

CHAPTER X

MONTHLY TRIAL BALANCE AND MANAGEMENT CONTROL SYSTEM

10.1 CLOSING OF MONTHLY ACCOUNTS

10.1.1 After end of every month the Main and Subsidiary Ledger accounts will be totaled and the balances struck out, if balances already not written after every entry.

10.1.2 The Unit's account with the Head Office, incorporating remittances by and to the Head Office, receipt and issues of Stock/Stores/Equipment and materials like cement and steel will also be totaled and balanced in the ledgers.

10.1.3 Similarly, transactions with other Units including electrical and mechanical Units took place during the month as recorded in the Main Ledger will also be totaled and balanced.

10.1.4 Then the monthly Trial Balance will be prepared taking out the balances (Debit or Credit) of all ledger accounts of the Main Ledger. Opening and the closing Cash and Bank balances will be taken out from the Cash Book and those will also be incorporated in the monthly Trial Balance, opening cash and Bank Balance credited and closing balance debited.

10.1.5 Then, total of all ledger accounts will be done and the correctness of the Trial Balance will become evident from the fact that total of all debits equal the total of all credits of the Ledger accounts and the Cash and Bank Balances.

10.1.6 If there appears any difference in the totals of all debits and totals of all credits in the Trial Balance, procedure given in following section may be followed.

10.1.7 ERRORS IN TRIAL BALANCE AND THEIR RECTIFICATION

10.1.7.1 When the totals of all debit balances of the accounts in a Trial Balance equal the total of all closing credit balances of the accounts, the arithmetical accuracy of posting of accounts is ensured due to dual aspect concept of the accounting. However, the equivalence of totals of debit and credit balance of ledger accounts does not necessarily indicate that posting of accounts has been done correctly. The totals of debit and credit balances of ledger accounts may also not agree. Thus, there may be two types of errors in the Trial Balance as follows which should be rectified. However, even after putting hard efforts in finding and rectifying the errors, if certain errors, can not be located, then if the amount is small, it may be placed under "Suspense Account" for the time being.

10.1.7.2 Errors Disclosed by the Trial Balance

The errors which cause a mismatch in the Trial Balance totals are the errors disclosed by the Trial Balance. This type of errors may occur due to following reasons:

- (a) Wrong totaling in a subsidiary Book.
- (b) Wrong calculation of balances in a Ledger account.
- (c) Partial Omission of an entry.

- (d) Posting an aspect of a transaction more than once.
- (e) Debit entries wrongly recorded as credit entries or vice versa.
- (f) Errors in total of the debit column or the credit column of the Trial Balance.
- (g) Balances of Ledger accounts are wrongly transferred to the Trial Balance.
- (h) Omitting to include an account's balance in the Trial Balance.
- (i) Omission or mistake in carrying forward the balance of an account.

10.1.7.3 Errors not Disclosed by Trial Balance:

Even though the Trial Balance may be in-agreement, certain errors might have been committed while recording the transactions. Such errors are not disclosed by the Trial Balance. These errors may occur due to following reasons:

- (a) Omission of recording of a transaction (both aspects) from the books of accounts
- (b) Recording of a transaction at an amount which is totally different from the actual amount
- (c) Compensating errors.
- (d) Posting of an aspect of a transaction on the correct side of a wrong account.
- (e) Recording both aspects of a transaction more than once in the books of account.
- (f) Errors of principle

10.1.7.4 The above mentioned reasons of errors in Trial Balance should be investigated and Trial Balance be corrected.

10.1.8 Similarly, monthly Trial Balance of the Ledger Accounts of the Head Office will also be prepared at the Head Office by Accounts Organisations upto 5th of the next Month.

10.2 Compilation of Monthly Trial Balance at the Head Office

10.2.1 The Monthly Trial Balance for every month will be sent by each Unit Office (RE's office) to the Head Office so as to reach there by 5th of the next month. The Monthly Trial Balances as received from the Units will be compiled at the Head Office to which will be added the accounts balances of the Trial Balance of the Head Office and one single Trial Balance of the entire Corporation will be prepared every month by the Accounts Organizations by 7th of the next month for the purpose of preparation of monitoring and control statements for the Management.

10.2.2 In the monthly Trial Balance, balances of all the accounts maintained in the Main Ledger will be taken by the Units Offices as well as the Head Office, However, the accounts heads exclusively operated by the Head Office, may not be incorporated in the Trial Balance by the Units.

10.2.3 A printed or computerised format of the Trial Balance as in vogue at present for final Trial Balance of the year may be used both by Head Office and the Units. Accounts not being operated by a particular Unit and those pertaining to the Head Office may be excluded or left blank.

10.2.4 The Trial Balance in two stages, i.e. for the month and upto the month should be prepared for better understanding of the state of affairs of the Corporation and effective monitoring.

10.3 MONITORING STATEMENTS

10.3.1. Alongwith the Monthly Trial Balance, information pertaining to all the activities of the Corporation having financial implications shall be prepared by the Units and the Head Office and compiled and presented before the MD for further directions. It should be understood that each Unit of the Corporation will be considered as an independent “Profit Centre” and its activities and performance will be monitored as such for its further functioning and continuance.

10.3.2. The information/data to be enclosed with the monthly Trial Balance will include:

10.3.3. (i) Bank Reconciliation Statements of all the Bank accounts.

10.3.4. (ii) Physical and financial status of each construction work be given in the following format:

Name of Unit _____ Month _____

A. Present status of Physical progress and payments

1	Name of Work	
2	Estimated/Tendered Cost (Given by Client)	Rs.
3	Corporation’s estimated cost.....	Rs.
4	(i) Stipulated date of Completion (Final as well as different stages)	I. II. III..... Final.....
5	Defect liability period, if any	
6	Actual Cost	
	(i) Upto the end of last Financial year	Rs.
	(ii) During the year upto last month	Rs.
	(iii) Total	Rs.
	(iv) Likely cost for the remaining work	Rs.
	(v) Likely Final Cost	Rs.
	(vi) Variance in Cost [3-6 (iii) and 3-6(v)]	Rs.
7	(i) Actual dates of Completion of various Stages and final completion	I II..... III Final.....
8	Likely date of final completion (if not completed)	
9	Variance in completion periods	I II

		III.
		Final.....
10	Liquidated damages imposed, if any	Rs.
11	Liquidated damages likely to be imposed (due to delay in completion (stages or final completion)	Rs.
12	Amount with held or deducted due to any reason	Rs.
13	Remedial measures taken for avoiding/ waiving of imposing of liquidated damages	
14	Total amount of bills raised	Rs.
15	Total payments/received against bills/demand raised	Rs.
16	Bills/demand pending to be raised and reasons for not doing so	Rs.
17	Efforts made for receiving the payment	Rs.

B Status of Resources for the work

I. Materials

- 1 Requirement of major construction material for the work for next 3 months (Quantities)
 - (i) Cement
 - (ii) Steel
 - (iii) Others (Specify)
- 2 Availability of above materials at the site of work
 - (i) Cement
 - (ii) Steel
 - (iii) Others
- 3 Balance quantities needed for next 3 months
 - (i) Cement
 - (ii) Steel
 - (iii) Others

II. Financial

- 1 Funds received for the work so far from the Head Office/Directly
 - (i) Upto last month
 - (ii) During the month
- 2 Payments/expenditure incurred so far
 - (i) Upto last Month
 - (ii) During the month (Give details of major payments made)
- 3 Balance amount available
- 4 Funds now required for the next month

III Personnel

- 1 Requirement of Technical personnel
- 2 Requirement of Casual labour for Task work/Watch & Ward, etc.
- 3 Status of Defect liability period and expenditure incurred therein

C Miscellaneous Information about the work

- 1 Any problem or difficulty being faced in execution of the work, e.g. slow progress by the contractor, contractor left the work incomplete, shortage of material, or funds, etc.
- 2 Status of refund of liquidated damages/ Security Deposit/Misc. Deposit/Earnest Money, etc.
- 3 Estimate cumulative Profit/Loss/centage charges earned/sustained so far
- 4 Likely Profit/Loss centage charges to be earned/sustained up to completion of the work
- 5 Total estimated Profit/Loss/centage charges upto completion of the work
- 6 Profit / Loss/ centage charges stipulated at the time of undertaking the work
- 7 Variance (6-5)
- 8 Reasons and remedies suggested to overcome the loss, if figure at S. No. 7 is negative

10.3.5 An abstract of all the construction works being executed by the Unit be prepared stating value work executed so far (upto last year and during the year upto month under report), total profit/loss/centage charges earned/ sustained during and upto the month comparing with the budgeted targets for the year.

10.3.6 Another abstract of all works be prepared for demand of funds for the next month stating work order amount/amount of administrative sanction, deposits/payments received upto the end of the month under report, expenditure incurred upto that period alongwith committed liability and balance available with the unit.

10.3.7 Status of Toll Collection at each toll gate (naka) be given in following format:

- 1 Name of the Unit
- 2 Month
- 3 Name of the Toll Naka

- 4 Name of the Contractor
- 5 Contract period from_____to_____
- 6 Contract Amount
- 7 Recovery upto the last month
- 8 Recovery during the month under report
- 9 Total amount recovered so far
- 10 Contracted amount stipulated to be recovered by the end of the month under report
- 11 Variance (9-10)
- 12 Reasons of variance
- 13 How the balance amount is proposed to be recovered alongwith the interest (whether the contract should be rescinded and security money be forfeited and recovery be made from properties of the contractor under PDR Act)?

10.3.8 An abstract of Revenue during and upto the month under report from all the Toll collection centres be prepared and compared with the stipulated target set up to the month.

10.3.9 Hire charges of Machinery & Equipment: (Both for Mechanical and Civil Unit)

Work-wise and machine wise details be given for each machine run on various works in the following format:

Name of Unit_____ Month_____

- 1 Name of work
- 2 Name of the Machine/equipment sent for use
- 3 Name of the contractor if the hire charges are to be recovered from the contractor
- 4 Total No. of days/hours/kilometers for which the machine has been used/lent
- 5 Rate of hire charges with unit of use
- 6 Total amount for which the bill has been raised/received/to be received
- 7 Whether the bill has been verified and sent/received after verification
- 8 Amount to be remitted/received as hire

- charges
- 9 Actual amount of hire-charge received/paid upto the month under Report for the machine
 - 10 Variance (8-9)
 - 11 Reasons of variance

10.3.10 An abstract of hire charges paid/received during and upto the month will be prepared and compared with the target.

10.3.11 Miscellaneous Income

Information on income from other sources during and upto the month under report will be given in following format:

Name of Unit _____ Month _____

		Target for the year	Income		
			Upto last month	During the month	Total
1	Storage charges				
2	Usage charges				
3	Interest Received				
4	Rent Received				
5	Tender fee received				
6	Empanelment fee				
7	Earnest money/security deposit forfeited				
8	Sale of stores				
9	Profit on sale of Fixed Assets				
10	Others (specify)				

10.3.12 Total Income

An abstract of total income during and upto the month will be prepared in following format

Name of Unit _____ Month _____

S.N.	Sources of income	Income (Rs.)					
		Target	Upto last month	During the month	Total	Variance	Reasons
1	2	3	4	5	6	7	8

1. Centage charges
2. Profit/Loss on tendered works
3. Toll Receipts
4. Hire Charges (Mechanical Unit)

5. Miscellaneous Income

10.3.13 Revenue Expenditure

An abstract of total Revenue Expenditure incurred during the month and upto the month during the year will be prepared in following format and enclosed with the monthly trial balance:

S.No.	Heand of Account	Expenditure (Rs.)				Variance	Reasons of Excess/ Savings
		As per approved budget	Upto last month	During the month	Total		
1	2	3	4	5	6	7	8

- 1 Salaries & Allowances
- 2 Contribution to GPF and Pension (Attach a schedule for details)
- 3 Staff Welfare
- 4 Advertisement
- 5 Postage, Telephone
- 6 Printing & Stationery
- 7 Traveling & Conveyance
- 8 Medical Expenses
- 9 Electricity & Water
- 10 Insurance
- 11 Office Expenses (other items)
- 12 Repair & Maintenance of Plant & Machinery, Motor Vehicles
- 13 Legal Expenses
- 14 Remuneration to Auditors
- 15 Rent, Rates, & Taxes
- 16 Entertainment Expenses
- 17 Repair & Maintenance of Fixed Assets (other than vehicles)
- 18 Bank Charges
- 19 Consultancy Charges
- 20 Interest Payment
- 21 Miscellaneous
- 22 Expenses related to previous year
- 23 Tender fee/expenses
- 24 Others (Specify)

10.3.14 Turnover statement

From the Abstract at para 10.3.5 above, a Turnover statement of the value of all the works executed during the year upto last month, during the month under report and up to date expenditure during the year will be prepared and out of that value of closing stock will be deducted to arrive at net turnover of works.

10.3.15 Efficiency statement

From the Turnover statement at para 10.3.14 and the Accounts heads pertaining to establishment, office expenses and maintenance of Revenue Expenditure statement

at para 10.3.13 above, an efficiency statement for the month and upto the month will be prepared to know the status of establishment cost:

$$\text{Efficiency During the Month} = \frac{\text{Establishment expenses during the month}}{\text{Net turnover during the month}} \times 100$$

$$\text{Efficiency upto the month} = \frac{\text{Establishment Expenses upto the month}}{\text{Net turnover upto the month}} \times 100$$

10.3.16 Provisional Profit & Loss Account of the Unit upto the month and its comparison with the target will also be prepared and enclosed with the monthly Trial Balance alongwith suggested/proposed remedial measures in case of short-fall of profits.

10.3.17 Besides above mentioned statements, statements pertaining to status of following activities will also be prepared and enclosed by the REs with the monthly Trial Balance:

- (i) Information about new NITs for works in the area in which the Corporation might be interested.
- (ii) Information about the works which might be allotted to the Corporation on cost plus basis
- (iii) Status of award of works on cost plus basis in which correspondence/negotiations/discussions are going on.
- (iv) Status of preparation and submission of tenders for works in which Corporation's management has shown interest in participation.
- (v) Status of decision/negotiations/award/agreement of tendered work in which Corporation's offer is the lowest.
- (vi) Status of commencement of the tendered works in which agreements have been executed; and of the cost plus basis works.
- (vii) Similarly, status of BOT works, if any, being executed/awarded by the Unit.
- (viii) Status of execution of capital or maintenance works of the Corporation itself or acquisition of fixed assets including vehicles, machinery, equipment etc. if allotted to the Unit.
- (ix) Status of Reconciliation of remmitances from and to the Head Office and Inter unit transactions.

10.4 CONSOLIDATED TRIAL BALANCE AND MONITORING & CONTROL

10.4.1 Simultaneously, on close of a month the monthly Trial Balance of the Income and Expenditure heads pertaining to Profit & Loss Account, being operated by the Head Office will be prepared for the month and upto the month. In addition to the Expenditure heads as mentioned at para 10.3.11, 12 and 13 above, following more heads of accounts may be incorporated in the monthly Trial Balance of the Head Office:

1. Salaries to MD
2. Fee to VC
3. Bonus
4. Group Gratuity
5. State Renewal Fund
6. EDLI
7. Medical Expenses of MD
8. Traveling expenses of MD & Directors
9. Entertainment Expenses
10. Audit Fee
11. TA to Auditors
12. Orderly Allowance
13. Pension Contribution Corporation
14. CPF Administrative Charges
15. Liveries
16. House Tax
17. Membership & Subscription
18. Business Promotion
19. Newspapers & Periodicals
20. Training Expenses
21. EMD forfeited
22. Interest on BOT Loans
23. Interest on Other Loans
24. Loss on Tendered Works
25. Others.

10.4.2 **The Revenue Receipt heads will be same as for Units**

10.4.3 A consolidated Trial Balance of the entire Corporation will be compiled from the Trial Balance received from the Units and the Head Office.

10.4.4 Overall Efficiency of the Corporation will be worked out by adding the expenses pertaining to the establishment, office expenses and Running & Maintenance of office vehicles, Equipment, Building, etc. for the month and upto the month of all the Units and the Head Office of the Corporation and dividing it by the Turnover amount of the works, then computing the percentage. It should be compared with the target and if the cost of establishment comes higher than the targeted, remedial measures for cost cutting should be taken.

10.4.5 A consolidated Provisional Profit & Loss Account of the Corporation upto the month will be prepared.

10.4.6 The consolidated Professional Profit & Loss Account upto the month alongwith the consolidated Trial Balance and individual Trial Balances of the Units and the statements received from the Units will be put up to the Sr. Accounts Officer and then the Chief Accounts Officer for review and comments.

10.4.7 The entire documents with the comments of CAO as above will then be put up before MD who after preliminary review will call a Monthly Review and Control Meeting (MRCM) of the GM, CPM, CAO, all SEs, EEs, DLR, Sr. Architect and Sr. AO of the Head Office by 10th of every month to discuss these statements in detail and take decision on future course of action on the upto the month provisional Profit & Loss Account and work-wise and other statements received from the Units.

10.4.8 Besides the information on received from the Units, information on following items pertaining to the Head Office will also be obtained from concerned officers and discussed in the MRCM and decisions for corrective course will be taken, and directions given, where needed:

- (i) Any directions, instructions received from the Chairman/Vice Chairman.
- (ii) Pending Factual Statements, Draft Paras, Paras of CAG Reports, PUC compliance and other audit matters pertaining to CAG.
- (iii) Observations/Requirements/Reports, if any, received from the Internal Auditors, Statutory Auditors, AG's Office.
- (iv) Procurement of new works on tenders and cost plus basis.
- (v) Procurement of cement, steel and other important stores.
- (vi) Court cases, legal issues pertaining to the Corporation.
- (vii) Procurement and execution of BOT works, toll auctions/collections, etc.
- (viii) Raising of finances for works to be executed by Corporation.
- (ix) Utilization of Corporation's Machinery & Equipment related to construction.
- (x) Capital expenditure as per the approved Budget estimates.
- (xi) Progress of Design, Drawing & Architecture work in hand
- (xii) Status of Issue of NITs, tenders received in their responses, evaluation and award of work to contractors.
- (xiii) Physical verification of stores/stock and survey and disposal of surplus, obsolete and un-serviceable stores.
- (xiv) Cash flow statement: Projected for next 3 months, actual for last 3 months (including the month under report) compared with the projected ones.

10.4.9 The Monthly Review & Control Meeting (MRCM) will take larger shape when it will be held in the month of July, October, January and April in which Quarterly Progress Report of the Units and the Head Office will be reviewed with the Unit Heads (REs) alongwith the officers of the Head Office. Quarterly Cash Flow Statement, Provisional Profit & Loss Account and Balance Sheet of the Corporation will be prepared and presented by the CAO in the meeting for review and decisions for future courses of action.

10.4.10 For Quarterly MRCM, the REs will also furnish the details of Subsidiary Ledger accounts for the quarter, like:

- (i) Details of Earnest Money, Security Deposit and other deposits lying with the Unit.
- (ii) Details of outstanding liabilities pending with the Unit, such as those of salary and allowances, office expenses, pension contribution, liabilities pertaining to individual works, etc..
- (iii) Details of Earnest Money and Security Deposit with the Clients.

- (iv) Details of Accrued Income, Prepaid Expenses, Prior Period Adjustments and other Adjustments

10.4.11 The Accounts Organisation at the Head Office will also prepare similar information for transactions related to Head Office incorporating all the adjustment transactions upto the Quarter under report.

10.4.12 The monthly and Quarterly MRCM to be held in April may be organized on 20th April instead of 10th April so as to be able to incorporate various provisions and annual adjustments in accounts by the Head Office and the Units and the Provisional Profit & Loss Account and Balance Sheet of the Corporation for the entire year will be reviewed in the meeting and appropriate directions will be given by MD and CAO for rectification, if need be.

10.4.13 The Chairman and/or Vice Chairman of the Corporation may like to preside over the MRCM to be held in October and April to review half yearly and the year's Progress and status of the Corporation's activities.

10.4.14 Quarterly statements and Annual statements of performance of the Corporation will be sent to the Bureau of Public Enterprises in the prescribed formats by the Head Office by the dates fixed for them.