

# ACCOUNTING POLICIES

## 1. ACCOUNTING CONVENTIONS

- 1.1 The Accounts are prepared on Historical Cost Basis.
- 1.2 Income and Expenses are accounted for on Mercantile Basis.
- 1.3 Prepaid expenses and prior period expenses/income of items of ₹ 20000/- and below are charged to natural head of accounts.
- 1.4 Contingent liabilities are generally not provided for in the accounts and are separately shown in the Notes on Accounts. Contingent assets are neither recognized nor disclosed in the financial statement in terms of AS-29.

## 2. FIXED ASSETS

- 2.1 Fixed Assets are stated at cost. Cost includes purchase price and any directly attributable cost of bringing the assets to working condition for the intended use. Assets and systems common to more than one generating unit are capitalized in the ratio of installed capacity.
- 2.2 In the case of commissioned assets, where final settlement of bill with the contractors is yet to be effected, capitalization is made on provisional basis subject to necessary adjustment in the year of final settlement.
- 2.3 The expenditure incurred on start-up and commissioning of the project, including the expenditure incurred on test runs and experimental production is capitalized as an indirect element of the construction cost. However, after commencement of commercial production, the expenditure incurred is charged to Revenue expenditure although the contract stipulation provides for final taking over of the plant after satisfactory completion of the guarantee period.
- 2.4 Net pre- commissioning income/ expenditure is adjusted directly in the cost of related assets and systems.
- 2.5 Capital expenditure not represented by Assets and Capital expenditure on land not belonging to the Corporation is allocated to other capital assets that are directly or indirectly benefited by such expenditure.
- 2.6 Leased Assets are accounted in accordance with AS-19.
- 2.7 Intangible Assets are not recognized as assets of the Corporation in terms of AS-26.
- 2.8 Physical verification of Fixed Assets are undertaken by the management once in a year.

## 3. CAPITAL WORK IN PROGRESS

- 3.1 Net expenditure common to Operation and Construction including Corporate Office expenses and Depreciation on General Assets are allocated to Operating Expenses and Incidental Expenditure during Construction in proportion of Sales to Capital outlay during the year. Common Expenditure of an Operating Project and its extension is being apportioned on the basis of the cost as provided in the approved Project Cost estimate.
- 3.2 Common expenditure of a project, which is partially in operation and partially under construction, is being apportioned on the basis of the installed capacity.
- 3.3 Incidental expenditure during construction including depreciation and interest are allocated/apportioned to the project/works forming part of work-in-progress on the basis of accretion thereto during the year.
- 3.4 Interest during construction is calculated as per approved pattern of financing by Government of India with reference to approved cost estimate of the Project. Interest during construction is also capitalized in the same approved pattern. Final adjustment is made on the basis of approved completion cost of the Project.

## 4. DEPRECIATION

- 4.1 Depreciation is charged as per Electricity Act, 2003 on straight line method following the rates notified by Central Electricity Regulatory Commission constituted under the Act. Where prescribed rate has not been laid down under the aforesaid Act, depreciation is being provided at the rates followed by the Electricity Boards/ other PSUs/Power Utilities on straight line method.



ISO 9001 & 14001  
OHSAS 18001

- 4.2 The depreciation as a result of the foreign exchange gain/loss adjusted to the assets is charged prospectively as per Accounting Standard 11 of the Institute of Chartered Accountants of India.

## 5. INVENTORY

- 5.1 Stores and spares are valued at or under cost on weighted average method.  
5.2 Value of scrap is adjusted in the account as and when sold.  
5.3. Machinery spares which can be used only in connection with an item of fixed assets and whose use is expected to be irregular are capitalized and depreciated over the residual useful life of that related assets.  
5.4 Physical verification of Inventory are done by the management once in a year.

## 6. GRANT- IN-AID

- 6.1 Grant-in-aid received from Central Government through North Eastern Council toward capital expenditure on survey and investigation, for setting up seismological observatories, for training in diamond core drilling, etc. are being shown as Grant-in-aid under Reserves & Surplus.  
6.2 Grant-in-aid received from the Central Govt. for procurement of spares are treated initially as reserve and subsequently adjusted as other income to the extent of utilisation of such spares.

## 7. INVESTMENT

Investment are intended for long term and carried at cost.

## 8. BORROWING COST

Borrowing cost attributable to the Fixed Assets during construction/renovation modernization are capitalized. Other borrowing costs are recognized as an expense in the period in which they are incurred.

## 9. RETIREMENT BENEFIT

Provision for gratuity, leave encashment, leave travel concession and post-retirement medical benefits are made at the end of the period on actuarial basis.

## 10. DEFERRED REVENUE EXPENDITURE

The premium paid for restructuring the loan availed from Financial Institutions for reduction in interest rate is treated as Deferred Revenue Expenditure (DRE) and the same is written off over the balance tenure of loan. However in case any loan is repaid in full in a year, prepayment charges paid is written off in the year of repayment itself.

## 11. REVENUE RECOGNITION

- 11.1 Sale of energy is accounted for based on tariff approved by the Central Electricity Regulatory Commission. In case of Power Stations where final tariff are yet to be approved/ agreed with the beneficiaries, provisional tariff are adopted. Where provisional /final tariff has not yet been approved / agreed by the CERC, sale of energy is provided for on the basis of principles enunciated in Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulation, 2009 issued under notification dated 19th January 2009 for computation of Tariff.  
11.2 The incentives/disincentives are recognized based on norms notified/approved by the Central Electricity Regulatory Commission. In case of power station where tariffs have not been notified, incentives/disincentives are accounted for on provisional basis.  
11.3 Interest on Debtors (post securitisation) on account of sale of power is accounted for on cash basis.  
11.4 Interest on amount involved in consequent securitisation of sundry debtors duly confirmed by all the States is accounted for on accrual basis.  
11.5 Reimbursement of Income Tax and CERC filing fee by the beneficiaries in terms of CERC regulations are being accounted for on cash basis.



## 12. FOREIGN EXCHANGE FLUCTUATION

- 12.1 Transactions in foreign currency are initially recorded at exchange rates prevailing on the date of transaction. At each Balance Sheet date monetary items denominated in foreign currency are translated at the exchange rate prevailing on the Balance Sheet date.
- 12.2 Exchange differences are recognised as income & expenses in the period in which they arise in Profit & Loss Account in case of operational stations and to Incidental Expenditure During Construction in case of projects under construction. However, Exchange Differences in respect of liabilities relating to fixed assets/capital work-in-progress arising out of transaction entered into prior to 01.04.2004 are adjusted to the carrying cost of respective fixed asset/Capital Work-in-Progress.
- 12.3
- Foreign Exchange Rate Variation on account of restatement of foreign currency borrowing recoverable from or payable to the beneficiaries as per CERC Regulation and adjusted to carrying cost of fixed assets are accounted as Deferred foreign currency fluctuation account with corresponding credit/debit to Deferred income/expenditure from foreign currency fluctuation account.
  - Deferred income/expenditure from foreign currency fluctuation account is adjusted in the proportion in which depreciation is charged on such Foreign Exchange Rate Variation by corresponding credit/debit to other income/expenditure in the profit and loss account of the relevant year.
  - Amount recoverable/payable as per CERC norms are adjusted to the Deferred foreign currency fluctuation account on actual receipt/payment basis.

## 13. MISCELLANEOUS

- 13.1 Interest on advances to contractors are accounted for on due basis.
- 13.2 Claims, liquidated damage, interest on advance to staff, co-operative societies, interest subsidy etc., are accounted for on receipt basis.
- 13.3 Claims for price variation / Bonus in case of contracts/supply/consultancy etc., are accounted for on acceptance of the bills.
- 13.4 Arbitration award for and against the Corporation is accounted for in the year of final settlement.

## 14. WRITE OFF :-

Incidental Expenses incurred on abandoned as well as suspended Projects and expenditure incurred on discontinued Survey & Investigation Schemes is written off in the year of abandonment/suspension/discontinuation.

For and on behalf of the Board of Directors

In terms of our report of even date  
For **ADD & ASSOCIATES**  
Chartered Accountants

Date: 28<sup>th</sup> June, 2010  
Place: Shillong

**C. Sharma**  
Company Secretary

**M.R. Ghosh**  
Director ( Finance )

**I.P. Barooah**  
Chairman &  
Managing Director

**D.R. DEY**  
Partner  
Membership No.13682