

E2-E3/FINANCE

CHAPTER-16

CAPITAL BUDGETING & REVENUE

BUDGETING

(Date of Creation: 01/04/2011)

Capital Budgeting & Revenue Budgeting

1. Budget

Introduction

Budget is a best tool in the hands of management to overview:

- Funds Management
- Projects undertaken in the business, its expenditure and its further requirement
- Exercising expenditure control
- Assessing financial capability of the organisation
- To modify / Augment the business planning

Budget in BSNL

The budget in BSNL is compiled under three categories:

- Revenue Budget
- Capital Budget
- Cash Budget

The following tabulation will indicate the composition of different Budgets in BSNL.

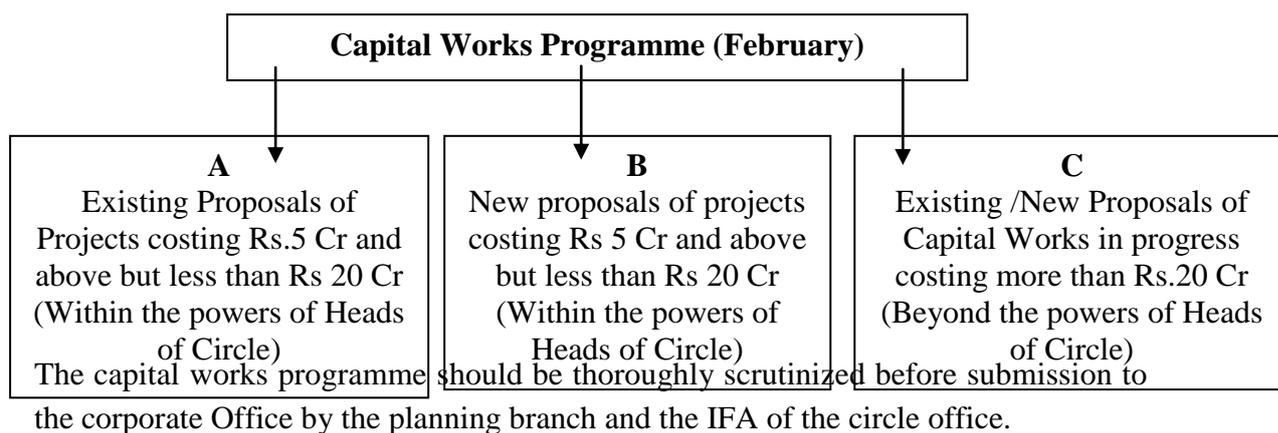
BUDGET			
Revenue (Operating Expenditure)	Capital (Capital Expenditure)	Cash	
		Requirement of funds	Monthly Cash Flow Statement
<ul style="list-style-type: none"> • Salary • Medical Expenses • Wages • Overtime Allowance • LTC • Pension/Leave Salary Contribution • Maintenance Expenditure • Business Promotion and Marketing 	<ul style="list-style-type: none"> • Land • Building • Apparatus and Plants • Electrical Installations • Lines & Wires • Cables • Subscriber Installation 	For Operation Account for every 10 days	Collection Accounts

Budget Heads

Capital Works :	Schedule 105 to 107	-	Fixed Assets
	Schedule 114 to 116	-	Works in Progress
Operating Expenses:	Schedule 150 to 166	-	Remuneration
Schedule 171 to 185, 192	- Office & Administration		
	Schedule 189 to 191	-	Depreciation
	Schedule 195	-	Interest

Capital Works Programme

- The capital works programme containing proposals for budgeting of the capital works to be submitted to Corporate Office, during February in the forms 'A', 'B' and 'C'.



Capital Budget

Capital Expenditure in BSNL primarily relates to Acquisition of Land, Constructing Telephone Exchanges, Procurement of equipments, Line and Wires, Laying of cable etc.

Formulation of RE/BE

Points to be kept in view while formulating Budget-Estimates are:

- The necessity for individual projects, newly proposed as well as works –in-progress should be fully examined from the point of view of the relevance of the project to the expansion or improvement of the network, the essentiality of the specific project and its profitability.
- The works-in-progress may turn out to be not relevant and therefore not justifying further expenditure for the following reasons.
 - (i) Prolonged gestation of the projects concerned.
 - (ii) Recent developments, like policy decisions regarding changing technology, such as digitalization, change in Product-mix, from factories, like phasing out of electro-mechanical system etc.
- Decision should be taken in such cases regarding abandoning of the project, taking care to find ways and means of salvaging the investment already made.
- In case of projects which have been included in the Demand-for-grants after the above scrutiny, the listing may be done on the basis of priority, so that the directorate could decide about any possible deletion in the context of inadequacy of allotment of funds.
- In the case of works costing less than Rs.5 Cr each, where a lump sum allotment is asked for, a similar exercise, as mentioned above should be under taken so that only essential and remunerative projects are included in the programme.
- The above mentioned exercises should be conducted by both the planning and budget branches jointly.

RE/BE Statements in respect of Capital works is to be submitted to CO, BSNL in forms 'A' to F during September.

STATEMENT “A”

a. Works costing Rs.5 crores and above each (WIP&New works) which are already sanctioned should be included. Instructions issued from time to time regarding Zero based budget may be taken into account in framing these estimates. Whenever a Budget project (new works or WIP) is proposed to be dropped reasons for the same may please be given against the entry concerned item.

- b. Care should be taken to give “sanctioned estimated cost” component wise with reference to the project estimate sanction only. The practice of giving the sanctioned cost with reference to detailed estimates leads to confusion.
- c. The sanctioned cost, expenditure and funds requirements be shown component wise strictly in columns prescribed. At the same time the total sanctioned cost, total expenditure and total requirement for each work should be indicated at the foot of the entry under each of the columns.
- d. No demand under Stores may be made as there is no store item in Corporate set up.

STATEMENT ‘AA’

This will include service wise, account head wise and component wise consolidation of demand in respect of works included in Statement “A”. The statement is found necessary as the circles carry the demand under Category “A” to the consolidation of total demand and it has not been possible to verify the correctness of such carry over conveniently within a short time and to compile important analysis of demand.

STATEMENT ‘B’

- a. Lump sum requirements for works costing less than Rs.5 crores including all overheads should be included. The requirement should be arrived at after consolidating the work wise demands. But work wise details need not be furnished in the copies or statement sent to Corporate office. Demands may be compiled and minor head wise and vertical and horizontal columns total should be struck.
- b. From the year 1996-97 onwards the expenditure incurred on the provision of Village Public Telephone is to be classified separately under the new head of account 1150600.

STATEMENT ‘C’

The requirement of works originally estimated to cost less than rs.5 crores (including all over heads) each but where the expenditure has exceeded Rs.5 crores should be included. Revised sanctions should invariably accompany or reasons as to why the estimates could not be revised should be indicated. It may be ensured that the requirements for these works are not included in Statement “B”.

STATEMENT ‘D’

This is the final consolidation.

STATEMENT 'E'

Material input wise break up of requirements on capital works should be furnished in duplicate separately for the total projections made. The requirement is to be worked out based on physical targets under different schemes for current year and for ensuing year.

STATEMENT 'F'

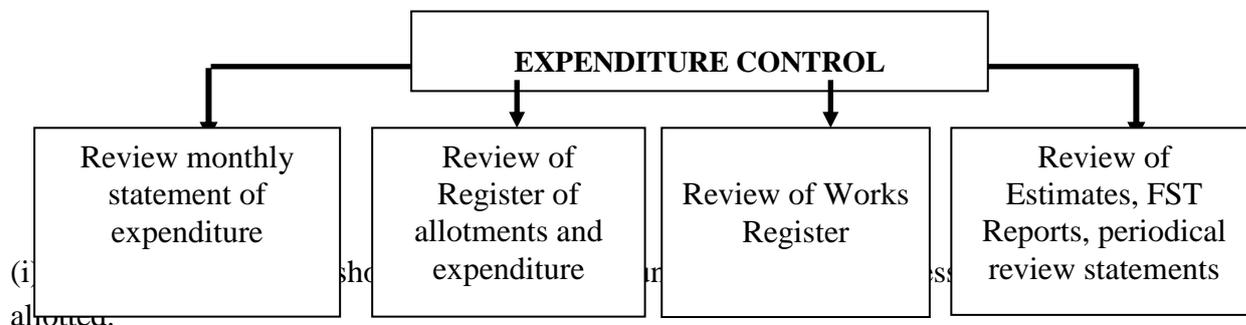
This is the statement showing the profitability of projects under Capital works to enable the BSNL to assess the expenditure on non remunerative projects for the purpose of "USO" funding.

Allotment of Funds for Capital Works Expenditure:

- The funds for Capital works expenditure comprise
 - (i) Specific provision for each project costing Rs.5 Cr and above.
 - (ii) Lump sum provision for all other works.
- This distinction made in the budget determines the method by which allotments are placed at the disposal of the various authorities for execution of works.
- Funds for major works, costing Rs.5 crores & above are allotted by the Corporate Office to Heads of Circles according to the components of each project.
- In respect of all other works, allotments are made account head-wise in lump.
- Allotments of funds are made, subject to the following conditions:-
 - a) That no appropriation of funds is to be made against any unsanctioned detailed estimate.
 - b) That no appropriation of funds is made beyond 10% of the sanctioned cost of a detailed estimate, and
 - c) That no appropriation of funds is made which has the effect of exceeding the sanctioned cost of the project beyond 10%

Expenditure Control

The Corporate office is ultimately responsible for controlling the whole expenditure against the sanctioned grant and in turn Heads of Circles are required to cooperate in the exercise of this control. Control in relation to budget allotments:



(i) That if any time it becomes apparent that there is likely to be a surplus under any head, then the amount of the probable excess must be promptly surrendered.

These two objects can be attained only by the adoption of a systematic watch over expenditure and by a monthly comparison with grants. For purpose of control every administrative officer should insist on the submission by each of his subordinate officers amongst whom he subdivides his allotment of a regular monthly basis. The same can be watched through the registers and various statements prescribed.

Non Budgeted Works (Project Costing 5 Crores & Above)

Works not provided for in the sanctioned budget are termed as "Non-Budgeted works. No expenditure can be incurred on Non Budgeted works with out the prior approval of the competent authority. In case of urgency, recourse can be had with the approval of the competent authority.

Demands for funds for execution of projects beyond sanctioned cost

In some cases funds are demanded in BE/RE/FG for individual projects beyond the sanctioned cost, stating that the revised project estimates are under preparation. Orders of the BSNL are clear that funds cannot be allotted beyond the sanctioned cost. Since the projects should not be starved of funds during advanced stages of execution, it has been decided that as soon as the expenditure on a project reaches the level of 75% of the sanctioned cost, a review should be under taken to examine if the project can be completed within the sanctioned cost. If it is anticipated that the cost is likely to go beyond 10% of the sanctioned estimate, immediate action should be taken to prepare a revised project estimate and have it sanctioned well in advance.

Revenue Budget

The Revenue receipts and Working Expenses are forecasted and worked out and RE/BE statements are compiled in Annexure-A, B and C.

Annexure-A (Working Expenses):

The Estimation is projected in Part-A and Part-B distinctly for Employment (Remuneration) and expenditure on Office and Administration respectively. The actual expenditure for last three years are taken for comparison. The actual for the first four months of current financial year and estimation for remaining eight months are worked out. The estimation for BE is also worked out and projected. While furnishing requirements of funds care is taken to provide pension and leave salary contribution of employees. Instructions are issued by BSNL HQ from time to time for compiling the RE/BE statements keeping in view of economy measures and control of expenditure.

Annexure-B (Revenue Receipts)

The Estimation of revenue is worked out on the basis of number of telephone lines, telex lines, WLL lines and CMTS by applying average revenue for such lines. A target of additional lines for the current year and also the expansion programme for ensuing year are taken into account for estimation of revenue receipts.

Annexure-C (Establishment Expenditure)

The Establishment expenditure on salary is estimated in relation to the actual / estimated number of posts. Proposals for creation of new posts are also taken into account for estimation of salary expenditure.

New Items of Expenditure

No provision for new expenditure may be included in the budget without the prior approval of competent authority. All proposals for new expenditure will be submitted for the approval of the competent authority. All proposals for new services, expansions to existing services expenditure and proposals for additional expenditure likely to involve excess over grants necessitating an application for a supplementary grant should be placed in the statement. No expenditure should be incurred without the approval of the competent authority.

It is most important that proposal involving new expenditure that it is desired to introduce during any particular year, should be submitted in ample time before the prescribed date to admit of their being fully considered and approved and taken into account for purposes of the preliminary schedule of demands relating to that year. In

preparing this statement of new items of expenditure should be made in respect of increase which is of a permanent nature and those which are seasonal or temporary. These should be grouped separately.

Cash Budget

The Cash requirement of each SSA and Circle HQ are forecasted once in 10 days against Capital and Working Expenditure with reference to proportionate Budget Allotment. Funds are released by Corporate Office after scrutiny of requirement through banking channel.

This arrangement gives effective control on spending units for regulating the expenditure within budget allotment.

Monthly cash flow statement of Collection Accounts is prepared & sent by SSA to Circle Office. Circle Cash flow statement of Collection Accounts is prepared by Circle & sent to Corporate Office. It will ensure smooth flow of funds from SSA/PAU/Circle to Corporate Office.

Cash Flow Management

1. Introduction:

Cash, the most liquid asset, and also referred to as the life blood of a business enterprise is of vital importance to the daily operations of business firms. Its efficient management is crucial to the solvency of the business because cash is the focal point of the fund flows in a business.

'Cash' refers to the cash as well as the bank balances of the company at the end of the accounting period, as reflected in the balance sheet of the company. While profits reflect the earning capacity of a company, cash reflects its liquidity position.

What is Cash?

There are two ways of viewing the term 'cash'. In a narrow sense, it includes actual cash in the form of notes and coins and bank drafts held by a firm and deposits withdrawable on demand. And in a broader sense, it includes even marketable securities which can be immediately sold or converted into cash.

2. Need For Cash Management:

- ***Transaction Motive***

A company is always entering into transactions with other entities. While some of these transactions may not result in an immediate inflow/outflow of cash (eg: Credit purchases and sales), other transactions cause immediate cash inflows and outflows. So firms always keep a certain amount as cash to deal with routine transactions where immediate cash payment is required.

- ***Precautionary motive***

Contingencies have a habit of cropping up when least expected. A sudden fire may break out, accidents may happen, employees may go on strike, creditors may present bills earlier than expected or debtors may make payments later than warranted. The company has to be prepared to meet these contingencies to minimize its losses. For this purpose, companies generally maintain some amount in the form of cash.

- ***Speculative motive***

Firms also maintain cash balances in order to take advantage of opportunities that do not take place in the course of routine business activities. For example, there may be a sudden decrease in the price of raw material which is not expected to last long or the firm may want to invest in securities of other companies when the price is just right. These transactions are of a purely speculative nature for which the firms need cash.

- ***Lack of proper synchronization between Cash Inflows & outflows***

In the case of reasonably well-managed profitable companies, the total amount of cash inflows for the year is usually higher than the total amount of cash outflows. However, the company can have spells of cash deficits and surpluses. This kind of a situation arises mainly due to lack of proper synchronization between cash inflows and outflows. Seasonal industries such as tea, jute are typical examples for mismatching of inflows and outflows.

- ***Asymmetry in the consequence of 'shortages' and 'surpluses' of cash***

An argument comes out with an interestingly that the Finance Manager is more worried about the situation of an 'uncovered cash deficit' than the situation of surplus cash lying idle in the bank. This attitude on the part of the Finance Manager is quite understandable as the deficiencies in cash management are more likely to come out into the open during a period of cash crunch than in a period of cash surplus. As the opportunity loss sustained by the company for keeping excess cash at bank is not

likely to affect all sections of the employees while inability to meet wages and salaries does, the Finance Manager may feel tempted to err, if at all, on the conservative side. This will have the impact of the need for additional cash lying in bank.

3. Objectives of Cash Management:

All or some of the reasons explained above give rise to the company's need for cash. The question will naturally arise as to the amount of cash to be maintained by a company. While trying to answer this question, one should not lose sight of the fact that cash is the most liquid of all the assets and can be put to alternative uses. So, idle cash has an opportunity cost as they could have been invested to fetch a positive return.

Thus the objective of cash management can be regarded as one of making short-term forecasts of cash position, finding avenues for financing during periods when cash deficits are anticipated and arranging for repayment/investment during periods when cash surpluses are anticipated with a view to minimizing idle cash as far as possible. Towards this end, short-term forecasts of cash receipts and payments are made in the structured form of cash budgets, information is monitored at appropriate intervals for the purpose of control and taking suitable measures as arranged by the situation.

4. Factors of Efficient Cash Management:

Cash reports help in monitoring actual data for comparison with the budgeted amounts, understanding the reasons for the deviation between the two and in the light of this knowledge, controlling and revising the budget on a regular basis. The efficiency of cash management can be enhanced considerably by keeping a close watch and controlling a few important factors briefly described and illustrated below.

Prompt billing and mailing

A time lag occurs from the date of dispatching goods to the date of preparing invoice documents and mailing the same to the customers. If this time gap can be minimized early, remittances can be expected, otherwise remittances get delayed.

In case of one organization, it had been observed that the time lag was as high as one week. Subsequent scrutiny revealed that the reason for delay was due to the practice of preparing bills and mailing them in 'bunches'. As a result, the bills on earlier dates got delayed resulting in late realization. Once the reason for the delay was identified, corrective measures were taken to prevent the bunching bottleneck of bills. This resulted in the reduction of delay in remittances. Thus accelerating the process of preparing and mailing bills will help reduce the delay in remittances and early realization of cash.

Collection of cheques and remittance of cash

Delay in the receipt of cheques and depositing the same in the bank will inevitably result in delayed cash realization. This delay can be reduced by taking measures for hastening the process of collection and depositing cheques/cash from customers. Here also an example will help in understanding how this can be achieved.

An organization having branches in all the districts of West Bengal had been selling fertilizers to a great extent by a vast network of consignees who will get a margin for the services rendered. Quite often the consignees were making remittances to the Head office in Calcutta resulting in delays in realization of cash. An in-depth study revealed that delays can be considerably reduced by adopting the following procedure:

- The consignees should be asked to prepare challan-cum-invoice on credit sales which would cut-short the work of raising separate bills.
- Non-operating collection accounts had to be opened in the district level branches of the Head Office bank into which cheques and cash from sales are to be deposited by the consignees, under advice to the Branch Manager. The amounts so deposited are to be transferred to the main bank account of the Head Office telegraphically, under advice to the Head Office. The Branch Managers/their assistants should make occasional visits to the bank branches as also to the consignees for ensuring compliance with the instructions issued.

The above procedure considerably reduced the delay in receipts with a resultant decrease in the incidence of interest on the cash credit account of the Head Office.

Centralized purchases and payments to suppliers:

The Company can get some advantages, as listed below when purchases and payments to suppliers are centralized at Head Office.

- By the sheer size of purchase there is a scope to obtain bulk purchase discounts on certain items which will effectively reduce the cost.
- As cash receipts get consolidated at the Head Office, the disbursement schedule can be more effectively implemented. As far as possible, the company can make an arrangement with suppliers so that the payment schedule matches with the schedule of cash receipts.
- As far as possible, cash discounts on purchases can be utilized, preferably by remitting cheques on the last day for utilizing such facility. This will release cash

within the discount period and the company⁶ can also avoid the implicit rate of interest underlying the failure to avail cash discount as this rate will be considerably high.

- Under the centralized purchase system, arrangements can be made with the suppliers for direct shipment of materials to the company's units located at different parts. This will reduce to some extent the total cost of transportation, handling and storage.

5. Treasury:

The treasury in the finance department deals with liquid assets and thus the treasurer has a major responsibility of being a custodian of cash and other liquid assets. The other functions of the treasurer are:

- Formulate capital structure for the organization in accordance to business goals and implementation of the same.
- Management of liquid assets including cash.
- Acting as a Cashier
- Role of an authorized signatory on payment of cheques including the authority to approve such cheques.
- Reconciliation in checking accounts.
- Overall management of the credit functions of the firm.
- Authority to utilize surplus cash of the company in short term beneficial investments.
- Establishes the company policy with respect to decision on trade discounts and vendor payment aging.
- Establishing relationship with the Bankers and investors.

All the above functions are implemented by the treasury with the cooperation of the Cash manager, finance manager and the credit manager.

Controlling Functions:

Just as the treasurer deals with the liquid assets, the controller of the organization has to record the transactions of these liquid assets. It is the combined and effective working of both the departments that gives rise to an effective system of internal controls.

Some of the functions of the controller are:

- Records all the transactions in the general ledger, the accounts receivables and the accounts payables sub ledger, transactions with respect to fixed assets such as depreciation, inventory control etc.
- Looks into the aspect of taxes and insurance.
- Keeps track of the company's short-term investments by recording and reconciling the transactions with those of the brokerage firms.
- Looks into the regulatory aspects and implementation of the company's policy on trade discounts and receivables aging.
- Acts as a Planning director
- *Keeping a record of the attendance of the employees, their movement timings so as to facilitate in preparing pay roll.
- Reporting information to the management.

To assist the controller in accomplishing the above are the Tax Manager, Data Processing Manager, Cost Accounting Manager and Accounting Manager. Thus, the function of financial accounting, internal audit, taxation, management accounting and control, budgeting - planning and control are accomplished.

6. Other Aspects:

The size of the treasury depends on the size of the organization. Big companies usually the public limited companies and large private sector giants may have the structures as mentioned above or similar to it. However, small fledging organizations usually have the Directors to take major policy decisions and fulfill the role of both the treasurer and controller. He will have the Finance Manager, Accounts Officer and cashier to look into the aspects of the implementation and thus assist him or even in some cases some of the officials are responsible for more than one of the above listed functions. Once the rules and regulations are framed in respect of various functions of the treasury, it is important that these standards of accounting and control are properly implemented and strictly adhered to.

Cash Flow SSA Statement

- a) The IFAs of the SSAs/PAUs are having much important role to play in ensuring that the funds collected at various collection centers in the SSAs/PAUs reach the Corporate Office with minimum possible delay through the Focal point branch. But it is observed that the funds that have been collected are not reaching the Corporate Office expeditiously. The factors adversely affecting smooth funds flow and remedial measures suggested are indicated in the enclosed 'APPENDIX'.
- b) With a view to strength the hands of IFAs to exercise more control on certain sensitive areas, a revised format called '**Cash Flow SSA Statement**' has been designed along with 2 Annexure. These formats have been prescribed keeping in view

the requirement of pursuit action to be taken at SSA level and to give feed back to circle and Corporate Office. The formats have been designed in a simplified manner that the data can be complied with ease, soon after closer of collection cash/bank books.

c) This statement is to be prepared by each of the Primary Accounting Units/SSA in triplicate, along with Annexure A and Annexure B furnishing specific review remarks, wherever, they are prescribed. Two copies of the statement are to be forwarded so as to reach Circle Office by 10th of the following month, retaining the other office copy.

d) The IFA of the SSA/PAU should constantly monitor to ensure that:

i) All collections are remitted to bank on the same day by arranging special remittance in the evening if need be, with the cooperation of / coordination with the banks by ensuring that minimum cash balance only is kept in office at the end of the day,

ii) Cheques / DD received are deposited into bank on daily basis and their clearance are periodically watched with an ultimate aim of keeping the un-cleared items always at less than 3 months old and in any case not beyond 6 months, as the validity of any instrument is 6 months only(For Govt. Cheques it is 3 months)

iii) The banker remits the total amount (cash remitted to bank plus amount cleared buy it) to Focal point branch in such a way, that the closing balance at credit in collection account in the bank at the end of the day should be less than Rs.1000/-, failing which , interest is to be claimed on the amount in excess of Rs.1000/-

iv) Special efforts are to be taken to liquidate excess debit/ clear excess credit, by deputing a responsible officer / go himself to the Bank so that these items should not appear / continue in the next month.

Cash Flow Circle Statement along with an annexure

a) The information as received from SSAs/PAUs vide para 3 above is to be consolidated in the Circle Statement striking the **totals of each column, to depict** the status of the Circle as a whole and forward it to " the Dy. Director General (BBF) Room NoB:-501, Statesman House, 148 Barakhamba Road, New Delhi 110001, So as to reach by 15th of the following month. The statement for April, 04 should reach this office by 17th May, 2004 along with the annexure; and one copy of statement received from SSA/PAU along with Annx A and B, retaining the other as office copy.

b) The Circle IFA will review the statements received from SSAs/PAU along with annexure A&B and satisfy himself about the remarks furnished by the IFAs of the SSA/PAU, and on the status of the work of the SSA/PAU particularly keeping in view the instructions contained in para 3 above and furnish clear remarks in the Cash Flow Circle Statement against the SSA/ PAU concerned, besides indicating the nature of action taken against erring units to bring the position up-to date, So as to appraise the position to the Director (Finance). The Circle IFA will further review and arrange

to ensure that the Focal Point Branch remits the amount to Corporate Office New Delhi branch on daily basis, of all amounts in excess of Rs.1000/-

(BSNL HQ.No 1-1(2)/BBF-/Cash Flow Stt. /2004-05 Dated 25th March, 2004)

APPENDIX

FACTORS AFFECTING SMOOTH FLOW OF FUNDS FROM SSAs/PAUs AND SUGGESTIONS FOR IMPROVEMENT.

SL NO	Factors affecting smooth funds flow	Remedial measures suggested/ Nature of corrective actions to be taken by the IFA of the SSA/PAU
1	Retention of heavy cash balances in office	<p>a) Every effort should be made to remit the entire collections of the day, to the bank on same day. If not, collections made up to a specified time should invariably be remitted to Bank.</p> <p>b) Proper liaison is to be maintained with the bank so that more than one remittance can be made during the day, to keep the minimum cash balance. Evening Counters if any available may be utilized for making remittance of money.</p> <p>c) The cash collected after making last remittance of the day, should invariably be remitted on the next working day.</p>
2	Delay in clearance of Cheques deposited in to bank	<p>a) Bill collection systems wherever computerized should be in a position to print the challans with reference to Code Names of the bank already fed into computer system. On closure of day's transactions, Cheques are to be attached to the printed challans and remitted to bank.</p> <p>b) Arrange to prepare separate challans for Banker's Cheques / Cheques issued on the same branch, so that these can be cleared on the same date. Mixing up of outstation Cheques with these instruments may some times contribute for delay for clearance of total amount of the challan.</p> <p>c) If the volumes of cheque received are more, preparation of separate challans for each bank under same bank code will quicken the process of clearing.</p> <p>d) Arrange to obtain credit scroll/bank statement at frequent intervals , depending on size of</p>

		<p>transactions and tendency,</p> <p>e) The register of Cheques received / deposited in to bank and cleared (ACG 28) is to be reviewed at frequent intervals, to identify the oldest items under each collection bank, pursue with the bank for clearance by deputing a responsible officer / go himself to the bank, contact over phone and if there is no proper response, report the matter to the next higher authorities of the bank and finally get them cleared.</p> <p>f) Maintain good relations with bank through frequent contracts.</p>
3	Excess debit adversely affecting funds position	<p>a) Collections account will have debits on account TT sent and bank charges (in respect of SBI). Any other debits including regularization of earlier excess credits should be properly explained in the bank statement. Immediately on noticing of such debits, necessary accounting adjustments must be made/ the case must be taken up with the bank for rectification. Immediate attention is required to be paid, as any delay may ultimately leads to frauds and non-availability of records.</p> <p>b) Cheques issued by the unit might have been wrongly debited by the bank in collection account instead of in operation account. Non-pursuance with bank will affect bank reconciliation work of both collections and operation accounts.</p>
4	Excess credits	<p>Normally no bank gives excess credit. Such things may occasionally happen due to clerical mistakes, which can be rectified by a simple visit/ a phone call to bank. The banker will not give any credit under the nomenclature "excess credit". It is the SSA/PAU that finally arrives at this amount after pairing the credits as available in the bank statement (and credit scrolls given separately if any) with the Register of Cheques received, deposited and cleared. The possible excess credits are generally due to:</p> <p>a) Mis-match of amount credited with the amount contained in the challan. The bankers at both the ends might have deducted charges and credited for a lesser amount than the amount indicated in the challan for ' outstation Cheques'. The banker is to be</p>

		<p>approached to supply details and difference if found within the tariff, can be classified to ' bank charges' and the total amount can be cleared.</p> <p>b) Non-furnishing of details of credits given. The SSA may find it difficult to pair the lump credit given by the bank, without furnishing details properly. Pursuance with bank for getting of challan wise/ credit wise details solves the problem.</p> <p>c) Mixing up of credit of other BSNL units working in the same station / other Govt. Depts.: In stations where there are more than one BSNL unit and if the accounts of all of them are maintained in the same bank, the banker might have wrongly credited the collections of one unit (say electrical, civil, maintenance, projects, factory, stores etc.) into another account. Immediate pursuance with bank will solve the problems of both units.</p>
5	Bank charges	Any excess of bank charges over the scheduled tariff will have an impact of reducing the credit balances of BSNL. Such cases are to be reviewed and pursued with bank for regularization.
6	Delay in transfer of Funds by link branches by retaining BSNL funds with them	<p>a) Cash remitted by BSNL units and amount cleared by bank in respect of Cheques/ DD remitted to Bank forms credit balance in collection accounts. This amount in excess of rupees 1,000/- is required to be remitted to Focal point branch for outward transmission to the accounts of Corporate Office. It is observed that most of the Link Branches are not promptly remitting the amount, particularly on Fridays, in order to maintain their cash reserves. This is adversely affecting the funds position of corporate office, as they become the main sources of revenue. The IFAs of the SSAs/PAUs should monitor to ensure that banks remit the TT promptly.</p> <p>b) Any delay in clearance of Cheques / DD deposited into Bank; heavy retention of cash in collection accounts, attract interest. The IFAs are therefore required to monitor the position and claim interest in all cases of delay, so that BSNL not only earns interest , but also brings pressure on banks for avoidance of delay.</p>

7	Time limit of clearance of Cheques / DDs deposited in to collection account	<p>As per Negotiable Instruments Act, the validity of any instrument is only 6 months from the date of issue (3 months for Govt. cheques from the first of following month). It is seen that in some SSAs/PAUs, Cheques deposited into collection accounts from October 2000</p> <p>Onwards are still shown under "Cheques deposited into bank but not cleared". The IFAs of SSAs/PAUs should continue to review all cases where the validity exceeds the prescribed time limit, take proper action to write back them after getting necessary confirmation from banks besides taking action to recover the dues from the concerned parties and ensure that no outstanding should be more than 6 months old.</p>
8	Dishonor of Cheques	<p>This is an important area, which affects the revenue of BSNL. As per existing orders, Cheques cannot be accepted from the persons whose Cheques are frequently being dishonored and their names are to be black listed. When Cheques are dishonored immediate action should be taken to get the amount realized besides passing necessary entries in records.</p>

Note: Where ever detailed Heads of Accounts are available, Booking should not be made against Main Heads of Accounts.

Questions in Capital Budgeting & Revenue Budgeting

Q-01. How many types of Budgets are available in BSNL?

Q-02. What are the items covered in each Budget?

Q-03. Please explain about Capital Works Programme?

Q-04. What is capital budget? And how to formulate the RE/BE?

Q-05. Briefly explain about the RE/BE statements in r/o Capital works which are to be submitted to Corporate Office?

Q-06. Please explain about Allotment of Funds for Capital Works Expenditure?

Q-06. Briefly explain about the Control of expenditure?

Q-07. What are the statements are compiled for Revenue receipts and Working Expenditure?

Q-08. What is cash? And what is the need for Cash management

Q-09. What are the objectives of Cash management? And what are the factors of efficient Cash management?

Q-10. How to prepare the Cash flow statement at SSA level and explain briefly?

Q-11. How to prepare the Cash flow statement at Circle level and explain briefly?