

CHAPTER 27

TRANSACTIONS RELATING TO TRANSPORT UNDERTAKING

INTRODUCTION

27.1 Some ULBs provide transportation services. This may be carried on by a department within the Local Body or by setting up a separate undertaking for this purpose. Separate Books of Accounts shall be maintained for recording the transactions relating to the Transport Undertaking if a separate fund is formed for this purpose. This chapter contains the recommended accounting system for transactions relating to the transport undertakings. Transport undertakings shall maintain independent books of accounts for recording the transactions relating to the transport undertaking.

ACCOUNTING PRINCIPLES

27.2 The following Accounting Principles shall govern the recording, accounting and treatment of peculiar transactions relating to Transport Undertaking:

- a. Revenue in respect of ticket charges and monthly passes shall be recognised on actual receipt.
- b. The liability towards dues to the State Government for collections on its behalf, i.e., Child Welfare Surcharge, shall be recognised as and when it is collected.
- c. Revenue in respect of Rebate from State Government for collection made on their behalf, i.e., Child Welfare Surcharge, shall be recognised at the rates prescribed by the State Government at the time of creating the liability to the state government.
- d. Payments to be made by the Transport Undertaking to the Municipal Fund shall be accounted on actual payment.

GENERAL APPROACH TO ACCOUNTING FOR TRANSPORT UNDERTAKING

27.3 The transactions relating to Transport Undertaking are similar to those relating to other functions/departments of a ULBs.

27.4 This is particularly so in case of:

- i. Incomes;
 - a. from luggage charges;
 - b. from renting of buses;

- c. from advertisement charges for advertisements on buses, sheds, tickets;
- d. from tender form fees;
- e. from investments, etc.;

ii. Expenditures:

- a. on salaries and other employee dues;
- b. on stores & consumables;
- c. on repairs & maintenance;
- d. on general administration, etc.;

iii. Fixed Assets:

- a. on purchase and acquisition of buses, general office equipment, specific equipment for workshops;
- b. on purchase of land and construction of depots, sheds and bus stops, etc.

27.5 In addition, the treatment of grants loans, investments, etc., and period end procedures would also be similar to those in respect of the ULBs itself.

27.6 Since the accounting entries for all the above have been discussed in the concerned chapters of this manual, and are applicable in the case of the Transport Undertaking also, they are not repeated here. Reference is invited to concerned chapters as specified hereafter. The transactions, which are peculiar to the Transport Undertaking, have, however, been described below.

ACCOUNTING OF COLLECTIONS FROM SALE OF TICKETS

27.7 Recording of collection. For collections made, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account *	Dr.	1000000		cash Book, Ledger
140-50-(a)	To Ticket Income	Cr		1000000	

* Specify name of bank

(a) Insert Detailed Head Codes of Account as applicable

Note: The postings in the Ledger (Form GEN-3) of "Ticket Income" Account, shall be carried out as indicated in Chapter 5 – General Accounting Procedures. The postings in the Ledger shall be similarly carried out in respect of all other accounting entries described subsequently in this chapter. Whenever, the cash or the bank account is involved, there will be no entry in the Journal Book (Form GEN-2).

Rebate on collections made on behalf of State Government

27.8 Recording of amount due from State Government in respect of rebate. The Transport Undertakings are entitled to a rebate at the prescribed rates for the collections made on behalf of the State Government. The revenue in respect of rebate shall be recognised on creation of liability to the Government. To recognise the income, the Accounts Department shall pass the following entry after effecting the entry referred in Para 27.6 above:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-30-(a)	Government Dues Payable – Child Welfare Surcharge	Dr.	1000		Journal Book, Ledger
140-70-(a)	To Ticket Income	Cr		1000	

27.9 Payment of State Government due. For recording the payment made to State Government, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-30-(a)	Government Dues Payable – Child Welfare Surcharge	Dr.	45000		cash Book, Ledger
450-21-(a)	To Bank Account*	Cr		45000	

* Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

ACCOUNTING OF OTHER INCOMES

27.10 Transport Undertaking may earn income from luggage charges; renting of buses; advertisement charges for advertisement on buses, tickets, bus-stops etc.; fines and penalties for travel without ticket; fines from employees; sale of scrap; tender form fees; etc. All these income shall be accounted on actual receipt basis.

27.11 The accounting principles, procedure for accounting of these incomes and the accounting entries shall be the same as described in Chapter 10 – Rentals, Fees and other incomes.

ACCOUNTING OF STORES

27.12 The Transport Undertaking purchases stores and spares like tyres & tubes, battery, tools, etc., for recurring maintenance of transport facilities. It purchases diesel, oil and lubricants for operating the buses. It also purchases stationery and other general administrative stores.

27.13 The accounting principles, procedure for accounting of stores and the accounting entries shall be the same as described in Chapter 12 on Stores.

ACCOUNTING OF EMPLOYEE RELATED TRANSACTIONS

27.14 The Transport Undertaking pays salaries and allowances, gratuity, leave encashment, etc., to the employees of the Transport Undertaking. It handles their pension and provident fund. It also gives loans and advances to the employees of the Transport Undertaking.

27.15 The accounting principles, procedure for accounting of employee related transactions and the accounting entries shall be the same as described in Chapter 13 - Employee Related Transactions.

ACCOUNTING OF OTHER REVENUE EXPENDITURE

27.16 The Transport Undertaking incurs the following other revenue expenditure:

- a. Payment of Passenger Tax and Tax under Motor Vehicle Act to the State Government;
- b. Repairs and maintenance of vehicles, electrical equipments, etc.; c. Vehicle registration and renewal expenses, vehicle insurance, etc.; d. Ticket printing;
- e. Payment for general insurance, accident claims and medical expenses of injured employees;
- f. Legal fees;
- g. Payment of meeting allowance, honorarium to Transport Committee members;
- h. Payment in respect of postage & stationery, photocopying charges, telephone charges, electricity charges, water charges and other general administrative expenses; etc.

27.17 The accounting principles, procedure for accounting of other revenue expenditures and the accounting entries shall be the same as described in Chapter 15 - Other Revenue Expenditures.

ACCOUNTING OF GRANTS

27.18 The Transport Undertaking may receive grants from the ULBs, State Government (e.g. Police Department Grant), etc.

27.19 The accounting principles, procedure for accounting of grants and the accounting entries shall be the same as described in Chapter 16 - Grants.

27.20 The accounting principles, procedure for accounting of grants to the transport undertakings by the local bodies in their books of accounts shall be the same as described in Chapter 23 – Special transactions.

ACCOUNTING OF FIXED ASSETS

27.21 The Transport Undertaking would generally acquire or construct depots, sheds and bus stops. It would purchase buses for providing transport services and specific equipment for its routine repairs and maintenance. It would also purchase furniture & fixtures and other office equipment for administrative purposes. Transport Undertaking also incurs expenses on repairs and maintenance of buses, bus stops, bus - depots & sheds, etc.

27.22 The accounting principles, procedure for accounting of construction of fixed assets and their repairs & maintenance and the accounting entries shall be the same as described in Chapter 11 - Public Works.

27.23 The accounting principles, procedure for accounting of purchase of fixed assets and the accounting entries shall be the same as described in Chapter 20 - Fixed Assets.

ACCOUNTING OF INVESTMENTS

27.24 The Transport Undertaking may invest surplus funds in the specified securities as per the provisions and rules of the act governing the transport undertaking

27.25 The accounting principles, procedure for accounting of investments and the accounting entries shall be the same as described in Chapter 19 - Investments.

ACCOUNTING OF LOANS

27.26 Transport Undertaking may receive loans from State Government and other agencies.

27.27 The accounting principles, procedure for accounting of loans and the accounting entries shall be the same as described in Chapter 17 - Borrowings.

27.28 Sometimes loans may also be advanced by Local Body to meet out any deficit in the Transport undertaking account. The accounting principles, procedure for accounting of loans to the transport undertakings by the local bodies in their books of accounts shall be the same as described in Chapter 23 – Loans and Advances.

ACCOUNTING OF FIXED ANNUAL PAYMENT TO ULBs

27.29 The provisions and rules of the act governing the transport undertaking normally requires the Transport Undertaking to make a fixed annual payment to the ULBs, when the services are carried as a separate undertaking On making such payment to Municipal Fund, the Accounts Department shall pass the following entry:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
260-20-(a)	Fixed Contribution to Municipal Fund	Dr.	200000		cash Book, Ledger
450-21-(a)	To Bank Account*	Cr		200000	

* Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

27.30 If there is a deficit in the Revenue Account for making the fixed payment to the Municipal Fund, it shall be made good from the Revenue Reserve Fund. For making payment to the Municipal Fund from the Revenue Reserve Fund, the Accounts Department shall pass the following entries:

a. For payment from Revenue Reserve Fund:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
260-20-(a)	Fixed Contribution to Municipal Fund	Dr.	100000		cash Book, Ledger
450-21-(a)	To Bank Account*	Cr		100000	

* Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

b. For transfer of equivalent funds from Revenue Reserve Fund to Transport Fund:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	Revenue Reserve Fund	Dr.	100000		cash Book, Ledger
311-(a)	To Transport Fund	Cr		100000	

* Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

ACCOUNTING FOR DISPOSAL OF SURPLUS

27.31 Any surplus in the Revenue Account of the Transport under taking, after making the fixed payment to the ULBs, shall be disposed as provided in the relevant governing Act. Transfer of surplus may be made to reserve funds, Betterment Fund, Welfare Fund etc. This is illustrated with an example given below:

27.32 Transfer to of surplus to

Revenue Reserve Fund: 30% Transport

Betterment Fund: 30%

Welfare Fund maintained with Local Body: 25%

Contribution to Municipal Fund: 15%

27.33 For transfers as explained above, Accounts Department shall pass the following entries:

a. For transfer of funds from Transport Fund

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
311-(a)	Special Funds- Transport Fund	Dr.	200000		cash Book, Ledger
311-(a)	To reserves-Revenue Reserve Fund	Cr		30000	
311-(a)	To reserves-Transport Betterment Fund	Cr		30000	
350-80-(b)	To Other Payables- Liability for contribution to welfare Fund	Cr		25000	
350-80-(b)	To Other Payables-Dues to ULBs	Cr		15000	

(a) Insert Minor & Detailed Head Codes of Account as applicable

(a) Insert Detailed Head Codes of Account as applicable

b. For transfer of money from Designated Transport Bank Account to respective Designated Special Fund Bank Accounts:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-(a)	Revenue Reserve Fund Bank Account*	Dr.	30000		cash Book.
450-(a)	Transport Betterment Fund Bank Account*	Dr	30000		
450-(a)	To Designated Transport Bank Account*	Cr		60000	

* Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

c. On payment of amount equal to 25% of surplus to ULBs for credit to the Welfare Fund:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
350-80-(a)	Others – Liability for contribution to welfare Fund	Dr.	25000		cash Book, Ledger
450-(b)	To Designated Transport Bank Account*	Cr		25000	

* Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable

d. On payment of amount equal to 15% of surplus to Municipal Fund.

27.34 In respect of accounts of the ULBs, the above receipts shall be accounted as follows:

27.35 Recording the receipt of 25% of the surplus received from the Transport Undertaking for credit to the Welfare Fund the Accounts Department of the ULBs shall record the following entry

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-(a)	Bank Account*	Dr.	25000		cash Book, Ledger
311-(a)	To Welfare Fund	Cr		25000	

* Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

27.36 Recording the receipt of 15% of the surplus being a contribution to the Municipal Fund the Accounts Department of the ULBs shall record the following entry:

Code of Account	Accounting Entry	Dr/ Cr	Debit Amount (Rs.) Illustrative figures	Credit Amount (Rs.) Illustrative figures	Books to be entered into
450-21-(a)	Bank Account*	Dr.	15000		cash Book, Ledger
310-(b)	To Municipal Fund	Cr		15000	

* Specify the name of the Bank and Account number

(a) Insert Detailed Head Codes of Account as applicable

(b) Insert Minor & Detailed Head Codes of Account as applicable.

PERIOD END PROCEDURES

27.37 All the period end procedures followed by an Urban Local Body are also to be followed as period end procedure by the School Boards;

FINANCIAL STATEMENTS OF A TRANSPORT UNDERTAKING

27.38 At the end of every accounting period, the Transport Undertaking shall prepare Financial Statements including:

- i. Income and Expenditure Statement (illustrated in Table 27.1); and
- ii. Balance Sheet (illustrated in Table 27.2).
- iii. Receipts and Payments Statement (illustrated in Table 27.3)
- iv. Cash flows Statement (illustrated in Table 27.4)

27.39 The manner in which the Financial Statements of a Transport Undertaking are to be drawn shall be the same as what has been described in Chapter 30 - Financial Statements, reference to which is invited.

27.40 The amount that is due to the Municipal Body in respect of the Fixed Annual Contribution to the Municipal Fund shall be disclosed in the notes to accounts.

Table 27.1
Income and Expenditure Statement for the period from _____ to

Code No	Item/ Head of Account	Schedule No	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	INCOME			
1-10	Tax Revenue	I-1		
1-20	Assigned Revenues & Compensation	I-2		
1-30	Rental Income from Municipal Properties	I-3		
1-40	Fees & User Charges	I-4		
1-50	Sale & Hire Charges	I-5		
1-60	Revenue Grants, Contributions & Subsidies	I-6		
1-70	Income from Investments	I-7		
1-71	Interest Earned	I-8		
1-80	Other Income	I-9		
A	Total – INCOME			
	EXPENDITURE			
2-10	Establishment Expenses	I-10		
2-20	Administrative Expenses	I-11		
2-30	Operations & Maintenance	I-12		
2-40	Interest & Finance Charges	I-13		
2-50	Programme Expenses	I-14		
2-60	Revenue Grants, Contributions & subsidies	I-15		
2-70	Provisions & Write off	I-16		
2-71	Miscellaneous Expenses	I-17		
2-72	Depreciation	I-18		
B	Total – EXPENDITURE			
A-B	<i>Gross surplus/ (deficit) of income over expenditure before Prior Period Items</i>			
2-80	Add: Prior period Items (Net) <i>Gross surplus/ (deficit) of income over expenditure after Prior Period Items</i>			
2-90	Less: Transfer to Reserve Funds Net balance being surplus/ deficit carried over to Municipal Fund			

Table 27.2
Balance Sheet of ULB as on _____

Code No	Description of items	Schedule No	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
	LIABILITIES			
	Reserve & Surplus			
3-10	Municipal (General) Fund	B-1		
3-11	Earmarked Funds	B-2		
3-12	Reserves	B-3		
	Total Reserves & Surplus			
3-20	Grants, Contributions for specific purposes	B-4		
	Loans			
3-30	Secured Loans	B-5		
3-31	Unsecured Loans	B-6		
	Total Loans			
	Current Liabilities and Provisions			
3-40	Deposits Received	B-7		
3-41	Deposit works	B-8		
3-50	Other Liabilities	B-9		
3-60	Provisions	B-10		
	Total Current Liabilities and Provisions			
	TOTAL LIABILITIES			
	ASSETS	B-11		
4-10	Fixed Assets			
4-11	Gross Block			
	Less: Accumulated Depreciation			
	Net Block			
4-12	Capital Work-in-Progress			
	Total Fixed Assets			
	Investments			
4-20	Investment – Municipal Fund	B-12		
4-21	Investments – Other Funds	B-13		
	Total Investments			
	Current Assets, Loans and Advances			
4-30	Stock in Hand (Inventories)	B-14		
	Sundry Debtors (Receivables)	B-15		
4-31	Gross amount outstanding			

4-32	Less: Accumulated provision against bad and doubtful Sundry Debtors			
	<i>Net amount outstanding</i>			
4-40	Prepaid Expenses	B-16		
4-50	Cash and Bank Balances	B-17		
4-60	Loans, advances and deposits	B-18		
4- 61	Less: Accumulated Provision against Loans			
	<i>Net Amount outstanding</i>			
	Total Current Assets, Loans & Advances			
4-70	Other Assets	B-19		
4-80	Miscellaneous Expenditure (to the extent not written off)	B-20		
	TOTAL ASSETS			

Table 27.3**Receipts and Payments Account for the period from _____ to _____**

Code No.	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)	Code No	Head of Account	Current Period Amount (Rs.)	Corresponding Previous Period Amount (Rs.)
	<i>Opening Balances</i> Cash balances including Imprest Balances with Banks/Treasury (including balances in designated bank accounts)						
	Operating Receipts				<i>Operating Payments</i>		
1-10	Tax Revenue			2-10	Establishment Expenses		
1-20	Assigned Revenues & Compensations			2-20	Administrative Expenses		
1-30	Rental income from Municipal Properties			2-30	Operations and Maintenance		
1-40	Fees & User Charges			2-40	Interest & Finance Charges		
1-50	Sale & Hire Charges			2-50	Program Expenses		
1-60	Revenue Grants, Contributions & Subsidies			2-60	Revenue Grants, Contributions & Subsidies		
1-70	Income from Investments			2-71	Miscellaneous Expenses		
1-71	Interest Earned			4-30	Purchase of Stores		
1-80	Other Income				Other Collections on behalf of State and Central Government		
					Other Income		
	<i>Non-Operating Receipts</i>				<i>Non-Operating Payments</i>		
3-30/31	Loans Received			3-50	Other Payables		
3-40	40 Deposits Received			3-50	Refunds Payable		
3-20	Grants and contribution for specific purposes			**	Repayment of Loans		
*	Sale proceeds from Assets			**	Refund of Deposits		
*	Realisation of Investment – General Fund			4-10	Acquisition / Purchase of Fixed Assets		
*	Realisation of Investment – Other Funds			4-12	Capital Work – in – Progress		
3-41	Deposit works			3-41	Deposit works		
3-50	Revenue Collected in Advance			4-20	Investments – General Fund		
*	Loans & Advances to (recovery)			4-21	Investments – Other Funds		

*	Other Loans & Advances (recovery)			4-60	Loans & Advances to Employees		
*	Deposits with External (recovery)			4-40	Prepaid Expenses		
	Other Receipts [specify]			4-60	Other Loans & Advances		
	Transfer to Municipal Fund from Special Funds			4-60	Deposits with External Agencies		
					Other Payments [specify]		
					Transfer to Special Funds from Municipal Fund		
					<i>Closing Balances</i>		
					Cash balances including Imprest		
					Balances with Banks/Treasury (including balances in designated bank accounts)		
					GRAND TOTAL		

* Details in respect of these items will be available in the corresponding asset ledger accounts.

** Details in respect of these items will be available in the corresponding liability ledger accounts

Table 27.4

Statement of Cash Flow

	Particulars	Previous Year(Rs.)	Current Year(Rs.)
	a. Cash flows from operating activities		
	Gross surplus/ (deficit) over expenditure		
	Adjustments for		
	Add:		
	Depreciation		
	Interest & finance expenses		
	Less:		
	Profit on disposal of assets		
	Dividend Income		
	Investment income		
	Adjusted income over expenditure before effecting changes in current assets and current liabilities and extra ordinary items		
	Changes in current assets and current liabilities		
	(Increase) / decrease in Sundry debtors		
	(Increase) / decrease in Stock in hand		
	(Increase) / decrease in prepaid expenses		
	(Increase) / decrease in other current assets		
	(Decrease)/ increase in Deposits received		
	(Decrease)/ increase in Deposits works		
	(Decrease)/ increase in other current liabilities		
	(Decrease)/ increase in provisions		
	Extra ordinary items (Specify)		
	Net cash generated from/ (used in) operating activities (a)		
	b. Cash flows from investing activities		
	(Purchase) of fixed assets & CWIP		
	(Increase) / Decrease in Special funds/grants		
	(Increase) / Decrease in Earmarked funds		
	(Purchase) of Investments		
	Add:		
	Proceeds from disposal of assets		
	Proceeds from disposal of investments		
	Investment income received		
	Interest income received		
	Net cash generated from/ (used in) investing activities (b)		
	c. Cash flows from financing activities		
	Add:		
	Loans from banks/others received		
	Less:		
	Loans repaid during the period		
	Loans & advances to employees		
	Loans to others		
	Finance expenses		
	Net cash generated from (used in) financing activities (c)		

	Particulars	Previous Year(Rs.)	Current Year(Rs.)
	Net increase/ (decrease) in cash and cash equivalents (a+ b + c)		
	Cash and cash equivalents at beginning of period		
	Cash and cash equivalents at end of period		
	Cash and Cash equivalents at the end of the year comprises of the following account balances at the end of the year:		
	i. Cash Balances		
	ii. Bank Balances		
	iii. Scheduled co-operative banks		
	iv. Balances with Post offices		
	v. Balances with other banks		
	Total		

Note: items in () brackets denote as that they are to be deducted

