asset, when the amount paid is greater than that due, or

As an expense at the time of payment

Disclosure

The Tea Board should disclose the amount recognized as an expense for defined contribution plans.

Defined benefit plans:

The Tea Board's obligation is to provide the agreed benefits to current and former employees, actuarial risk (that benefits will cost more than expected) and investment risk fall. If actuarial or investment experience are worse than expected, the Board's obligation may increase.

Accounting for defined benefit plans

It is a complex procedure because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service.

Recognition and Measurement

Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions by the Board, and sometimes its employees, into an entity, or fund, that is legally separate from the Board and from which the employee benefits are paid. The payment of funded benefits when they fall due depends not only on the financial position and the investment performance of the fund but also on the Board's ability to make good any shortfall in the fund's assets. Therefore, the Board is, in substance, underwriting the actuarial and investment risks associated with the plan. Consequently, the expense recognized for a defined benefit plan is not necessarily the amount of the contribution due for the period.

Accounting for defined benefit plans involves the following steps:

(a) Using actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. The Board should determine how much benefit is attributable to the current and prior periods and to make estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs) that will influence the cost of the benefit.

Accounting for the Obligation under a Defined Benefit Plan

Tea Board should account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any other obligation that arises from the Tea Board's informal practices. Informal practices give rise to an obligation where the Tea Board has no realistic alternative but to pay employee benefits. An example of such an obligation is where a change in the Tea Board's informal practices would cause unacceptable damage to its relationship with employees. Decision of such payments vests with the Board.

Balance Sheet

The amount recognized as a defined benefit liability should be the net total of the following amounts:

The present value of the defined benefit obligation at the balance sheet date **minus** any past service cost not yet recognized **minus** the fair value at the balance sheet date of plan assets (if any) out of which the obligations are to be settled directly.

The present value of the defined benefit obligation is the gross obligation, before deducting the fair value of any plan assets. The Board should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The detailed actuarial valuation of the present value of defined benefit obligations may be made at intervals not exceeding three years. However, with a view that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date, the most recent valuation is reviewed at the balance sheet date and updated to reflect any material transactions and other material changes in circumstances (including changes in interest rates) between the date of valuation and the balance sheet date. The fair value of any plan assets is determined at each balance sheet date.

Where the amount determined above is negative (an asset), the Board should measure the resulting asset at the lower of:

- (a) The amount determined as above; and
- (b) The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits should be measured after discounting.

An asset may arise where a defined benefit plan has been overfunded or in certain cases where actuarial gains are recognized. The Board should recognize an asset in such cases because:

- (a) The Tea Board controls a resource, which is the ability to use the surplus to generate future benefits;
- (b) That control is a result of past events (contributions paid by the Board and service rendered by the employee); and
- (c) Future economic benefits are available to the Board in the form of a reduction in future contributions or a cash refund, either directly to the Tea Board or indirectly to another plan in deficit.

Statement of Income and expenditure

Tea Board should recognize the net total of the following amounts in the statement of income and expenditure, except to the extent that another Accounting Standard requires or permits their inclusion in the cost of an asset:

- (a) Current service cost
- (b) Interest cost
- (c) The expected return on any plan assets and on any reimbursement rights
- (d) Actuarial gains and losses
- (e) Past service cost to the extent it is required to be recognized by the Board
- (f) The effect of any curtailments or settlements and
- (g) the effect of the limit that is (the amount recognized as a defined benefit asset minus the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan)

Disclosure

The Board should disclose information that enables users' of financial statements to evaluate the nature of its defined benefit plans and the financial effects of changes in those plans during the period. The Board should disclose the following information about defined benefit plans:

- (a) The Board's accounting policy for recognizing actuarial gains and losses.
- (b) A general description of the type of plan.
- (c) A reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following:
 - (i) Current service cost,
 - (ii) Interest cost,
 - (iii) Contributions by plan participants,
 - (iv) Actuarial gains and losses,
 - (v) Benefits paid,
 - (vi) Past service cost,
 - (vii) Amalgamations,
 - (viii) Curtailments, and

(ix) Settlements

(d) An analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded.

(e) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognized as an asset showing separately, if applicable, the effects during the period attributable to each of the following:

- (i) expected return on plan assets,
- (ii) Actuarial gains and losses,
- (iii) Contributions by the employer,
- (iv) Contributions by plan participants,
- (v) Benefits paid,
- (vi) Amalgamations, and
- (vii) Settlements.

(f) A reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the assets and liabilities recognized in the balance sheet, showing at least:

(i) The past service cost not yet recognized in the balance sheet

(ii) Any amount not recognized as an asset

(iii) The fair value at the balance sheet date of any reimbursement right recognized as an asset in accordance with paragraph

(iv) The other amounts recognized in the balance sheet.

(g) the total expense recognized in the statement of income and expenditure for each of the following, and the line item(s) of the statement of income and expenditure in which they are included:

(i) Current service cost;

(ii) Interest cost;

(iii) expected return on plan assets;

(iv) Expected return on any reimbursement right recognized as an asset

(v) Actuarial gains and losses;

(vi) Past service cost;

(vii) The effect of any curtailment or settlement; and

(viii) The effect of the limit in the amount recognized as a defined benefit asset **minus** asset minus the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan

- (h) For each major category of plan assets constituting the fair value of the total plan assets.
- (j) A narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets.
- (k) The actual return on plan assets, as well as the actual return on any reimbursement right recognized as an asset
- (l) The principal actuarial assumptions used as at the balance sheet date, including, where applicable:
 - (i) The discount rates;
 - (ii) The expected rates of return on any plan assets for the periods presented in the financial statements;
 - (iii) The expected rates of return for the periods presented in the financial statements on any reimbursement right recognized as an asset
 - (iv) Medical cost trend rates; and
 - (v) Any other material actuarial assumptions used.

The Board should disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables. Apart from the above actuarial assumptions the Board should include an assertion under the actuarial assumptions to the effect that estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

- (m) The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates
- (i) The aggregate of the current service cost and interest cost components of net periodic post-employment medical costs; and
- (ii) The accumulated post-employment benefit obligation for medical costs.

For the purposes of this disclosure, all other assumptions should be held constant. For plans operating in a high inflation environment, the disclosure should be the effect of a percentage increase or decrease in the assumed medical cost trend rate of a significance similar to one percentage point in a low inflation environment.

- (n) The amounts for the current annual period and previous four annual periods of:
 - (i) The present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and

(ii) The experience adjustments arising on:

(A) The plan liabilities expressed either as (1) an amount or (2) a percentage of the plan liabilities at the balance sheet date, and

(B) The plan assets expressed either as (1) an amount or (2) a percentage of the plan assets at the balance sheet date.

(o) the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date.

Example: New Pension Scheme is applicable to all Central Government employees who are appointed on or after 1-1-2004. Employee and employer have to contribute 10% of their (Basic Pay plus DA). The amount is recovered from the salary of the employee. Employee will get interest on the accumulated amount of the contribution at the rate prescribed by the Government. The balance at the yearend of employer's contribution along with interest should be transferred to Receipts and Payment A/C as payment and Income and Expenditure A/C as an expense. New Pension Scheme comes under schedule – 7 (Current Liabilities and Provision) of common format of financial statements.

Salary A/C DR

To Employees Contribution to New Pension Scheme A/c
(At the time of accruing the salary)

Employees Contribution to New Pension Scheme A/c DR

To Bank/Cash
(Payment of Salary)

General Provident Fund refers to the amount contributed by employees as a form of deduction from salary which is credited to the common fund account. The amount collected in the form of general provident account is utilized for final settlement of staff or for providing loan to the staff. On a monthly basis the Pay Roll section of Tea Board prepares a list of staff of Tea Board and their deductions in accordance to their emoluments. The minimum amount that a staff can contribute to General Provident Fund is a percentage specified by the Board of the total emoluments which includes basic plus grade pay but not dearness allowance and the maximum contribution will be restricted to the total emoluments. The General Provident Fund should be calculated on the basis of the Central Government Rules for government staff employed on or after 31st March 2003. The contribution to General Provident Fund should be suspended at the option of the staff during leave, half pay or if he leaves without pay. During last 3 months of service there should not be any recovery of money towards General Provident Fund. At the year end the amount collected in the form of general provident fund should be incorporated in the Schedule 7 of the common format i.e. Current Liabilities & Provisions. The amount should be

shown as a liability which should be paid to the staff during retirement as a part of final settlement or final withdrawal or the staff can claim loan against the amount.

3. Other Long-term Employee Benefits

Other long-term employee benefits include, for example:

- (a) long-term compensated absences such as long-service or sabbatical leave
- (b) jubilee or other long-service benefits
- (c) long-term disability benefits
- (d) sharing of surplus and bonuses payable twelve months or more after the end of the period in which the employees render the related service; and
- (e) deferred compensation paid twelve months or more after the end of the period in which it is earned.

In case of other long-term employee benefits, the introduction of, or changes to, other long-term employee benefits rarely causes a material amount of past service cost. Hence it requires a simplified method of accounting.

This method differs from the accounting required for post-employment benefits insofar as that all past service cost is recognized immediately.

Recognition and Measurement

The amount recognized as a liability for other long-term employee benefits should be the net total of the following amounts:

The present value of the defined benefit obligation at the balance sheet date **minus** the fair value at the balance sheet date of plan assets (if any) out of which the obligations are to be settled directly .

For other long-term employee benefits, the Tea Board should recognize the net total of the following amounts as expense or income, except to the extent that another Accounting Standard requires or permits their inclusion in the cost of an asset:

- (a) current service cost
- (b) interest cost
- (c) the expected return on any plan assets and on any reimbursement right recognized as an asset
- (d) actuarial gains and losses, which should all be recognized immediately;
- (e) past service cost, which should all be recognized immediately; and
- (f) the effect of any curtailments or settlements

One form of other long-term employee benefit is long-term disability benefit. If the level of benefit depends on the length of service, an obligation arises when the service is rendered. Measurement of that obligation reflects the probability that payment will be required and the length of time for which payment is expected to be made. If the level of benefit is the same for any disabled employee regardless of years of service, the expected cost of those benefits is recognized when an event occurs that causes a long-term disability.

Disclosure

Any disclosures may be given which is sufficient to explain the performance of the Tea Board for the period

4. Termination Benefits

The Board should recognize termination benefits as a liability and an expense when and only when:

- (a) The Tea Board has a present obligation as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation

The Tea Board may be committed, by legislation, by contractual or other agreements with employees or their representatives or by an obligation based on business practice, custom or a desire to act equitably, to make payments or provide other benefits to employees when it terminates their employment. Such payments are termination benefits. Termination benefits are typically lump-sum payments, but sometimes also include:

- (a) enhancement of retirement benefits or of other post-employment benefits, either indirectly through an employee benefit plan or directly; and
- (b) salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the Tea Board.

Some employee benefits are payable regardless of the reason for the employee's departure. The payment of such benefits is certain (subject to any vesting or minimum service requirements) but the timing of their payment is uncertain. Although such benefits may be described as termination indemnities, or termination gratuities, they are post-employment benefits, rather than termination benefits.

The Tea Board can provide a lower level of benefit for voluntary termination at the request of the employee (in substance, a post-employment benefit) than for involuntary termination at the request of the Tea Board. The additional benefit payable on involuntary termination is a termination benefit.

Termination benefits are recognized as an expense immediately. Where the Tea Board recognizes termination benefits, the Tea Board may also have to account for a curtailment of retirement benefits or other employee benefits

Measurement

Wherever feasible termination benefits should be provided for based on the estimated outflow on this account

Disclosure

Where there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. The Board discloses information about the contingent liability unless the possibility of an outflow in settlement is remote.

Pension

At least two years prior to the person attaining the age of Superannuation or Retirement (if its earlier) the Head of Office will prepare the pension papers and complete such other formalities as required by the Board.

Full pension is granted to an employee serving not less than ten years in Tea Board. The amount will be 50% of the average emoluments or 50% of emoluments drawn on the date of retirement whichever is more beneficial. In case, of retirement after 01-01-2006, pension shall not be less than 50% of the sum of minimum of pay band plus grade pay.

Every pensioner is eligible to commute a percentage of his monthly pension for a lump sum payment which is the commuted value of pension.(Fraction to be ignored)

If amount admissible for commutation is 40%,emoluments are Rs 25000,period of service is 11 years then Pension= $25000/2$ i.e. Rs 12500.Commutation allowed is 40% of 12500= Rs 5000.

Accounting Treatment

The following entry is to be passed on payment of Pension

Pension A/c Dr

To Bank a/c

Gratuity- Pension is not admissible to a permanent employee retiring before serving five years in the Board. Instead gratuity is payable at the specified rate of emoluments for every such period as prescribed. Retirement gratuity is payable to employees serving less than five years in the Board. Death gratuity is payable to the nominee(s)/eligible member(s) of the family.

Accounting Treatment

The following entry is to be passed on payment of Gratuity

Gratuity A/c Dr

To Bank a/c

Leave Encashment- The competent authority should grant lump sum cash equivalent of leave salary admissible for the number of days of earned leave and half pay leave at the credit of the employee on the last day of service,subject to overall limit of 300 days.

Accounting Treatment

The following entry is to be passed on payment of leave encashment

Leave Encashment A/c Dr

To Bank a/c

Method of Calculation

For Earned Leave: $(\text{Pay} + \text{DA admissible on the date of cessation of service}) / 30 * (\text{Unutilized days of earned leave set max 300 days})$

For Half Pay Leave: $(\text{Half pay leave salary} + \text{DA on that date}) / 30 * (\text{No of days of half pay leave at credit s.t total earned leave and half pay leave, not exceeding 300 days})$

Other allowances or benefits

Liveries refer to the expenditure incurred for the staff of the organization in the form of providing uniform, shoes, umbrellas etc. It is done for the purpose of promoting staff welfare and is a part of staff welfare expenses. The entire amount of expenditure is recorded in the Income & Expenditure A/C and the Receipt & Payment A/C and is reflected in a separate disclosure in schedule-20 i.e. Establishment Expenses of the Common Format of Accounts. Under Establishment Expenses they should form a part of Staff Welfare Expenses.

Supply of free tea refers to the expenditure incurred for free tea supplied to the staff of the Board. The entire expenditure should be shown in the Income & Expenditure A/C and the Receipt & Payment A/c at the yearend in the annual accounts. The entire expenditure incurred should also be shown in Schedule 20 of the Common Format i.e. Establishment Expenses as a part of Staff Welfare Expenses.

Training Expenditure incurred by the Board on training its employees in Accounts related matters from outside organizations, in training programs conducted by Government of India relating to rules & regulations and implementation of establishment management and employees going outstation to attend training programs. These expenses are recorded under the head training expense in Schedule 21 under Administrative Expenses.

Group Saving Life Insurance Scheme refers to the insurance scheme adopted by the organization under which monthly insurance premium is deducted from the monthly salary on the basis of various categories depending upon their salary and grade pay. (The people working in the metropolitan cities, as they are occupied in their day to-day activities where inflation is inevitable, find difficult to provide adequate security for their families, Individual insurance with high premium in fact does not provide adequate insurance protection. Their need for insurance protection during service coupled with adequate savings for carefree retired life remains unfulfilled.)

Objectives of the Scheme

- Protection at low cost without individual evidence of health.
- Attractive returns on savings to meet post retirement needs.
- Simple procedures for granting life cover to large groups' less than one umbrella.

Life Insurance Salary Saving Scheme (LISSS) refers to a scheme which all the members of the organization subscribe to under which a portion of the salary is deducted for the collection of insurance premium which is paid to the individual insurance companies on demand

Employee Benefits in International Perspective

Scope:

All employee benefits are applicable to the Tea Board except IFRS 2 Share-based Payment.

Definition:

Employee benefits are all forms of consideration given by an entity in exchange for services rendered or for the termination of employment.

Short Term Employee Benefits:

Employee benefits are those expected to be settled wholly within the 12 months after the reporting period end, in which the employee has rendered the related services. If the entity's expectations of the timing of settlement change temporarily, it need not reclassify a short-term employee benefit.

Compensated absences

Accumulating – recognize expense when service that increases entitlement is rendered. E.g. leave pay.

Non-accumulating – recognize expense when absence occurs.

All short term benefits

Recognize the undiscounted amount as an expense / liability.

E.g. wages, salaries, bonuses, etc.

Post-Employment Benefits

Employee benefits payable after the completion of employment (excluding termination and short term benefits), such as:

Retirement benefits (e.g. pensions, lump sum payments; and

Other post-employment benefits (e.g. post-employment life insurance, medical care

Defined Benefit Plan

These are post-employment plans other than defined contribution plans.

IAS 19 (2011) prohibits delayed recognition of actuarial gains and losses and past service-cost, with the actual net defined benefit liability/(asset) presented in the statement of financial position.

Statement of financial position

Entities recognize the net defined benefit liability (asset) in the statement of financial position (being equal to the deficit (surplus) in the defined benefit plan and the possible effect of the asset ceiling).

When an entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of

a) The surplus in the defined benefit plan; and

b) The asset ceiling (being the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan), determined using the discount rate in reference to market yields at the end of the reporting period on high quality corporate bonds

Statement of comprehensive income

Actuarial gains and losses are recognized in other comprehensive income in the period in which they occur.

Past-service-costs are recognized in income and expenditure in the period in which they occur.

The net interest on the net defined benefit liability/(asset) is recognized income and expenditure:

Being equal to the change of the defined benefit liability/(asset) during the period that arises from passage of time. Determined by multiplying the net defined benefit liability/(asset) by the discount rate, taking into account actual contributions and benefits paid during the period.

Presentation of the three components of “defined benefit cost”

- 1) Service cost (current, past, curtailment loss/(gain), and settlement loss/(gain) in income and expenditure.
- 2) Net Interest (refer above) in income and expenditure.
- 3) Re-measurements (actuarial gains, the return on plan assets (excl. net interest), change in the effect of the asset ceiling) in other comprehensive income

Defined Contribution Plan

The entity pays fixed contributions into a fund and does not have an obligation to pay further contributions if the fund does not hold sufficient assets.

Recognize the contribution expense /liability when the employee has rendered the service.

Disclosure

IAS 19 (2011) requires extensive disclosures in respect of defined benefit plans, including narrative descriptions of: the regulatory framework; funding arrangements; potential (non-) financial risks; and/or asset ceiling tests.

Other Long Term Employee Benefits

Employee benefits other than short-term employee benefits, post-employment benefits, and termination benefits are included here.

Statement of financial position

Carrying amount of liability = present value of obligation **minus** the fair value of any plan assets.

Actuarial gains and losses and past service costs are recognized immediately in other comprehensive income in full and income and expenditure in full respectively in the statement of comprehensive income.

Statement of comprehensive income

Recognize the net total of: Current service cost + Net interest on net defined benefit liability/ (asset) + re-measurement of the net defined benefit liability/ (asset).

Termination benefits

Employee benefits provided in exchange for the termination of an employee’s employment, as a result of either:

- a) An entity’s decision to terminate an employee’s employment before the normal retirement date; or
- b) An employee’s decision to accept an offer of benefits in exchange for the termination of employment.

Recognize liability and expense at the earlier of:

The date the entity can no longer withdraw the benefit or offer; and

The date the entity recognizes restructuring costs.

If termination benefits settled wholly before 12 months from reporting date then apply requirements for short-term employee benefits.

If termination benefits are not settled wholly before 12 months from reporting date then apply requirements for other long term employee benefits.

LIVERIES

Liveries refer to the expenditure incurred for the staff of the organization in the form of providing uniform, shoes, umbrellas etc. It is done for the purpose of promoting staff welfare and is a part of staff welfare expenses.

Accounting Treatment

Liveries A/c Dr

To Bank A/c

LEAVE TRAVEL CONCESSION

Leave Travel Concession refers to the allowance paid to the officers of the organization for the travelling expenses incurred by them in accordance to the period of leave granted and availed by the organization.

Only employee of the organization who has completed one year of continuous service on the date of journey performed by him/his family are eligible for leave travel concession. If any of the staff is suspended then the concession should be admissible to the family members only. If there is any period of unauthorized absence then it should be treated as a break in service for determining the continuous period of service. For leave travel entitlements related to journey by rail/air/steamer it is restricted to the cost of travel by economy class irrespective of entitlement. If advance is taken for leave travel concession then 90% of the fare should be given provided that the claim should be submitted within one month from the date of journey. The leave travel concession which is not availed in a block of four years should be carried forward to the next four year block. However in case of hometown Leave Travel Concession the concession should be carried forward to the first year of the next block only.

Accounting Treatment

Leave Travel Concession A/c Dr

To Bank A/c

SUPPLY OF FREE TEA

Supply of free tea refers to the expenditure incurred for free tea supplied to the staff of the organization. Free tea which is to be supplied to the staff of the Head Office should be sent to the Tea Room of Tea Board who supplies free tea everyday to every staff of Tea Board 3 times a day and also to important delegates during business meetings held at Tea Board. The cost of free tea provided should include the cost of milk, sugar, tea and cooking gas. The entire expenditure required for the supply of tea should be recorded by the Tea Room in a separate file which should be the expenditure book.

Accounting Treatment

Supply of Free Tea A/c Dr

To Bank A/c

BONUS

Bonus means additional compensation given to an employee above his/her normal wage. A bonus can be used as a reward for achieving specific goals set by the company, or for dedication to the company.

As per government norms bonus is paid to an employee on fulfillment of the following two conditions:

- Continuous service for 6 months
- Should be in employment as of 31st March of the relevant financial year

Bonus is computed as $3500 \times 30 / 30.4$ presently

Accounting Treatment

Bonus A/c Dr

To Bank A/c

GRANT-IN-AID TO RECREATION CLUB and HOLIDAY HOME

Recreation club as well as holiday home are separate entities to which the Tea Board gives grant as the expenditure incurred by both are for welfare of the employees. A nominal amount is paid to them and is recorded under the head Establishment Expenses as Staff Welfare Expense (Schedule-20)

Accounting Treatment

Grant-in-aid to Recreation club/Holiday home A/c Dr

To Bank A/c

SOCIAL SECURITY & WELFARE

The Tea Board gives a particular amount to the employees for meeting the expenses on death of any of the family member.

Accounting Treatment

Social Security & Welfare A/c Dr

To Bank A/c

FOREIGN ALLOWANCE

The allowances given to the employees of foreign offices by their respective foreign office are altogether shown under the head Foreign Allowance. For details one can refer to the Foreign Office section of the manual

Accounting Treatment

Foreign Allowance A/c Dr

To Bank A/c

OPERATING EXPENSE FOR STAFF CANTEEN

A canteen is run by Tea Board for the employees and to meet the expenditure the Non-Plan department gives a particular amount to the Manager of the canteen which is recorded under the head Establishment expenses (Staff Welfare Expense)

Accounting Treatment

Operating expense for canteen A/c Dr

To Bank A/c

EMPLOYER'S CONTRIBUTION TO NEW PENSION SCHEME

New Pension Scheme (NPS) is a defined contribution based pension system launched by Government of India with effect from 1 January, 2004. This scheme is applicable to all Central Government employees except Armed Forces.

In New Pension Scheme both employer and Employee has to contribute. The contribution of employer is recorded under this head and the following entry is to be passed:

Accounting Treatment

Employer's Contribution to NPS A/c Dr

To Bank A/c

All the Salary and Allowances and other welfare expenditure on employees are to be reflected in the Receipts and Payment A/c and Income & Expenditure A/c under the head Establishment Expenses (Schedule-20, as per Common Format)

.

2.2 OTHER ADMINISTRATIVE EXPENSES

The expenses that an organization incurs not directly tied to a specific function such as manufacturing/production or sales. These expenses are related to the organization as a whole as opposed to an individual department; also referred to as "administrative cost." Expenditures related to the day-to-day operations of a business. General and administrative expenses pertain to operation expenses rather than to expenses that can be directly related to the production of any goods or services. General and administrative expenses include rent, utilities, insurance etc. General and administrative expenses encompass a variety of expenses associated with performing the daily operations in a company. In the company's

income statement, these expenses will generally appear under operating expenses. Legal expenses, other professional expenses may also be included.

Accounting Entries:

Expense A/c Dr

To Cash/Bank A/c

However, few of the expenditures incurred have been described below.

It must be noted that a distinction between capital and revenue expenditure must clearly be made.

An expense is considered to be a capital expenditure when the asset is a newly purchased capital asset or an investment that improves the useful life of an existing capital asset. If an expense is a capital expenditure, it needs to be capitalized; this requires the company to spread the cost of the expenditure over the useful life of the asset. If, however, the expense is one that maintains the asset at its current condition, the cost is deducted fully in the year of the expense.

2.2.2 FOREIGN CURRENCY TRANSACTION:

- i. As per GFR Rule 70. The accounts of Government shall be maintained in Indian rupees. All foreign currency transactions and foreign aid shall be brought into account after conversion into Indian rupees.
- ii. The transaction with respect to expense or income during the year is to be converted at the conversion rate on the date the expenses had been incurred and income is to be booked.
- iii. All amount recoverable and payable as at the close of the year in foreign currency are accounted for at the current rate of exchange prevailing on 31st march.
- iv. All exchange variations arising out of current assets and current liabilities at the end of the year are taken to income and expenditure.
- v. Exchange variations on account of fixed assets are being adjusted to respective assets.
- vi. As per GFR Rule 241. Repayment of loans: Office of Controller of Aid Accounts and Audit shall be responsible for prompt repayment of principal on the due date as per the agreements. The remittance of foreign currency is arranged.

Public Sector Commercial Banks and Reserve Bank of India. The Rupee equivalent and the amount of foreign currency remitted shall be intimated by the Banks to Controller of Aid Accounts and Audit. The Rupee equivalent of the foreign currency remitted is credited to the respective Banks' account maintained at Reserve Bank of India, New Delhi, by debit to Controller of Aid Accounts and Audit's account as per standing arrangement. On the receipt of the advice from Reserve Bank of India, New Delhi, Controller of Aid Accounts and Audit shall debit the concerned loan account in the Consolidated Fund of India. The repayment of loans shall be classified as charged expenditure.

- vii. Approvals for disbursal of foreign currency shall be given by authorized officials.
- Cash flows arising from transactions in a foreign currency should be recorded in enterprise's reporting currency by applying the exchange rate at the date of the cash flow.
 - Initial recognition of a foreign currency transaction shall be by applying the foreign currency exchange rate as on the date of transaction..
 - At each Balance Sheet date foreign currency monetary items such as cash, receivables, and payables shall be reported at the closing exchange rates unless there are restrictions on remittances or it is not possible to affect an exchange of currency at that rate. In the latter case it should be accounted at realizable rate in reporting currency. Non-monetary items such as fixed assets, investment in equity shares which are carried at historical cost shall be reported at the exchange rate on the date of transaction. Non-monetary items which are carried at fair value shall be reported at the exchange rate that existed when the value was determined.

The following information should be disclosed in the financial statement by way of Notes to the extent which is relevant

- FOREIGN CURRENCY TRANSACTIONS Current Year Previous Year
- ⇒
- ⇒ Expenditure in foreign currency:
- Travel
 -
 - Other expenditure if any
 - Miscellaneous Expenses

Foreign currency dealings in foreign office has been dealt with in the section overseas branch offices.

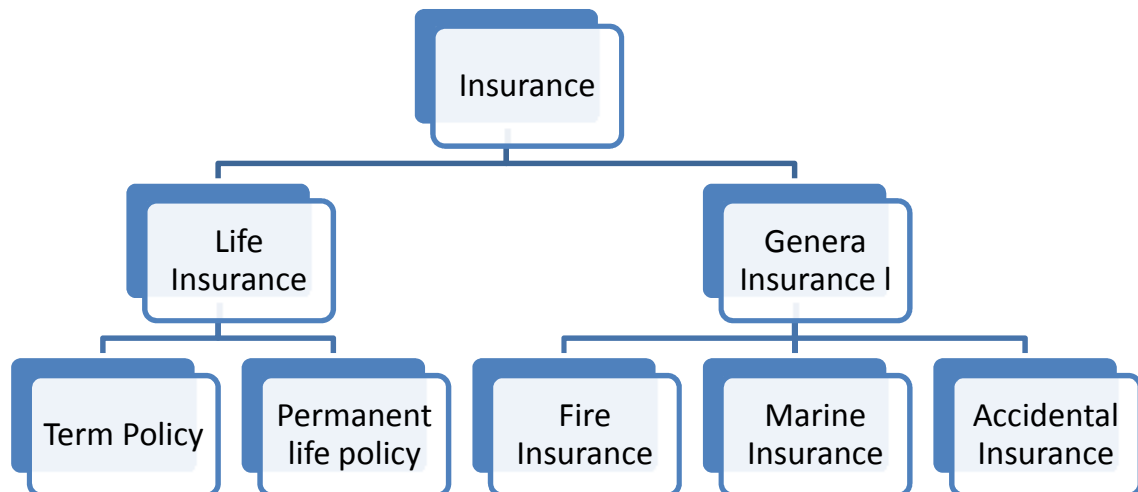
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2.2.3 INSURANCE

Introduction: Insurance is a contract (policy) in which an individual or entity receives financial protection / reimbursement against losses from an insurance company. The insurance is generally subdivided in two categories



The type of policies to be taken will vary from organization to organization and it also depends on the nature of activity. With the change of functionality the type of coverage will also change, but as a general prudence the policies like fire, earthquake, burglary, cash, motor etc.

Fire Risk – Assets can be covered against loss from fire. The respective location should send their recommendations for taking insurance cover, along with the sum insured required. They should also indicate any special risks that are to be covered by insurance. The scope of cover and the assets to be covered are to be done in consultation with the technical personnel of user departments.

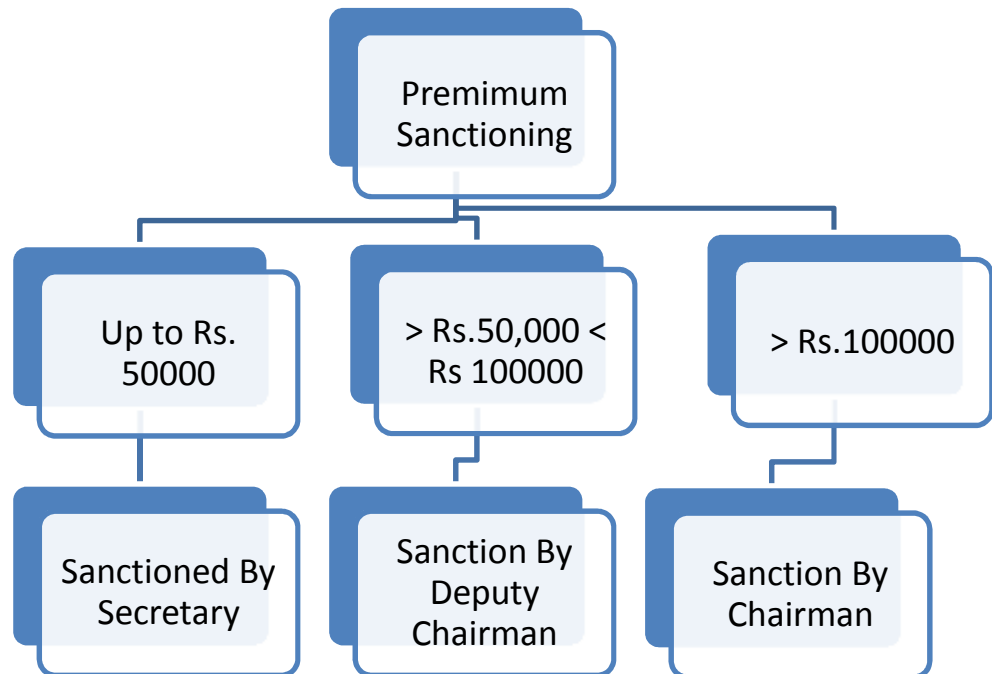
Special Declaration policies – The items covered under this policy would be those items held in Stores, Stock of consumables, Diesel, etc.

Cash insurance – All location where there is a cash section or cash is handled for disbursement purposes, insurance cover should be taken to cover cash in hand/chest and movement of cash from bank to the locations and back to bank.

Motor policies – Insurance cover is to be taken for mobile equipment's that are assets of the Company. This would include material handling equipment's in Stores etc.

Marine Insurance – Insurance cover should be taken if required to cover movement of valuable items and materials.

Initial proposals for insurance cover should be necessarily approved for the sum insured indicated therein, by the respective HODs and Directors. Every year it should be evaluated with respect to under or over insurance with respect to each policy. It must be ensured that once the asset has been discarded / or scraped /or sold the policy should be discontinued.



Sanctioning:

If the insurance premium is up to Rs. 50000 then it is sanctioned by the secretary, if it is greater than Rs. 50000 and less than Rs. 100000 then it is sanctioned by the deputy chairman and if it is greater than 100000 then it is sanctioned by the chairman.

Suggestion

The insurance policies of various assets of Tea Board such as building, cars, machinery and cash in transit are maintained by the Stores Department.

The Stores Department should maintain details regarding all the insurance policies and the amount of premium payable in a separate file. The details should include the due date of payment of insurance premium against each policy. The entire premium should be paid within the due date.

In case of failure the reasons for it should be recorded in this file. It should be then sent to the Cash Section for creation of payment vouchers. The Cash Section should make payment of insurance premium and the expense is to be posted in the cash book.

Once the payment has been made and entry has been passed the Stores Department should be intimated and it should record the date of payment against the due date of payment.

The Accounts Section records the entries in the General Ledger. The Stores Department should keep both vouchers and receipt of payments under safe custody. The total insurance expenses are recorded in the debit side of Income & Expenditure A/C and the credit side of Receipts & Payments A/C. The total insurance premium payment is shown as insurance expenses under the Schedule 21 of the common format of accounts i.e. Other Administrative Expenses.

At the year end the insurance expenses should be allocated in mercantile system and here the concept of prepaid or outstanding concept will be relevant.

Prepaid: By prepaid it denotes the amount of premium attributable to the period falling after the account closure.

Example 1: if the premium of Rs 18000 is paid on 23.12.12 for the policy effective date 31.12.12. That means that the premium has been paid for the period 31.12.12 to 30.12.13. so the premium attributable for the year ending 31.03.13 the premium for JAN, Feb & March 13 will be current year expenses and balance from April 13 to 30.12.13 will be prepaid amount. In this case the prepaid insurance amount will be Rs $(18000/365 * 274) = 13512.33$ and premium attributable for the financial year will be Rs. $(18000 - 13512.33)$ or $(18000/365 * 91) = 4487.67$ the calculation is done day wise

EXAMPLE 2: The Board incurs Rs 6000 on insurance premium paid for insurance of the car owned by the enterprise. There is a prepaid amount of Rs 2000 for the subsequent financial year. What will be its accounting treatment in the books of accounts?

ANS:-The journal entry has to be passed in the General Ledger Book and Cash Book as follows:-

Insurance A/cDr	4000	
Prepaid Insurance dr	2000	
To Cash/Bank A/c		6000

At the year end the amount is reflected in the books of accounts as follows:-

INCOME & EXPENDITURE A/c as on.....

EXPENDITURE	AMOUNT(Rs)
INSURANCE	4000
	0

RECEIPT & PAYMENT A/c as on.....

PAYMENT	AMOUNT(Rs)
INSURANCE	6000

SCHEDULE 21: OTHER ADMINISTRATIVE OVERHEAD

PARTICULARS	AMOUNT(Rs)	
INSURANCE	6000	
Less: Prepaid	(2000)	4000

Data Flow Diagram Stage 1



The Register should be in following format regarding insurance policy

Serial No.	Policy no	Policy description	Insurer	Sum insured	Gross premium	Net premium	Risk date	
							Start date	End date

Regarding Premium payment record

Description of policy _____

Sum Insured _____

Insurer: _____

Insurer Contact Details: _____

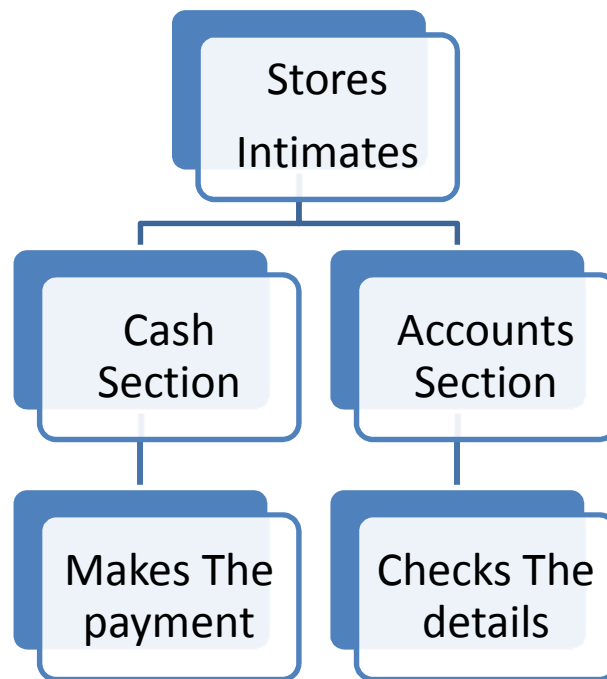
Agent details If any:

Name _____ Address _____ Phone No _____

Description of asset if any _____

Serial No	Policy Number	Date of Renewal	Next Premium Due Date	Date of payment	Cheque No	Bank Name	Amount	Receipt No	Remark	If premium not paid Reason for the same	New Policy received

Data Flow Diagram Stage 2



The following entry is passed by cash Department

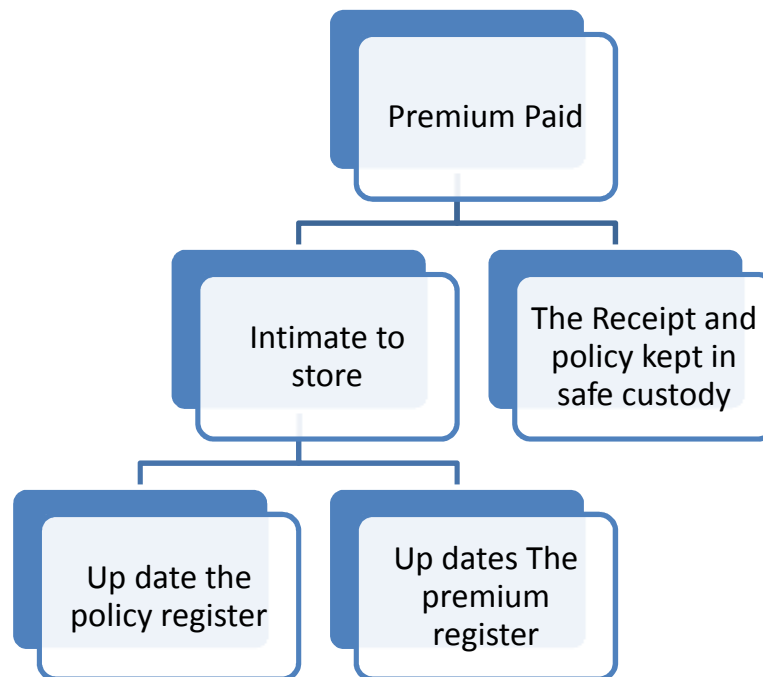
Insurance A/C Dr.

Prepaid Insurance A/cDr.

To Cash/Bank A/C

(Being Insurance premium paid for policy No..... against)

Stage 3



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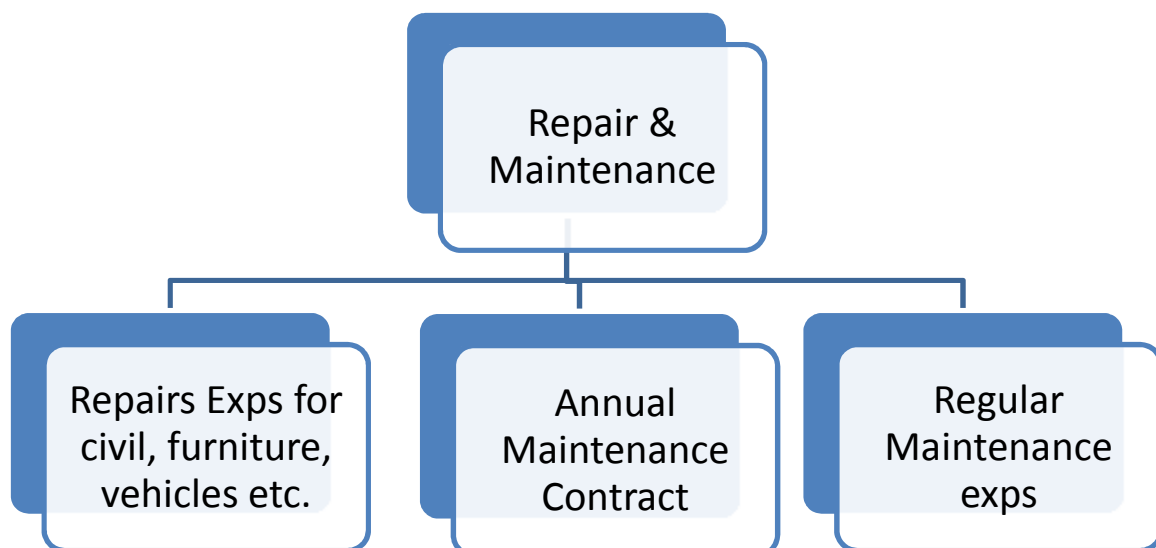
2.2.6 REPAIRS AND MAINTENANCE

INTRODUCTION

The costs incurred to bring an asset back to an earlier condition or to keep the asset operating at its present condition (as opposed to improving the asset) can be classified as 'Repairs and Maintenance'. This expense is of revenue nature.

Repairs and maintenance classifications can vary greatly depending on the activity type, policies, and procedures. The important question that arises is, should a particular expenditure be treated as revenue or capital expenses? For example, if in an organization there is a building and repairs to its structures (like walls doors etc.) are done then it will be revenue But if a new Lift has been added (and previously there was no lift) then the expenses on lift will be capitalized. What will happen if the old lift is replaced by a new one? It is imperative that these types of accounts be reviewed for an accurate and current determination.

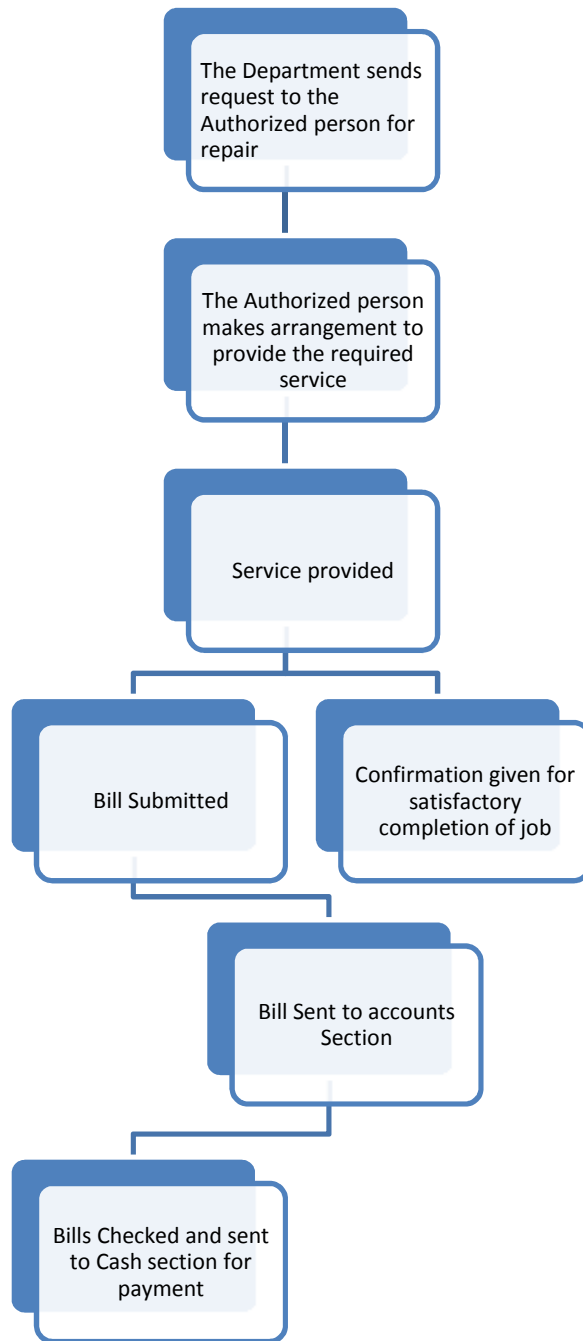
To maintain certain Equipments/Items such as Air Conditioner/Coolers, Water Filter etc, Annual Maintenance Contract is awarded to Contractor and Payment is released as per Terms and Rates of Contract against Departmental in charge Certification. The claim from the Contractor is debited to the repairs and maintenance A/c., same is the case with Office Maintenance and other maintenance head.



ANNUAL MAINTAINANCE CONTRACT

- Processing of payments against work orders, repair orders, vehicle repair bills.

- Separate register should be maintained for work orders and repairs orders including AMC.
- On receipt of the bill, the particular Measurement Book(MB) wherein the details of schedule of work is entered, is verified for the physical quantities and is checked with reference to job and work order. The contents of MB should be signed by the HOD and also by the contractor.
- The running bill should be enclosed with Quantity Verification and Progress Report (QVPR) and check list, duly signed by the HOD & the contractor.
- The final bill should have QVPR, check list, no claim, no demand and work completion certificates duly signed by the HOD and the contractor respectively.
- On scrutiny of the above details the rates claimed in the bill is checked with the work order referred.
- Payment is released in accordance with the terms of payment specified in the work order after effecting the Statutory recoveries, SD &LD as per the terms of work order . The SD is released after the successful completion of the maintenance period, on receipt of maintenance certificate signed by the engineer/ officer in-charge.
- All the bills are entered in the respective registers maintained separately for work orders, repair orders including AMC.



The Accounting process

- Schedule-21- Other Administrative Expenses Includes expenses incurred on repairs and maintenance
- The following entry should be passed once the bills are passed
Repairs & Maintenance A/cDr
To Vendor account A/c
(Being repairs & maintenance expenditure incurred)

Vendor A/cDr
 To Cash/Bank A/c
 (Being cash/ ch.no Paid on account repairs& maintenance
 expenditure incurred)

- In case the payment is not made within the year end, the liability for bills payable will be transferred to current Liability for the value of the credit balance in the Vendor account.
- The expense of Repairs & Maintenance A/c is to be transferred to Receipts & Payment A/C and Income & Expenditure A/c

Income & Expenditure A/cDr
 To Repairs & Maintenance A/c

Suggestion

The Department should send request to Authorized person for repair or maintenance of its fixed asset. The Authorized person should make arrangement for service provider to provide the required service. After service is provided the bill is to be audited by the audit section and sent to cash section for payment. The Cash section after making the payment should pass an entry in the Cash Book and Accounts Officer should record it in General Ledger under the head Repairs & Maintenance A/C. The yearend balance of this A/C is to be transferred to Receipts & Payment A/C and Income & Expenditure A/C under Schedule-21 i.e. Other Administrative Expenses.

EXAMPLE The Board incurred Rs 4000 on repairs and maintenance during the year.

ANS:-The journal entry has to be passed in the General Ledger Book and Cash Book as follows

Repairs and maintenance A/cDr 4000

To Cash/Bank A/c 4000

At the year end the amount is reflected in the books of accounts as follows:-

INCOME & EXPENDITURE A/c as on.....

EXPENDITURE	AMOUNT(Rs)
REPAIRS & MAINTENANCE	4000

RECEIPT & PAYMENT A/c as on.....

PAYMENT	AMOUNT(Rs)
---------	------------

REPAIRS & MAINTENANCE	4000
-----------------------	------

SCHEDULE 21: OTHER ADMINISTRATIVE OVERHEAD

PARTICULARS	AMOUNT(Rs)
REPAIRS & MAINTENANCES	4000

2.2.7 VEHICLE RUNNING EXPENSES

INTRODUCTION

- Vehicle running expense refers to expenditure incurred for servicing of office vehicles in the form of cleaning; repairing of car parts, car fuel which ensures proper running of vehicles used by officials and delegates .Vehicle running expenses has to be incurred to ensure overall maintenance of vehicles. Examples of such expenses are as follows:-car seat cover, head light, teflon coating, fuelling of brake wire, car polish, floor carpet washing etc.

ACCOUNTING PROCESS

• HEAD OFFICE

All the relevant vehicle running bills/invoices obtained from service centers should be systematically maintained in a separate file-“Vehicle Running Expenses” by the Security Officer of Tea Board of India for each vehicle respectively. The bills/invoices should be signed by the Security Officer and the expense is to be recorded in the Expense Control Register. The bills should be sent to the Finance wing which is signed by the Accounts Officer, In-charge of Audit and In-charge of Cash. Thereafter the payment should be made by the Cash Section and cheque is sent to the Security Department which should make the payment to the respective parties. Once the payment is made the Cash Section should make the relevant payment entry in the Cash Book. The expenditure incurred on vehicle running should be posted to the relevant ledger head. The consolidated payment is to be posted to the Receipt & Payment Account and in the Income & Expenditure Account. If there are any outstanding payments it is to be reflected in the Balance Sheet.

• REGIONAL OFFICE

All the Regional Offices should send in their monthly statement of accounts along with vouchers to the Head Office for consolidation purpose. The individual offices should specify the amount incurred for vehicle running purpose in their Receipt & Payment Account which should be verified and scrutinized by the Head Office and then recorded in the Regional

Offices Accounts. Monthly Expenses of the Regional Offices should be reflected in the Consolidated Accounts.

ACCOUNTING TREATMENT(ENTRIES)

The entry in the cash book and the ledger will be as follows:-

- Vehicle Running and Maintenance Expenses A/c Dr
To Cash A/c
(If the payment is made on cash basis)
- Vehicle Running and Maintenance Expenses A/c Dr
To Party A/c
(If it is a credit transaction)

Suggestions

Though all the expenses incurred by the Board are of similar nature and the entry to be passed for all expenses will be

Expense A/c Dr

To Bank/Party A/c

(In case of Cash & Credit expenses respectively)

ELECTRICITY & POWER

Electricity charges are the expense incurred by the company for the consumption of electricity. It is an expense of administrative nature.

Accounting treatment

Electricity A/c Dr

To Bank A/c

The total expenditure incurred on Electricity and Power is to be recorded in the payment side of Receipts & Payment and expenditure side of Income & Expenditure A/c.

RENT, RATES & TAXES

Office Rent refers to the payment made periodically by a tenant to the landlord in return for using the land, a building, an apartment, an office or any other property. It is usually of a fixed amount as per the contract made by the tenant which is paid at specified intervals of time (mostly monthly) for acquiring the right to occupy the property. This type of expenditure is mainly paid for using a space to run Regional Offices of Tea Board.

Accounting Treatment:

Office Rent A/c Dr

To Bank/Cash A/c

The total amount of expenditure incurred on rent of the offices is to be reflected in the payment side of Receipts & Payment and expenditure side of Income & Expenditure A/c.

TRAINING EXPENSE

Expenditure incurred by the Board on training its employees in Accounts & any other matter from outside organizations, in training programs conducted by Government of India relating to rules & regulations and implementation of establishment management and employees going outstation to attend training programs. These expenses are recorded under the head training expense.

Accounting Treatment:

Training A/c Dr

To Bank/Cash A/c

EXPENDITURE FOR RUNNING TEA BARS

Tea Bars and Tea Buffets are run by Tea Board at various Regional Offices from where tea is sold and tea is sent for free to the Parliament and other ministries. To meet the expenditure incurred by the bars and buffets the Tea Board sends a particular amount which is an expenditure of administrative nature. The Tea Bars and Buffets send their monthly expenditure to the Tea Board which is recorded individually in a separate expenditure book and the total from that book is recorded under this head.

Accounting Treatment

Expenditure for running Tea Bars/Buffets A/c Dr

To Bank A/c

However, on an in depth study of the accounts of the Board it was observed that expenditure recording was not being done accurately in the following cases and hence, the deficiencies have been discussed below:-

BANK CHARGES

The Bank charges for various transactions undertaken by them for Tea Board like money transfer, issue of statements, preparing Demand Drafts etc. This is to be recorded under the head administrative expenses.

These expenses are visible from Bank Statements, which are received by Tea Board. Based on such inputs, Tea Board needs to suitably book these expenses in appropriate accounting heads as elaborated below, so that they do not feature in the bank reconciliation statement.

Journal Entries

When Expense takes place:

Bank Charges A/c Dr

To Bank A/c

When Expense is charged against revenue:

Income & Expenditure A/c Dr

To Bank Charges A/c

This is to be transferred to books of accounts as shown below:

RECEIPTS & PAYMENT A/c

For the year ended.....

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
		Bank Charges	xxxx

INCOME & EXPENDITURE A/c

For the year ended.....

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
Administrative Expenses	Xxxx		

Schedule:21 ADMINISTRATIVE EXPENSES

PARTICULARS	AMOUNT (Rs.)
Bank Charges	Xxxx

TAX DEDUCTION AT SOURCE

The Tea Board deducts tax at source for any expense incurred which is on contract basis or for any other payments as prescribed by the Income Tax Act. This TDS is to be further paid to the Government.

Journal Entries:

When TDS is deducted:

Expense A/c Dr. (Entire Amount)

To TDS A/c

To Bank A/c (Amount to be paid after deduction of tax)

When TDS is paid to the Government:

TDS A/c Dr.

To Bank A/c