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TELECOM REGULATORY AUTHORITY OF INDIA

NOTIFICATION

New Delhi, the 10th April 2012

No. 16-07/2010-FA : In exercise of the powers conferred by section 36 read with sub-clause (i) of clause (b) of sub-section (1) of section 11 of the Telecom Regulatory Authority of India Act, 1997 (24 of 1997), the Telecom Regulatory Authority of India hereby makes the following regulations, namely:-

The Reporting System on Accounting Separation Regulations, 2012
(7 of 2012)

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CHAPTER I

PRELIMINARY

1. Short title, commencement and application: - (1) These regulations may be called the Reporting System on Accounting Separation Regulations, 2012.

(2) They shall come into force from the date of their publication in the Official Gazette.

(3) These regulations shall apply to all service providers having aggregate turnover of not less than rupees one hundred crore, during the accounting year for which report is required to be submitted under these regulations, from operations under the licence issued under section 4 of the Indian Telegraph Act, 1885.

2. Definitions: - In these regulations, unless the context otherwise requires, -

(i) "Act" means the Telecom Regulatory Authority of India Act, 1997 (24 of 1997);

(ii) "Accounting Separation Statement" means statement furnished in proforma specified in Schedule III to these regulations;

(iii) "Annual Financial Statement" means financial statements prepared under section 211 of the Companies Act, 1956;

(iv) "Authority" means the Telecom Regulatory Authority of India established under sub-section (1) of section 3 of the Act;

(v) "Broadband" or "Broadband Service" means a data connection --

(a) which is always on and is able to support interactive services including Internet access;

(b) which has the capability of the minimum download speed of two hundred fifty six kilobits per second or such minimum download speed, as may be specified by the licensor, from time to time, to an individual subscriber from the point of presence of the service provider intending to provide Broadband service where a multiple of such individual Broadband connections are aggregated and the subscriber is able to access these interactive services including the Internet through the said point of presence;

(c) in which the interactive services shall exclude any services for which a separate licence is specifically required (such as real-time voice transmission) except to the extent permitted, or, as may be permitted, under Internet service provider's licence with internet telephony, and which shall include such services or download speed or features, as may be specified from time to, by the licensor;

(vi) "Cable Landing Station" means a location,

(a) at which the international submarine cable capacity is connected to the backhaul circuit; and

(b) at which international submarine cables are available on shore for accessing international submarine cable capacity and such location includes buildings containing the onshore end of the submarine cable and equipment for connecting to backhaul circuits;

(vii) "collocation charges" means the charges paid by a service provider for using facilities including land, building space, apparatus and plants,

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environmental services, security, site maintenance, power, electrical installations, cables, transformers, fire detection, fire fighting systems and back-up power for the purpose of interconnection including installation of collocation equipments i.e. switches, racks and cages, cross-connects and other cabling at the premises owned by another service provider;
(viii) "Cost Centre" means the support function or department of a company or a network element for which cost is incurred;
(ix) "Financial Capital Maintenance" is a methodology of recognising profit after taking account of holding gain or loss arising as a result of Replacement Cost Accounting;
(x) "geographical area" is a service area, which is treated as separate segment for purpose of preparing reports under regulation 4;
(xi) "Historical Cost Accounting" means a system of accounting where assets, liabilities, costs and revenues are recorded at the value when the transaction was made and where assets are valued and depreciated according to their cost at the time of purchase;
(xii) "Holding gain or loss" means gain or loss arising out of change in the replacement cost of an asset while the asset is still being held at the Historical Cost and is computed as under:- Holding Gain or Loss= NBVt-1X (GRCt /HC) - NBVt-1X(GRCt-1 /HC) Where, NBVt-1 = Written down value of an asset at historical cost at the beginning of year t, GRCt = Gross replacement cost of an asset at the end of year t, HC = Historical Cost of an asset at the time of its purchase
(xiii) "Internet Service" means all type of internet access or internet content services as provided in the licence;
(xiv) "Licence" means a licence granted or having effect as if granted under section 4 of the Indian Telegraph Act, 1885 (13 of 1885) or the provisions of the Indian Wireless Telegraphy Act, 1933 (17 of 1933);

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(xv) “Manual” means manual referred to in regulation 3 of these regulations;
(xvi) “Meet Me Room” means a place where telecom service providers connect their equipment;
(xvii) “Modern Equivalent Asset” means the current value of available asset with the same level of capacity and functionality as that of the original asset;
(xviii) “Off-net call” means a call which terminates in the network of a service provider other than the originating service provider;
(xix) “On-net call” means a call which originates and terminates in the network of the same service provider;
(xx) “Pass through charges” means the charges excluded from gross revenue to arrive at adjusted gross revenue for the purpose of levying licence fee as provided under the licence agreement of the service provider;
(xxi) “Profit Centre” means a service or a product offered by a service provider to which revenue and cost can be traced to calculate profit from that activity;
(xxii) “regulations” means the Reporting System on Accounting Separation Regulations, 2012;
(xxiii) “Related Party” has the meaning assigned to it in the Accounting Standard on Related Party Disclosures (AS 18) issued by the Institute of Chartered Accountants of India;
(xxiv) “Related Party Transaction” means a transfer of resources or obligations between related parties whether a price is charged or not;
(xxv) “Replacement Cost Accounting” means system of accounting where value of an asset is entered in the financial statement at the price which is required to be paid if same or equivalent asset is purchased;
(xxvi) “Report” mean financial and non-financial Accounting Separation statements furnished by service providers under regulation 4;

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(xxvii)"Retail Revenue" means revenue earned by the service provider from the sale of products and services directly to the end consumer;

(xxviii) "service provider" means the Government as a service provider and includes a licensee;

(xxix) "Supplementary depreciation" refer to the difference between depreciation on historical cost and depreciation on replacement cost of an asset;

(xxx) "Transit Carriage Charge" means charge for carriage of intra-circle traffic handed over from Cellular Mobile Networks to Fixed Network at Level II Trunk Automatic Exchange (TAX) of Long Distance Charging Area for terminating in Short Distance Charging Area of the same Long Distance Charging Area;

(xxxi) "Value Added Services" means services which are offered to add value to the core services, the core services being voice calls, voice or non-voice messages and data transmission;

(xxxii)"wholesale interconnection" means a product for which revenue is received from other service providers for carrying or terminating calls or messages or for providing interconnection facilities;

(xxxiii) "wholesale revenue" means revenue realised from the sale of products and services other than to end consumers;

(xxxiv)all other words and expressions used in these regulations but not defined, and defined in the Act and the rules and other regulations made thereunder, shall have the meanings respectively assigned to them in the Act or the rules or other regulations, as the case may be.

CHAPTER II

MANUAL & REPORTS

3. Manual (1) Every service provider shall for the purpose of implementing the accounting and reporting practices specified under these regulations furnish to the Authority within 90 days from the date of commencement of these regulations, a manual containing policies,

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principles, methodologies and procedures for accounting and cost allocation;

(2) The manual referred to in sub-regulation (1) shall contain the following items, namely: -

(a) the details of the organisational structure of the service provider;

(b) a list of the all entities within the group operating in the telecom sector and relationship of the service provider with such entities and other group companies and related parties with regard to interconnection and sharing of common resources etc.;

(c) the details of the financial accounting system adopted by the service provider including policies relating to capitalisation, depreciation, advance receipts of revenue, security deposits, provision for bad and doubtful debts etc.;

(d) the description of the related party transactions, allocation of shared services and jointly used assets;

(e) the details of products, services, network elements and geographical areas which shall be treated as separate segments for preparing Accounting Separation Statements;

(f) the description of accounting policies for allocation and apportionment of revenue, cost, assets and liabilities;

(g) the details of the accounting system followed for recording and generation of the accounting separation information and reports which shall include list of cost and profit centres, linkages of financial heads to cost and profit centres;

(h) the description of studies, surveys and model employed in cost apportionment and cost allocation process;

(i) the definition of terms used in the manual; and

(j) the procedure adopted for maintenance and updation of the manual.

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(3) Every service provider shall furnish to the Authority any change made in the manual within 30 days of such change alongwith the reasons thereof.

4. Reports - (1) Every service provider shall furnish to the Authority the following financial and non-financial reports, geographical area wise as well as consolidated report for all geographical areas, namely: -

(a) financial reports: -

(i) the profit and loss statement in proforma A of Schedule III to these regulations in respect of each service specified in Schedule-I to these regulations;

(ii) the profit and loss statement in proforma B of Schedule III to these regulations in respect of each product specified in Schedule I to these regulations;

(iii) the network element wise cost sheet in proforma C of Schedule III to these regulations containing network element wise cost and its allocation to various products, basis of such allocation and cost per unit of usage based on the list of network elements of various services contained in Schedule II to these regulations;

(iv) the cost sheet of support function and department in proforma D of Schedule III to these regulations and its allocation to products and network elements;

(v) the statement in proforma E of Schedule III to these regulations containing category wise fixed assets and depreciation thereon ;

(vi) the capital employed statement in proforma F of Schedule III to these regulations for the services provided by the service provider;

(vii) the statement in proforma G of Schedule III to these regulations allocating capital employed for each service with respect to the products contained in Schedule I to these regulations;

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(viii) the statement in proforma H of Schedule III to these regulations with respect to related party information pertaining to revenue and cost;

(b) non-financial reports:-

the statement in proforma J of Schedule III to these regulations for services mentioned in Schedule I to these regulations comprising non-financial information relating to subscribers, network usage and network capacity.

(2) Every service provider shall furnish to the Authority the financial and non-financial reports referred to in sub-regulation (1);

(a) every accounting year based on Historical Cost Accounting for all the services specified in Schedule-I to these regulations ; and

(b) every second accounting year based on Replacement Cost Accounting for the following services specified in Schedule-I to these regulations: -

i. Access Service – Wireless (Full Mobility)

ii. Access Service – WLL

iii. Access Service – Wireline

iv. National Long Distance Service

v. International Long Distance Service

Provided that a service provider is not required to furnish the financial report based on Replacement Cost Accounting for three years from the date of issue of licence.

(3) Every service provider shall-

(a) reconcile the profit and loss statement referred to in sub-clause (i) of clause (a) of sub-regulation (1) and capital employed statement, referred to in sub-clause (vi) of clause (a) of sub-regulation (1), prescribed on the basis of the Historical Cost, with the audited Annual Financial Statement prepared under section 211 of the Companies Act, 1956; and

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(b) furnish in proforma I of Schedule III to these regulations a reconciliation statement covering all services and its geographical areas of operation.

(4) Every service provider shall furnish financial reports referred to in sub-regulation (1) on the basis of Replacement Cost Accounting by-

(i) following financial capital maintenance methodology;

(ii) limiting cost adjustment to the fixed assets;

(iii) ignoring replacement cost adjustment for assets having life of less than three years;

(iv) taking cost of modern equivalent asset, when existing asset is not available due to change in technology or old asset is replaced by modern equivalent asset,

(v) indicating holding gain or loss and supplementary depreciation;

(vi) indicating the change in operating expenditure when an old asset is replaced by a modern equivalent asset.

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5. Periodicity of submission of report - (1) Every service provider shall submit to the Authority within six months of the end of the accounting year: -

(a) yearly audited reports based on the Historical Cost Accounting; and

(b) every second accounting year, audited reports based on Replacement Cost Accounting

(2) The reports referred to in sub-regulation (1) shall be submitted in hard copy and in soft copy in MS Excel format along with its formulae and linkage;

Provided that the Authority may by direction specify any other method including on-line submission of report.

(3) The accounting year shall be same as followed by the company for preparation of the annual financial accounts under sub section (4) of section 210 of the Companies Act, 1956.

Provided that, if accounting year exceeds fifteen calendar months, the service provider shall submit the reports in two parts – one part comprising report of twelve month and the second part comprising of balance period.

(4) Every report submitted to the Authority under sub-regulation (1) shall be accompanied by the relevant portion of the manual containing description of accounting policies for allocation and apportionment of revenue, cost, assets and liabilities and the basis of cost allocation and apportionment employed.

6. Audit –

(1) Every service provider shall appoint an auditor qualified for appointment as an auditor under section 224 or 233B of the Companies Act, 1956 to audit the reports prepared by the service provider under regulation 4 of these regulations and obtain the audit report from the auditor in the proforma specified in Schedule IV to these regulations.

(2) The reports prepared by the service provider under regulation 4 of these regulations shall be adopted by the Board of Directors of the company and shall be signed by the authorized signatory before submitting the same to Auditor appointed under sub-regulation (1).

(3) The reports prepared by the service provider under regulation 4 of these regulations and the audit report referred to in sub-regulation (1) shall be signed by the Auditor or a partner, if a firm is appointed as an Auditor.

(4) The service provider shall furnish to the Authority the audited reports alongwith audit report given by the Auditor referred to in sub-regulation (1).

CHAPTER III

MISCELLANEOUS

7. Repeal and saving – (1) The Reporting System on Accounting Separation Regulation, 2004 (4 of 2004) is hereby repealed.

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(2) Notwithstanding such repeal, anything done or any action taken under the said regulation shall be deemed to have been done or taken under the corresponding provisions of these regulations;
8. Interpretation – In case of any doubt regarding interpretation of any of the provisions of these regulations, the clarification of the Authority shall be final and binding.

(Rajeev Agrawal)
Secretary

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Note ------ Explanatory Memorandum annexed to these regulations explains the objects and reasons for review of the Reporting System of Accounting Separation Regulation, 2004 issued vide Notification 414/7/99-FA dated 23rd February 2004 and need for revised Reporting System of Accounting Separation Regulation, 2012

Explanatory Memorandum

A Background

1.01 The Telecom Regulatory Authority of India (TRAI) (hereinafter referred to as "Authority") has been established under the Telecom Regulatory Authority of India Act 1997 to regulate telecommunications services and matters connected therewith. One of the main objectives of the Authority is to provide a fair and transparent policy environment to promote a level playing field and facilitate fair competition. To achieve this objective, the Authority has to collect financial data from service providers to measure the financial performance of products and services, analyze costs, returns and capital employed in major areas of a service provider's business, monitor licensees' returns on products and services, identify cross subsidization which influences the profitability of any segments, investigate predatory pricing, discrimination and other anti-competitive conduct, and understand inter-operator arrangements in terms of their associated pricing and costs.

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1.02 Accordingly, the Authority had issued the "Reporting System on Accounting Separation Regulation, 2004" on 23rd February 2004 (hereinafter referred to as Regulation 2004), which was further amended vide 1st amendment dated 24th May 2004, 2nd amendment dated 30th September 2004, 3rd amendment dated 4th March 2005 and 4th amendment dated 27th March 2006.

B Need for review of the Accounting Separation Regulation

1.03 The existing system of accounting separation was devised nearly a decade ago, at a time when regulatory reporting requirements were still evolving and the development of the telecom sector had just begun. Since the implementation of the Regulation 2004, many developments have taken place in the telecom service sector. Such developments have had an impact on the information that the Authority requires

as well as on the manner in which such information is to be furnished by the service providers.

1.04 Movement towards digital convergence and rapid technological change has been altering the competitive landscape of the telecom sector. A range of new products and services have emerged with focus on Data and Value Added Services (VAS).

1.05 Business models of service providers have also changed over time. Vertically integrated telecom service providers have emerged providing various retail telecom services and products as well as wholesale services within the same jurisdiction. Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) structures of service providers have altered with the adoption of new business paradigms with increased outsourcing. New and more complex forms of upstream and downstream market relationships have emerged.

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1.06 A number of regulatory and policy changes have also influenced the sector. Allocation of 2G spectrum to new players and auction of 3G spectrum have impacted business models and revenue streams of service providers. Regulatory focus is also shifting to new areas such as broadband, data and value added services.

1.07 Events in the telecom sector having outpaced some of the provisions of the Regulation 2004, several issues were being faced by the Authority in the utilization of information submitted in Accounting Separation Reports (ASR). Service providers, during discussions over ASR submissions, have similarly indicated that the provisions, schedules and formats in the Regulation 2004 require review.

1.08 At present, there is no system of on-line submission of ASR by service providers. Of late, with increase in the number of service providers, a very large volume of information is being received by the regulator through the ASR. There are 8 to 12 telecom access service providers in each circle and a large number of reports are filed by the service providers to the Authority. To obtain and use ASR in a timely fashion, a need has been felt for its on-line submission and processing, thereby also reducing the regulatory cost. For this purpose, ASR formats need to be standardized.

1.09 In order to review the Regulation 2004, the comments / views of service providers and Associations on the aspects expected to be covered during the review process were invited through Authority's website and through individual letter sent to major service providers and Associations vide letter no. 16-07/2010-FA dated 24th June 2011. In the light of comments/views received, interaction/discussions with service providers/ associations, experience in usage of ASR, international practices, the objectives of ASR and current requirements, the Authority reviewed the Regulation 2004, and prepared a draft 'The Reporting System on Accounting Separation Regulations, 2012' (hereinafter referred to as draft Regulation) for comments of stakeholders.

1.10 The draft Regulation was uploaded on the TRAI's website by the Authority on 16th January 2012 to seek comments / views of the stakeholders. The last date of submission of comments by stakeholders was 31st January 2012 which was subsequently extended to 10th February 2012. Comments received from stakeholders were uploaded on TRAI's website on 10th / 16th February 2012. Based on the comments / suggestions received from Stakeholders, the Authority has finalized the Reporting System on Accounting Separation Regulations, 2012 (hereinafter referred to as Regulation 2012).

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1.11 Regulation 2004 was applicable to those service providers who have an aggregate turnover of Rupees twenty five (25) crore or more, made from the sale or supply of all its products or activities during the preceding financial year. Regulation 2012 is applicable to all service providers having aggregate turnover of not less than rupees one hundred (100) crore, during the accounting year for which report is required to be submitted, from operations under the telecom license(s) issued to them under section 4 of the Indian Telegraph Act 1885.

1.12 During consultation, some stakeholders stated that the Regulation should be applicable only to incumbent / Significant Market Power (SMP) telecom service providers and not to non-integrated / standalone service providers. Another view was that the threshold limit for the turnover should be reviewed and may be increased up to Rs 1000 crores / Rs 2000 crore. Some others were of the view that the Authority should consider two separate set of formats for two levels of service providers, i.e. one for

vertically integrated telecom service providers providing up and downstream telecom services and the other for non-integrated telecom service providers.

1.13 These comments have been examined in the light of the market features that distinguish the Indian telecom sector. Instead of predominance of one or two service providers as in many other countries, the Indian wireless telecommunications market is characterized by the existence of several large service providers, each holding comparable market share. Moreover, since the country is geographically divided into different license service areas, the market structures and dynamics are different in each service area. Therefore, definition of service provider with SMP would be difficult in the Indian context. From a review of global practices, it is evident that factors such as relative size/ turnover of the service provider, the service provider's access to financial resources, technological and marketing superiority, degree of vertical integration, ability to influence market conditions and control of means of access to end users are considered relevant for the applicability of accounting separation. Some of the telecom service providers in the Indian telecom market are integrated players. Most of them have licenses for UAS as well as for other telecom services. Some standalone service providers providing single service have captured major market share in areas or markets in which they are operating. The Authority therefore would need to collect information from a large number of service providers for meeting regulatory objectives. At the same time, the Authority would like to ensure that undue burden is not placed on small service providers with small turnovers. Accordingly, the Authority has revised the existing limit of aggregate turnover of Rs 25 crore specified in the Regulation 2004 upwards to Rs 100 crore. This would help in collection of representative data from a range of medium to large service providers, while excluding small service providers.

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1.14 In Regulation 2012, requirements relating to submission of audited ASRs have been retained. A format of the audit report has been prescribed to standardize the system of Audit Reporting on ASR. To strengthen accountability, a provision has been made for adoption of ASR by the Board of Directors of the company.

1.15 During the consultation process, some stakeholders opined that ASR should be filed on the basis of self-certification and the need of audit of ASR should be done away with due to the mandate of Statutory Audit & Cost Audit for all telecom companies.

Another stakeholder has felt that instead of asking for the auditor's opinion or certificate, certification by a member of the ICAI or ICWAI should be considered as compliance of audit formalities. They have also stated that requirement of adoption of Accounting Separation Reports by the Board of Directors should not be mandated since ASR is signed by a representative of the Company duly authorized by the Board, and ASR is based on financial statements which are approved by Board. Such approvals will increase the compliance costs.

1.16 From global practices, it emerges that accounting separation reports submitted to regulators are duly audited and the submission also includes a Directors' report on the accounting separation report in a number of countries. As regards the mandatory requirement for cost audit prescribed by the Ministry of Corporate Affairs under the Cost Accounting Record Rules, 2011, it is seen that although the information called for and audited under the Cost Accounts Record Rules/ Cost Audit and the Accounting Separation Reporting/ASR Audit appears to be similar, the objectives and requirements are different. The Authority needs focused reporting of separated accounting information for discharging its regulatory obligations. Specific reporting and audit requirements for ASR have therefore been retained. Considering the role and responsibility of the Board of Directors (BOD) under the principles of good corporate governance and global practice in this regard, adoption of ASRs by the Board of Directors of the company before audit, has been prescribed.

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1.17 Technology, innovation and consumer demand have driven far reaching changes in the last decade in the type of services and products provided. There has been enhancement of data services, innovative product offerings by service providers on a common platform, growth of broadband, opening of new markets/ offering of new products in the international bandwidth segment, MNP, infrastructure service provision, hiving off of tower businesses etc. Some services have virtually disappeared from the market while new services have emerged. Regulatory focus has also been drawn in recent times to sub services / products within services, data and VAS, necessitating the collection of more detailed information regarding the same. To capture these changes, the classification of services and products in Schedule I to Regulation 2012 has been revised. GMPCS, PMRTS and Radio Paging have been removed from the list of services, as these services do not earn significant revenue and are gradually

disappearing. Tower Business, Dark Fibre, MNP and Cable Landing Station have been added to the list of services. Similarly, the list of products has also undergone a change. To capture also the changes in technology and mode of delivery, the classification of the network elements that underlie the telecom services listed in Schedule I has also been revised, and the revised classification is in Schedule II to the Regulation.

1.18 During the consultation process, some service providers opined that the products list should be simplified. They opined that segregation of services into Access Service-WLL and Access Service- Full Mobility, products into pre-paid/ post-paid, calls into on-net/ off-net calls, video and voice, and messages into SMS and MMS is not required. Some other service providers/associations have stated that products should be decided on the basis of main revenue driver and should be limited to pre-paid, post-paid and roaming, with sub-categorization into Calls, Message, VAS, Data and Roaming. They have also stated that only calls, SMS, GPRS etc. should be listed as products.

1.19 The Authority is of the view that Access Service-WLL and Access Service-Full Mobility are technically separate services and the network elements, numbering system and point of interconnection are also different for both services. Separate reporting is therefore required for these two distinct services. Further, on-net and off-net calls are clearly identifiable and could have different revenue and cost structures due to differential tariff and also due to the applicability of Mobile Termination Charge for off-net calls. It is also observed that rental, activation, onetime fee etc. are payments for assurance of services to the consumer that enable him to remain active/ remain connected on the network for a specified period, make free calls and so on, and therefore they collectively qualify as a separate product. Further, prepaid and postpaid are two different segments of service for which separate reporting is required and it was a part of Regulation 2004 as well. In so far as the sub-categorization of calls into voice and video calls is concerned, it is recalled that in their response to a recent pre-consultation paper on “Review of Interconnection usage Charges (IUC)” dated 24.10.2010, stakeholders had indicated, in the context of extending the existing framework of IUC to video call termination, that technically a video call utilizes 4-5 times the resources/ bandwidth as compared to a normal voice call and tariffs for voice and video calls are also different. As revenue and cost structures are distinct, these two sub–products i.e. voice and video need to be identified as separate categories.

Similarly, SMS and MMS need to be identified as separate sub-product categories and cannot be clubbed together.

1.20 The list of telecom services as per Schedule I includes Tower Business and Dark Fibre. *S*takeholders have opined during the consultation process that IP-1 service providers are just facilitators and not licensee companies and therefore they should not be mandated to submit ASR. The Authority observes that the requirement of furnishing separate accounts applies only to licensed service providers. Accordingly, if a licensed telecom service provider is also providing infrastructure services (tower business and dark fibre) and its aggregate turnover is not less than Rs 100 crore, such service provider would have to submit ASR for infrastructure services as well. Since currently standalone infrastructure service providers are not licensed, such service providers would not be required to furnish ASR.

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1.21 International experience indicates that the level of accounting separation depends upon the assessment of the market by the respective national regulatory authorities. In the Indian context, geographical area wise ASR for Wireless and Wire-line services needs to be retained because access licenses are granted service area-wise and tariffs are also operated service area-wise. There is a varying level of competition across service areas and the collection of information on an aggregated basis for the whole country will not be able to capture these differences. For other services, ASR is at all India level. Although stakeholders have questioned the need for service wise reporting, the Authority is of the view that the submission of ASR at the level of geographical area of operation continues to be relevant for Access services and accordingly it has been retained.

1.22 Some stakeholders have opined that the requirement to submit the ASR service wise and service area wise is against the essence of the proposed Unified Licensing Regime under NTP. The Authority observes, however, that ASR under the Regulation 2012 is to be furnished for different types of services given by the service providers under the various telecom licenses. This does not contradict the spirit of the Unified Licensing Regime. If there are any new requirements after implementation of the Unified Licensing Regime, the same can be examined.

1.23 The Proformae for submission of ASR have been revised as in Schedule III to the Regulation 2012. The number of formats to be submitted have been reduced and rationalised by merging some of the formats prescribed in Regulation 2004.

(a) Old Proforma A and C have been merged into one format- (Proforma B- Profit and Loss Statement – Product)

(b) Old Proforma B is now modified as Proforma A (Profit and Loss Statement- Service)

(c) Old Proforma D, E and F have been merged into one format-(Proforma C – cost sheet- Network Elements)

(d) Reconciliation of P&L Account (Old Proforma J) and Capital Employed (Old Proforma- K) with the annual audited accounts will now be done at company level covering all the services in a single format- (Proforma I- Reconciliation Statement)

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1.24 New formats have been added for reporting on the following:

(a) Formats for showing cost of support functions and its allocation / apportionment to the products / network elements, as the same was an information reporting gap in Regulation 2004. (Proforma D- Cost Sheet Support Functions/ Departments).

(b) Format for showing product wise capital employed as the same was an information gap. (Proforma G- Capital Employed- Allocation to Products).But old Proforma H has been removed in lieu of this format.

(c) Format for reporting related party transactions. (Proforma H- Statement of Related Party Transactions)

1.25 The contents / preparation of the formats have been simplified wherever possible. Reporting of costs into direct / directly attributable, indirectly attributable, un-attributable under network element and product has been done away with as has the process of working out the return on capital employed and adding it to the cost of network and subsequently adjusting it back to work out the cost of products. The information required in the non-financial information formats has been significantly reduced and limited to certain data depicting capacity/usage, subscriber base, MOU, and licence information.

1.26 The cost heads in the formats have been revised to take into account changing business models and phenomena in the industry such as depiction of cost of outsourcing, cost of passive infrastructure sharing, amortisation of 3G entry fee etc. The cost heads of product and service wise allocations have been synchronized to allow reconciliation. Pass through elements will have to be separately identified. The brief basis of the allocation/ apportionment made of the support functions/ net-work elements cost/ capital employed will have to be indicated in the relevant formats (Proforma D- Cost Sheet Support Functions/Depts; Proforma C- Cost Sheet- Network Elements; Proforma G- Capital Employed- Allocation to Products) for ready reference. This will ensure that the method followed by the service provider in preparation of ASR is same as outlined by them in their Accounting Separation Manual.

1.27 The essence of costing of telecommunications service lies in recognition of the fact that services and products are provided over common networks. Although some stakeholders have expressed the view that Proforma C is not needed, the Authority is of the view that the cost sheet for network elements is required to establish what the cost of the network elements is and how these costs have been allocated to the products.

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1.28 In Regulation 2004, reference was made to the “The Telecom Regulatory Authority of India, Service Providers (Maintenance of Books of Accounts and other Documents) Rules, 2002 and notifications made thereunder. However, such reference has not been made in the Regulation 2012. In view of this, some stakeholders stated during consultation that TRAI has not prescribed which books of accounts should be the basis for preparation of Accounting Separation Reports. It is noted that all licensed telecom service providers are incorporated as companies under the Companies Act, 1956. Books of account maintained by the service providers include all the records required to be maintained under the Companies Act, 1956. These books of account would form the underlying basis for preparation of ASR. The service providers may decide if they need to maintain any additional books of account/ records, besides those prescribed under the statutes, rules, regulations and notifications, for furnishing of the reports required under Regulation 2012.

Schedule I

Name of Telecom Service	Geographical Area of Operation	Product/ Components
(1)	(2)	(3)
(I) Access Service - Wireless (Full Mobility) (II) Access Service - WLL (III) Access Service - Wireline	Service Area i.e. Telecom Circle	Following products/ components shall be considered separately for postpaid and prepaid subscribers: - (a) Rental / Activation / One time / Recharge fees (b) Calls: (i) Voice 1) Off Net 2) On Net (ii) Video 1) Off Net 2) On Net (c) Non-voice Messages: 1) Short Messaging Service 2) Multimedia Messaging Service (d) Value Added Services (e) Roaming: (i) National (ii) International (f) Data (g) Leased circuit (h) Wholesale (Interconnection): (i) Termination Voice call (ii) Termination Video call (iii) Termination SMS/ MMS (iv) Port charges including Co-Location (v) Transit Carriage Charges (vi) Other interconnect charges (i) Any other product (please specify name of each product separately)
(IV) Internet Service	All India	(a) Internet – Broadband (b) Internet – Narrowband (c) Internet Telephony (d) Internet Protocol (IP) TV (e) Internet Content (f) Webhosting and Web-collocation (j) Any other product (please specify name of each product separately)
(V) National Long Distance Service	All India	(a) Voice (i) Carriage Services (ii) Calling Cards (b) Leased Circuits: (i) Domestic Dedicated Leased Circuit (ii) Managed Data Services (VPN/ CUG) (c) Any other product (please specify name of each product separately)

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(VI)	International Long Distance Service	All India	(a) Voice (i) Carriage Services (ii) Calling Cards (b) Leased Circuit: (i) International Private Leased Circuit (IPLC) (iii) Managed Data Services (VPN/ CUG) (c) Any other product (please specify name of each product separately)
(VII)	Tower Business	All India	(a) Ground Base Tower (GBT) (b) Roof Top Tower (RTT) (c) Roof Top Pole (RTP) (d) Any other product (please specify name of each product separately)
(VIII)	Dark Fibre	All India	No product sub-classification
(IX)	Cable Landing Station	All India	(a) Collocation; (b) Access facilitation (c) Any other product (please specify name of each product separately)
(X)	Mobile Number Portability (MNP)	All India	No product sub-classification
(XI)	Very Small Aperture Terminal Service (VSAT)	All India	No product sub-classification

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Schedule II

Sl No.	Name of Telecom Service	Network Elements
(1)	(2)	(3)
(I) (II)	Access Service Wireless – Full Mobility Access Service Wireless – WLL	**(a) CORE NETWORK:** (Mobile services Switching Centre (MSC)/ Gateway Mobile services Switching Centre (GMSC), MSC-Server/ Virtual MSC, Media Gateway (MGW)/ Gateway Media Gateway (GMGW), Visitor location register (VLR), Serving GPRS Support Node (SGSN), Gateway GPRS Support Node (GGSN), EIR (Equipment Identity Register), HLR (Home Location Register), AUC (Authentication Centre), Transponder, Signalling gateway, Others) **(b) RADIO ACCESS NETWORK:** (Node B (RAN-Radio Access Network), BTS (Base Transceiver Station), RNC (Radio Network Controller), BSC (Base Station Controller), Others) **(c) TRANSMISSION MEDIA / EQUIPMENTS** (Transmission Media Between the Network Element i.e. OFC/Cable/Microwave, Transmission equipments, Others) **(d) OTHER NETWORK ELEMENTS:** (SMSC (Short Message Service Centre), MMSC (Multimedia Messaging Service Centre), HSS (Home Subscriber server), Application servers for Value added service, NMS (Network Management System), Billing servers, IUC servers/ ICB Server (Interconnect Billing Server), IN Servers, LIS (Lawful Interception Server), Facilitation for MNP, Others)
(III)	Access Service Wireline	(a) Equipment at Subscriber's end – POTS, ISDN, PABX, VPT Equipment etc. (b) Access Media between Local Switches & Subscriber's end - Copper loop/ Optical Fibre etc. (c) Local Switches - Local switch (including NGN and IP), Remote Switching Unit, Remote Logical Unit etc. (d) Tandem/TAX switches (e) Media Gateway (MGW) (f) Transmission Media / Equipments (g) Other (please specify)

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(IV)	Internet Service	(a) Customer Premises Equipments (CPE) (b) Access Media (Copper Loop/Optical/Fibre, Cables/Wireless network etc. (c) DSLAM (d) Router (EDGE/ PE/ CORE) (e) MuX/ Switches (f) Transmission media/systems between networking elements (g) Dedicated Servers (h) Other (please specify)
(V)	National Long Distance Service	(a) Switches (including NGN and IP) (b) Media Gateway (MGW) (c) Transmission Media and Equipment (d) Other (please specify)
(VI)	International Long Distance Service	(a) Switches (including NGN and IP) (b) Media Gateway (MGW) (c) Transmission –Domestic (d) Transmission –International (e) Other (please specify)
(VII)	Tower Business	(a) Tower (b) Associated Infrastructure (c) Other (please specify)
(VIII)	Dark Fiber	(a) Fibre (b) Other (please specify)
(IX)	Cable Landing Station	(a) Transmission line from Cable Landing Station to Meet Me Room (MMR) (b) Network Equipment at Meet Me Room (MMR) (c) Other (please specify)
(X)	Mobile Number Portability (MNP)	(a) Server (b) Router/Switch (c) Transmission Media (d) Gateway (e) Other (please specify)
(XI)	Very Small Aperture Terminal Service (VSAT)	(a) Space Segment Transponder (b) Ground Segment (c) Other (please specify)

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SCHEDULE III

LIST OF PROFORMAE

Sl No.	Proforma	Description of the Proforma
1	Proforma A	Profit and Loss Statement - Service
2	Proforma B	Profit and Loss Statement - Product
3	Proforma C	Cost Sheet - Network Elements
4	Proforma D	Cost Sheet - Support Functions/Departments
5	Proforma E	Statement of Gross Block, Depreciation and Net Block - Service
6	Proforma F	Capital Employed Statement- Service
7	Proforma G	Capital Employed Statement: Allocation to Products
8	Proforma H	Statement of Related Party Transactions
9	Proforma I	Reconciliation Statement (covering all services and area of operations) with Audited Financial Statements.
10	Proforma J	Statement of Non financial information for each service

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SCHEDULE III

Proforma A

PROFIT & LOSS STATEMENT - SERVICE

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

S No.	Particulars	Current Year	Previous Year
1	**REVENUES (NET OF SERVICE TAX) :**		
1.1	***Wholesale Revenue***		
1.1.1	*Sale - Outside Group**		
1.1.2	*Sale - Within Group/ Company*		
1.2	***Retail Revenue***		
	Total		
1.3	Less: Pass through Charges:		
1.3.1	*To Access Service Providers*		
1.3.2	*To NLD Operators*		
1.3.3	*To ILD Operators*		
1.3.4	*Others (please specify)*		
1.4	*Revenue(net of Pass through)*		
2	**COSTS:**		
2.1	**Employees cost:**		
2.1.1	Salaries and wages		
2.1.2	Contribution to provident fund and other funds		
2.1.3	Staff welfare		
2.1.4	Training and recruitment		
2.1.5	Others (please specify)		
	Sub total		
2.2	**Administration cost:**		
2.2.1	Rent (Other than Network Element Equipments and Cell sites)		
2.2.2	Rates and taxes		
2.2.3	Insurance charges (Other than Network Element Equipments)		
2.2.4	Communication costs		
2.2.5	Electricity		
2.2.6	Travel and conveyance expenses		
2.2.7	Legal and professional charges		
2.2.8	Printing and stationery		
2.2.9	Audit fees		
2.2.10	Outsourcing Charges		
2.2.11	Porting Charges for MNP		
2.2.12	Others (please specify)		
	Sub total		
2.3	**Sales and Marketing cost:**		
2.3.1	Advertisement and business promotion expenses		
2.3.2	Sales commission		
2.3.3	Provision for bad and doubtful debts		
2.3.4	Bad debts write off		
2.3.5	Outsourcing (Billing Services and Customer Care Services)		
2.3.6	Others (please specify)		
	Sub total		
2.4	**Maintenance cost:**		
2.4.1	Annual maintenance charges		
2.4.2	Network Consumables		
2.4.3	Repairs and maintenance:		
2.4.3.1	Buildings		
2.4.3.2	Plant and machinery		
2.4.3.3	Others		
2.4.4	Outsourcing Charges for Maintenance activities		
2.4.5	Others (please specify)		
	Sub total		

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S No.	Particulars	Current Year	Previous Year
2.5	**Government charges:**		
2.5.1	License fee		
2.5.2	License fee penalty, if any		
2.5.3	WPC charges:		
2.5.3.1	Radio Spectrum Charges		
2.5.3.2	Microwave Charges		
2.5.4	Others (please specify)		
	Sub total		
2.6	**Network operating Cost:**		
2.6.1	Leased Circuits and Gateway Charges		
2.6.2	Royalty for technical know how fees		
2.6.3	Rent (Network Element Equipments and Cell sites)		
2.6.4	Power and fuel		
2.6.5	Interconnection:		
2.6.5.1	Port charges		
2.6.5.2	Others (please specify)		
2.6.6	Passive Infrastructure Charges:		
2.6.6.1	paid within group/ company		
2.6.6.2	paid outside group		
2.6.7	Insurance Charges (Network Element Equipments)		
2.6.8	Outsourcing Charges for Network Element Equipments		
2.6.9	Others (please specify)		
	Sub-total		
2.7	**Depreciation and Amortisation:**		
2.7.1	Depreciation on Building		
2.7.2	Depreciation on Plant and machinery		
2.7.3	Depreciation on Others (please specify)		
2.7.4	Amortisation of one time entry fee for 3G services		
2.7.5	Amortisation of license fee/entry fees etc. (other than 3G)		
	Sub-total		
2.8	**Other cost:**		
2.8.1	Loss on sale of fixed assets(net)		
2.8.2	Corporate office expenses		
2.8.3	Others (please specify)		
	Sub-total		
2.9	**Finance charges** *(Refer Note 1)*		
2.9.1	Bank charges		
2.9.2	Others (please specify)		
	Sub-total		
2.10	**TOTAL COST**		
3	**Profit & Loss Before Interest and Tax**		
4	**Replacement Cost Adjustment** ***(Refer Note 2)***		
4.1	Holding gain/Loss		
4.2	Supplementary Depreciation		
4.3	Change in Operating Cost due to replacement of assets		
4.4	Total adjustment		
5	**Profit & Loss Before Interest and Tax**		
	Total Capital Employed		
	Return on Capital Employed (%)		
	Return on turnover (%)		

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* Group mean the parties defined as "Related Party" in the Regulation

Notes:

1 Excluding interest on loans/borrowed funds

2 Relevant for reporting on the basis of Replacement Cost Accounting.

3 This Proforma shall be prepared for each service separately as prescribed in Schedule I to Regulation

Proforma B

PROFIT & LOSS STATEMENT - PRODUCT

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

S No.	Particulars	Product Type *(See Note 1)*				Total
		Product A	Product B	Product C	Product……..	
1	**REVENUES (NET OF SERVICE TAX)**					
1.1	***Wholesale Revenue***					
1.1.1	*Sale - Outside Group**					
1.1.2	*Sale - Within Group/ Company*					
1.2	***Retail Revenue***					
	Total Revenue					
1.3	Less: Pass through Charges					
1.3.1	*To Access Service Providers*					
1.3.2	*To NLD Operators*					
1.3.3	*To ILD Operators*					
1.3.4	*Others (please specify)*					
1.4	*Revenue(net of Pass through)*					
	COSTS:					
2	**PRODUCT DIRECT COST**					
2.1	**Employee cost**					
2.1.1	Salaries and wages					
2.1.2	Contribution to provident fund and other funds					
2.1.3	Staff welfare					
2.1.4	Training and recruitment					
2.1.5	Others (please specify)					
	Sub total					
2.2	**Administration cost**					
2.2.1	Rent (Other than Network Element Equipments and Cell sites)					
2.2.2	Rates and taxes					
2.2.3	Insurance charges (Other than Network Element Equipments)					
2.2.4	Communication costs					
2.2.5	Electricity					
2.2.6	Travel and conveyance expenses					
2.2.7	Legal and professional charges					
2.2.8	Printing and stationery					
2.2.9	Audit fees					
2.2.10	Outsourcing Charges					
2.2.11	Porting Charges for MNP					
2.2.12	Others (please specify)					
	Sub total					
2.3	**Sales and Marketing cost**					
2.3.1	Advertisement and business promotion expenses					
2.3.2	Sales commission					
2.3.3	Provision for bad and doubtful debts					
2.3.4	Bad debts write off					
2.3.5	Outsourcing (Billing Services and Customer Care Services)					
2.3.6	Others (please specify)					
	Sub total					
2.4	**Maintenance cost**					
2.4.1	Annual maintenance charges					
2.4.2	Network Consumables					
2.4.3	Repairs and maintenance:					
2.4.3.1	Buildings					
2.4.3.2	Plant and machinery					
2.4.3.3	Others					
2.4.4	Outsourcing Charges for Maintenance activities					
2.4.5	Others (please specify)					
	Sub total					
2.5	**Government charges**					
2.5.1	License fee					
2.5.2	License fee penalty, if any					
2.5.3	WPC charges:					
2.5.3.1	Radio Spectrum Charges					
2.5.3.2	Microwave Charges					
2.5.4	Others (please specify)					
	Sub total					

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		Product A	Product B	Product C	Product……..	Total
2.6	**Network operating Cost:**					
2.6.1	Leased Circuits and Gateway Charges					
2.6.2	Royalty for technical know how fees					
2.6.3	Rent (Network Element Equipments and Cell sites)					
2.6.4	Power and fuel					
2.6.5	Interconnection:					
2.6.5.1	Port charges					
2.6.5.2	Others (please specify)					
2.6.6	Passive Infrastructure Charges:					
2.6.6.1	paid within group/ company					
2.6.6.2	paid outside group					
2.6.7	Insurance Charges (Network Element Equipments)					
2.6.8	Outsourcing Charges for Network Element Equipments					
2.6.9	Others (please specify)					
	Sub-total					
2.7	**Depreciation and Amortisation**					
2.7.1	Depreciation on Building					
2.7.2	Depreciation on Plant and machinery					
2.7.3	Depreciation on Others (please specify)					
2.7.4	Amortisation of one time entry fee for 3G services					
2.7.5	Amortisation of license fee/entry fees etc. (other than 3G)					
	Sub-total					
2.8	**Other cost**					
2.8.1	Loss on sale of fixed assets(net)					
2.8.2	Corporate office expenses					
2.8.3	Others (please specify)					
	Sub-total					
2.9	**Finance charges *(Refer Note 2)***					
2.9.1	Bank charges					
2.9.2	Others (please specify)					
	Sub-total					
	TOTAL DIRECT COST (I)					
3	**NETWORK ELEMENT COST *(refer note 3)* :**					
3.1	Network element 1					
3.2	Network element 2					
3.3	Network element 3					
3.4	Network element 4					
3.5	Network Element……					
	Total NETWORK ELEMENT COST (II)					
4	**SUPPORT FUNCTION / DEPARTMENT COST *(refer note 4):***					
	TOTAL SUPPORT FUNCTIONS/DEPARTMENT COST (III)					
5	**TOTAL COST (I+II+III)**					
6	**Profit & Loss Before Interest and Tax**					
7	**Replacement Cost Adjustment *(refer note 5)***					
7.1	Holding gain/Loss					
7.2	Supplementary Depreciation					
7.3	Change in Operating Cost due to replacement of assets					
7.4	Total adjustment					
8	**Profit & Loss Before Interest and Tax**					
	Total Capital Employed					
	Return on Capital Employed (%)					
	Return on turnover (%)					

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* Group mean the parties defined as "Related Party" in the Regulation

Notes:

1 This sheet is to be prepared for each relevant Product as prescribed in Schedule I to Regulation
2 Excluding interest on loans/borrowed funds
3 As transferred from Proforma C
4 As transferred/apportioned from Proforma D
5 Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.
6 The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant

Proforma C

COST SHEET: NETWORK ELEMENTS

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

S No.	Particulars	Network Element 1	Network Element 2	Network Element….	Total
	COSTS:				
1	**NETWORK DIRECT COST**				
1.1	**Employee cost**				
1.1.1	Salaries and wages				
1.1.2	Contribution to provident fund and other funds				
1.1.3	Staff welfare				
1.1.4	Training and recruitment				
1.1.5	Others (please specify)				
	Sub total				
1.2	**Administration cost**				
1.2.1	Rent (Other than Network Element Equipments and Cell sites)				
1.2.2	Rates and taxes				
1.2.3	Insurance charges (Other than Network Element Equipments)				
1.2.4	Communication costs				
1.2.5	Electricity				
1.2.6	Travel and conveyance expenses				
1.2.7	Legal and professional charges				
1.2.8	Printing and stationery				
1.2.9	Audit fees				
1.2.10	Outsourcing Charges				
1.2.11	Porting Charges for MNP				
1.2.12	Others (please specify)				
	Sub total				
1.3	**Sales and Marketing cost**				
1.3.1	Advertisement and business promotion expenses				
1.3.2	Sales commission				
1.3.3	Provision for bad and doubtful debts				
1.3.4	Bad debts write off				
1.3.5	Outsourcing (Billing Services and Customer Care Services)				
1.3.6	Others (please specify)				
	Sub total				
1.4	**Maintenance cost**				
1.4.1	Annual maintenance charges				
1.4.2	Network Consumables				
1.4.3	Repairs and maintenance				
1.4.3.1	Buildings				
1.4.3.2	Plant and machinery				
1.4.3.3	Others				
1.4.4	Outsourcing Charges for Maintenance activities				
1.4.5	Others (please specify)				
	Sub total				
1.5	**Government charges**				
1.5.1	License fee				
1.5.2	License fee penalty, if any				
1.5.3	WPC charges:				
1.5.3.1	Radio Spectrum Charges				
1.5.3.2	Microwave Charges				
1.5.4	Others (please specify)				
	Sub total				
1.6	**Network operating Cost**				
1.6.1	Leased Circuits and Gateway Charges				
1.6.2	Royalty for technical know how fees				
1.6.3	Rent (Network Element Equipments and Cell sites)				
1.6.4	Power and fuel				
1.6.5	Interconnection:				
1.6.5.1	Port charges				
1.6.5.2	Others (please specify)				
1.6.6	Passive Infrastructure Charges:				
1.6.6.1	paid within group/ company				
1.6.6.2	paid outside group				
1.6.7	Insurance Charges (Network Element Equipments)				
1.6.8	Outsourcing Charges for Network Element Equipments				
1.6.9	Others (please specify)				
	Sub-total				

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1.7	**Depreciation and Amortisation**				
1.7.1	Depreciation on Building				
1.7.2	Depreciation on Plant and machinery				
1.7.3	Depreciation on Others (please specify)				
1.7.4	Amortisation of one time entry fee for 3G services				
1.7.5	Amortisation of license fee/entry fees etc. (other than 3G)				
	Sub-total				
1.8	**Other cost**				
1.8.1	Loss on sale of fixed assets(net)				
1.8.2	Corporate office expenses				
1.8.3	Others (please specify)				
	Sub-total				
1.9	**Finance charges** *(Refer Note 1)*				
1.9.1	Bank charges				
1.9.2	Others (please specify)				
	Sub-total				
	TOTAL COST				
1.10	**Replacement Cost Adjustment (Refer Note 2)**				
1.10.1	Holding gain/Loss				
1.10.2	Supplementary Depreciation				
1.10.3	Change in Operating Cost due to replacement of assets				
1.10.4	Total adjustment				
	TOTAL NETWORK DIRECT COST (I)				
2	**COST TRANSFERRED FROM SUPPORT FUNCTION / DEPARTMENT**				
2.1	**Dept 1**				
2.2	**Dept 2**				
2.3	**Dept 3**				
2.4	**Dept……..**				
	TOTAL SUPPORT FUNCTIONS/DEPARTMENT COST (II)				
3	**TOTAL NETWORK COST (I+II)**				
	COMPUTATION OF AVERAGE PER UNIT COST OF NETWORK ELEMENT				
	Total Usage (As relevant - No of subscribers / MoU / bandwidth etc.)				
	Average Cost per Unit				

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ALLOCATION OF COST OF NETWROK COST TO PRODUCTS

Particulars	Basis of Allocation	Product A	Product B	Product C	Product….	Total
Network Element 1						
Network Element2						
Network Element…….						
Total						

Notes:

1 Excluding interest on loans / borrowed funds

2 Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.

3 In case there is any Joint network element with any other service, the cost of the same will be split and shown under the respective service wise cost sheet.

4 The list of Network elements is provided in Schedule II to Regulation. The service provider should use this list. In case any Network element is not relevant, the same may be shown as Nil.

5 The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant

Proforma D

COST SHEET: SUPPORT FUNCTIONS/DEPARTMENTS

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

Rs in lakh

S No.	Particulars	Deptt 1	Deptt 2	Deptt 3	Deptt 4	Deptt 5	Others	Total
	COSTS							
1.1	**Employee cost**							
1.1.1	Salaries and wages							
1.1.2	Contribution to provident fund and other funds							
1.1.3	Staff welfare							
1.1.4	Training and recruitment							
1.1.5	Others (please specify)							
	Sub total							
1.2	**Administration cost**							
1.2.1	Rent (Other than Network Element Equipments and Cell sites)							
1.2.2	Rates and taxes							
1.2.3	Insurance charges (Other than Network Element Equipments)							
1.2.4	Communication costs							
1.2.5	Electricity							
1.2.6	Travel and conveyance expenses							
1.2.7	Legal and professional charges							
1.2.8	Printing and stationery							
1.2.9	Audit fees							
1.2.10	Outsourcing Charges							
1.2.11	Porting Charges for MNP							
1.2.12	Others (please specify)							
	Sub total							
1.3	**Sales and marketing cost**							
1.3.1	Advertisement and business promotion expenses							
1.3.2	Sales commission							
1.3.3	Provision for bad and doubtful debts							
1.3.4	Bad debts write off							
1.3.5	Outsourcing (Billing Services and Customer Care Services)							
1.3.6	Others (please specify)							
	Sub total							
1.4	**Maintenance cost**							
1.4.1	Annual maintenance charges							
1.4.2	Network Consumables							
1.4.3	Repairs and maintenance							
1.4.3.1	Buildings							
1.4.3.2	Plant and machinery							
1.4.3.3	Others							
1.4.4	Outsourcing Charges for Maintenance activities							
1.4.5	Others (please specify)							
	Sub total							
1.5	**Government charges**							
1.5.1	License fee							
1.5.2	License fee penalty, if any							
1.5.3	WPC charges:							
1.5.3.1	Radio Spectrum Charges							
1.5.3.2	Microwave Charges							
1.5.4	Others (please specify)							
	Sub total							

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1.6	**Network operating Cost**							
1.6.1	Leased Circuits and Gateway Charges							
1.6.2	Royalty for technical know how fees							
1.6.3	Rent (Network Element Equipments and Cell sites)							
1.6.4	Power and fuel							
1.6.5	Interconnection:							
1.6.5.1	Port charges							
1.6.5.2	Others (please specify)							
1.6.6	Passive Infrastructure Charges:							
1.6.6.1	paid within group/ company							
1.6.6.2	paid outside group							
1.6.7	Insurance Charges (Network Element Equipments)							
1.6.8	Outsourcing Charges for Network Element Equipments							
1.6.9	Others (please specify)							
	Sub-total							
1.7	**Depreciation and Amortisation**							
1.7.1	Depreciation on Building							
1.7.2	Depreciation on Plant and machinery							
1.7.3	Depreciation on Others (please specify)							
1.7.4	Amortisation of one time entry fee for 3G services							
1.7.5	Amortisation of license fee/entry fees etc. (other than 3G)							
	Sub-total							
1.8	**Other cost**							
1.8.1	Loss on sale of fixed assets(net)							
1.8.2	Corporate office							
1.8.3	Others (please specify)							
	Sub-total							
1.9	**Finance charges** *(Refer note 1)*							
1.9.1	Bank charges							
1.9.2	Others (please specify)							
	Sub-total							
	TOTAL COST							
1.10	**Replacement Cost Adjustment (Refer Note 2)**							
1.10.1	Holding gain/Loss							
1.10.2	Supplementary Depreciation							
1.10.3	Change in Operating Cost due to replacement of assets							
1.10.4	Total adjustment							
	TOTAL COST - SUPPORT FUNCTIONS/DEPARTMENTS							

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ALLOCATION OF COST OF SUPPORT FUNCTION/DEPARTMENT TO PRODUCT / NETWORK ELEMENTS

(Rs in Lakh)

Departments	Deptt 1	Deptt 2	Deptt 3	Deptt 4	Deptt 5	Others	Total
Allocation to Products							
Product A							
Product B							
Product C							
Product D							
Product E							
Product ……							
Allocation to Network Elements							
Network Element 1							
Network Element 2							
Network Element 3							
Network Element 4							
Network Element 5							
Network Element……							
Total							

1 Excluding interest on loans/borrowed funds
2 Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.
3 The common cost of the Corporate office / regions shall be allocated at the circles
4 The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant
5 The indicative List of departments is provided below.

BASIS OF APPORTIONMENT

List of Departments	Basis of Apportionment*
Marketing	
Billing	
Customer Care	
Call Centre	
Credit Control	
Sales and marketing	
Others	
Network Operations & Maintenance	
Network Management	
Network Maintenance	
Others	
General Administration	
F&A	
HR	
IT / EDP	
Legal / regulatory	
Materials	
Corporate Office	
Others	
Other Departments……..	

* such as No. of subscribers/ no. of Bills / budgeted usage / No. of employees / Area / Fixed Assets base etc.

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Proforma E

STATEMENT OF GROSS BLOCK, DEPRECIATION AND NET BLOCK - SERVICE

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

PROFORMA D: FORMAT FOR FIXED ASSET/ DEPRECIATION STATEMENT

Gross Block/Depreciation/Net Block **(Rs in Lakh)**

Particulars	Land	Building	Plant and machinery	Computers	Office equipment	Furniture and fixtures	Vehicles	License	Patents / Technical know how	Others	Total
NETWORK ELEMENTS (refer note 1)											

Sub Total (A)											
PRODUCTS											

Subtotal (B)											
SUPPORT FUNCTIONS/DEPARTMENTS											

Sub Total (C)											
TOTAL (A+B+C)											

Notes:

1. As prescribed in Schedule II to regulations
2. Separate Forms for Fixed Asset (Gross Block/ Net Block) and Accumulated Depreciation.
2. Form should specifically mention whether it is prepared on Historical cost basis or replacement cost
4. A statement indicating Rate of Depreciation charged during the reporting period on various Fixed Assets will be annexed to proforma E

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Proforma F

CAPITAL EMPLOYED STATEMENT- SERVICE

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

Particulars	Current Year				Previous Year			
	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 2)	Total/ Net Replacement Cost (refer note 2)	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 2)	Total/ Net Replacement Cost (refer note 2)
FIXED ASSETS - Gross Book Value :								
Tangible Assets								
Land								
Building								
Plant and machinery								
Computers								
Office equipment								
Furniture and fixtures								
Vehicles								
Intangible Assets								
License								
Patents / technical know how								
Others								
Total Fixed Assets								
Less: Accumulated Depreciation								
NET BOOL VALUE OF FIXED ASSETS (I)								
CAPITAL WORK IN PROGRESS (II)								
CURRENT ASSETS:								
Inventories								
Cash and bank balance								
Debtors								
Loans and advances								
Others (please specify)								
Sub total								
CURRENT LIABILITIES:								
Trade Payables								
Provisions								
Security deposits								
Advance rentals								
Other (please specify)								
Sub total								
NET WORKING CAPITAL (III)								
TOTAL CAPITAL EMPLOYED (I + II+ III)								
Weighted Average Cost of Capital i.e. WACC (in %)								

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Notes:

1. Capital Employed is the closing capital employed at the end of the Accounting period.
2. Replacement cost Adjustment and Net Replacement Cost is relevant for reports prepared on the basis of Replacement Cost Accounting.
3. WACC is pre tax Weighted Average Cost of Capital. Statement of computation of pre tax WACC should be attached.

Proforma G

CAPITAL EMPLOYED STATEMENT: ALLOCATION TO PRODUCTS

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

	Current Year				Previous Year			
Products	**Network Elements**	**Other**	**Adjustment for replacement cost of Assets (refer note 4)**	**Total/ Net Replacement Cost (refer note 4)**	**Network Elements**	**Other**	**Adjustment for replacement cost of Assets (refer note 4)**	**Total/ Net Replacement Cost (refer note 4)**
Product A								
Product B								
Product C								
Product D								
Product E								
Product F								
Products…..								
TOTAL								

Notes:

1. The capital employed for network elements may be allocated to the individual network elements in the ratio of fixed assets value for the respective network elements. The attribution of capital employed of network elements to the products would be similar to the method of allocation / apportionment of network element cost to products (i.e. based on usage, number on connections, bandwidth etc).
2. The capital employed for 'Others' shall be directly attributed to the product wherever directly identifiable. The balance may be apportioned using general allocator such as revenue, cost etc as considered appropriate.
3. Capital Employed is the closing capital employed at the end of the Accounting period.
4. Replacement cost Adjustment and Net Replacement Cost is relevant for reports prepared on the basis of Replacement Cost Accounting.

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Proforma H

STATEMENT OF RELATED PARTY TRANSACTIONS

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting

REVENUE

Particulars	Unit of Measurement *(refer note 1)*	Sale - Outside Group *(refer note 2)*			Sale - Within Group/ Company		
		Volume	Revenue (Rs Lakhs)	Per Unit (Rs)	Volume	Revenue (Rs Lakhs)	Per Unit (Rs)
Product A							
Product B							
Product C							
Product D							
Product E							
Product F							
Products…..							
TOTAL							

Note:

1. Number of Calls, Minutes of Usage, number of messages etc.
2. Group mean the parties defined as "Related Party" in the Regulation. Separate information to be provided for each company separately with in Group

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Proforma I

RECONCILIATION STATEMENT (COVERING ALL SERVICES AND AREA OF OPERATION) WITH AUDITED FINANCIAL STATEMENTS

Name of The Company :
Name of Service: Consolidated for all telecom services
Geographical Area of Operation : Service provider as a whole covering all telecom services
Period :
Cost Base: Historical Cost Accounting

(Rs in Lakh)

Sl No.	Particulars	Telecom Services *(refer Note 1)*											Inter Service Adjustment (if any)	Total of Services (net of inter service adjustment)	Other than telecom services as prescribed in Schedule I to Regulation	Reconciliation (refer note 2)	Total as per Audited Financial Statements
		Access Service - Wireless (Full Mobility)	Access Service - WLL	Access Service - Wireline	Internet Service	National Long Distance Service	international Long Distance Service	Tower Business	Dark Fiber	Cable Landing Station	Mobile Number Portability	Very Small Aperture Terminal Service					
1	**Revenue:**																
1.1	Revenue (net of service tax)																
1.2	Less: pass through																
1.3	Revenue (net of Pass through)																
2	**Costs:**																
2.1	Employees Cost																
2.2	Administration Cost																
2.3	Sales and marketing Cost																
2.4	Maintenance Cost																
2.5	Government Charges																
2.6	Network operating Cost																
2.7	Depreciation and Amortisation																
2.8	Others Cost (please specify)																
2.9	Finance Charges *(refer note 3)*																
	TOTAL COST																
3	**Profit before Interest and Tax (PBIT)**																
4	**Profit after Tax (PAT) *(refer Note 4)***																
5	**Capital Employed**																

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Note:

1 For Telecom services, Revenues, costs and capital employed should be in agreement with Proforma A of that particular service.
2 A separate list shall be annexed with this Proforma for individual item / head of account having value more than Rs 10 crore.
3 Excluding interest on loans /borrowed funds
4 Not to be filled at each service level. Reconciliation may be done for consolidated PBIT of all telecom services with PAT of the Company.

PROFORMA J

NON FINANCIAL REPORT

(A) Statement of Non-Financial Information for Access Service – Wireless (provide separate for Full Mobility and WLL)

I. Basic Information

Information as of (date)

1.1 Name of License
1.2 License No. and date of issue/migration
1.3 Licensed Service Area
1.4 License Period
1.5 Date of commencement of commercial service

II. Subscriber Details

2.1 Number of subscribers (Please mention number of subscribers at the beginning and end of the year)

	Opening	Closing
Pre-Paid		
Post Paid		
Total Subscribers		

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III. Traffic Details

3.1 Usage - Minutes/Numbers (in lakh)

	On Net	Off Net Originating	Off Net Terminating	Total
(A) Voice (MoU)				
(B) Video (MoU)				
(C) SMS (Nos.)				
(D) MMS (Nos.)				

3.2 Data Usage (in MB):

3.3 Total bandwidth (Mbps) sold through leased circuits:

3.4 Transmission Capacity Details

	Length in Route Kilometer
OFC:	
- Owned	
- Leased In	
Microwave:	
- Owned	
- Leased In	
Satellite	

3.5 Number of Towers:

	Owned	Leased
Ground Base Tower (GBT)		
Roof Top Tower (RTT)		
Roof Top Pole (RTP)		

(B) Statement of Non-Financial Information for Access Service – Wireline

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue/migration
1.3 Service Area licensed
1.4 License Period
1.5 Date of commencement of commercial service

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II. Subscriber Details

2.1 Details of DELs

	Total Capacity of DELs	Number of Subscribers
Urban		
Rural		
Total		

III. Traffic Details

3.1 Transmission Capacity Details:

	Length in Route Kilometer
OFC:	
- Owned	
- Leased In	
Microwave:	
- Owned	
- Leased In	
Satellite	

3.2 Minutes of usage/ Numbers (in lakh):

	On Net	Off Net Originating	Off Net Terminating	Total
(A) Voice (MoU)				
(B) Video (MoU)				
(C) SMS (Nos.)				
(D) MMS (Nos.)				

3.3 Data Usage (in MB):

3.4 Total bandwidth (Mbps) sold through leased circuits:

(C) Statement of Non-Financial Information for Internet Service

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue/migration
1.3 License Category (please indicate whether A, B or C)/Licensed Area
1.4 License Period
1.5 Date of commencement of commercial service

II. Subscriber Details

2.1 Number of subscribers:

(a) Internet Broadband
(b) Internet (Other than Broadband)
(c) IP TV

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III. Network Information

3.1 Capacity details:

(a) Total owned capacity (bandwidth in Mbps)
(b) Capacity Leased in (bandwidth in Mbps)
(c) Capacity Leased out (bandwidth in Mbps)

3.2 International Internet Bandwidth:

(D) Statement of Non-Financial Information for National Long Distance Service

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue/migration
1.3 License Period
1.4 Date of Commencement of commercial service

II. Traffic Details

2.1 Details of Transmission Capacity available

	Length in Route Kilometer
OFC:	
(a) Owned	
(b) Leased In	
Microwave:	
(a) Owned	
(b) Leased In	
Satellite	

2.2 Voice Usage Minutes (carriage) (in lakh):

2.3 Managed Data Service (VPN/ CUG) (total bandwidth):

2.4 Total bandwidth (Mbps) sold through leased circuits:

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(E) Statement of Non-Financial Information for International Long Distance Service

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue/migration
1.3 License Period
1.4 Date of Commencement of commercial service

II. Traffic Details

2.1 Details of Transmission Capacity (in Mbps) available

	Capacity Utilisation			
Particulars	Capacity Sold-Retail	Capacity Sold-Leased Out	Captive Consumption	Total
Capacity Owned				
Capacity leased in				
Total Capacity				

2.2 Voice Usage Minutes (ILD) (in lakh):

(a) Incoming
(b) Outgoing

2.3 Managed Data Service (VPN/ CUG) (total bandwidth):

2.4 Total bandwidth (Mbps) sold through leased circuits:

(F) Statement of Non-Financial Information for Tower Business Service

I. Basic Information

Information as of (date)
1.1 Name of License/Registration
1.2 License/Registration No. and date of issue
1.3 Date of Commencement of commercial service

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II. Towers Details

2.1 Number of Towers

Particulars	Ground Base Tower (GBT)	Roof Top Tower (RTT)	Roof Top Pole (RTP)
Number of Towers			
Average Tenancy Ratio			

(G) Statement of Non-Financial Information for Dark Fibre Service

I. Basic Information

Information as of (date)
1.1 Name of License/Registration
1.2 License/Registration No. and date of issue
1.3 Date of Commencement of commercial service

II. Transmission Media Details

2.1 Total Number of Route Kilometers of OFC

2.2 Number of Route Kilometers sold/leased out

(H) Statement of Non-Financial Information for Cable Landing Service

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue
1.3 Date of Commencement of service

II. Capacity Details

2.1 Number of Cable Landing Stations:

2.2 Number of submarine cables landing at the Cable Landing Stations:

2.3 Capacity Utilisation:

(in Mbps)

Particulars	Capacity Sold-Retail	Capacity Sold--Leased Out	Captive Consumption	Total
Capacity Owned				
Capacity Leased in				
Total Capacity				

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2.4 Number of ILDO/ISP to whom landing facility provided:

2.5 Number of ILDO/ISP to whom access facility provided:

2.6 Number of ILDO/ISP to whom co-location provided:

(Information in respect of 2.4,2.5 & 2.6 shall be given for the last day of financial year being reported)

(I) Statement of Non-Financial Information for Mobile Number Portability

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue
1.3 Date of Commencement of commercial service

II. Porting Details

2.1 Number of porting done:

(J) Statement of Non-Financial Information for VSAT Service

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue
1.3 Date of Commencement of commercial service

II. Subscribers/Capacity details

2.1 Number of Subscribers:

(a) Individual
(b) Closed User Group

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SCHEDULE-IV

FORM OF AUDIT REPORT ON THE ACCOUNTING SEPARATION REPORT

I/We,.....having been appointed as the Auditor(s) under the requirements laid down in the Reporting System on Accounting Separation Regulation, 2012 (here in after referred to as the Regulation) issued by Telecom Regulatory Authority of India (here in after referred to as the Authority) by ..... (mention name of the Company) having its registered office at ..... (mention registered office address of the company) (here in after referred to as the Company) have audited the attached Accounting Separation Reports covering .....(mention name of service/geographical area)for the year ended ..... (mention the accounting year) of the Company.

2 The Company is responsible for preparation of the Accounting Separation Reports and these have been approved by the Board of Directors of the Company. My/ Our responsibility is to audit the Accounting Separation Reports in accordance with the Regulation and generally accepted auditing standards in India.

3 Further to my/our comments/observations given in the enclosed Annexure (Annexure is required in case there are comments/observations on Accounting Separation Reports), I/We report that:

(a) I / we have received all the information and explanations, which to the best of my/our knowledge and belief were necessary for the purpose of my/our audit.

(b) In my / our opinion proper books of account have been kept by the Company so far as appears from my / our examination of those books to enable the preparation of complete and proper Accounting Separation Reports in accordance with the Regulation.

(c) The Accounting Separation Reports for the year ended …..…. are in agreement with the books of accounts and have been properly drawn up in accordance with the Regulation and the methods and basis laid down in the Manual of the Company prescribed under the Regulation.

(d) In my/our opinion, and to the best of my/our information and according to the explanations given to me/us, the Accounting Separation Reports for the year ended..... give the information required by the Regulation in the manner so required and give a true and fair view in conformity with the framework as per the Regulation.

4 I/ We also report that all changes to the Manual prescribed under Regulation that materially affect the Accounting Separation Reports for the year ended …….have been filed with the Authority by the Company.

Dated :

Place :

Signature

Name of Proprietor/Partner
Membership No.
Name of the Firm with Stamp (Seal)

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Telecom Regulatory Authority of India

(IS/ISO 9001-2008 Certified Organisation)

सत्यमेव जयते

GUIDELINES FOR 'THE REPORTING SYSTEM ON ACCOUNTING SEPARATION REGULATIONS, 2012'

IndiaCode

AUGUST 2012
NEW DELHI

List of Contents

S. No.	Chapters	Page No.
1.	Introduction	1
2.	Framework for Accounting Separation	4
3.	Reporting Requirement	10
4.	Costing Approach	14
5.	Allocation and Attribution Method	16
6.	Books of Accounts	23
7.	Administrative Requirements	24
Annexure		
I	Proformae for Financial and Non-Financial information	27
II	Replacement Cost Accounting	53
III	Indicative basis of Apportionment of Cost of Support Functions	59
IV	General Principles for Allocation of main components of Capital Employed	62
Definitions		64
Abbreviations		68

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Chapter-1

Introduction

1.1 The Telecom Regulatory Authority of India (TRAI) (hereinafter referred to as "Authority") has been established under the Telecom Regulatory Authority of India Act 1997 to regulate telecommunications services and matters connected therewith. One of the main objectives of the Authority is to provide a fair and transparent policy environment to promote a level playing field and facilitate fair competition. To achieve this objective, the Authority has to collect financial data from service providers to measure the financial performance of products and services, analyze costs, returns and capital employed in major areas of a service provider's business, monitor licensees' returns on products and services, identify cross subsidization which influences the profitability of any segments, investigate predatory pricing, discrimination and other anti-competitive conduct, and understand inter-operator arrangements in terms of their associated pricing and costs.

1.2 Accordingly, TRAI had issued the "Reporting System on Accounting Separation Regulation, 2004" on 23rd February 2004 (hereinafter referred to as the Regulation 2004), which was further amended vide 1st amendment dated 24th May 2004, 2nd amendment dated 30th September 2004, 3rd amendment dated 4th March 2005 and 4th amendment dated 27th March 2006.

1.3 The Regulation 2004 was issued to facilitate the availability of more detailed and disaggregated information on revenues and costs on regular basis. The reports as per the regulation provide useful information on revenues, costs, returns and capital employed in major areas of a service provider's business for regulatory purposes.

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Revision of Accounting Separation Regulation 2004

1.4 The system of Regulation 2004 was devised nearly a decade ago, at a time when regulatory reporting requirements were at a nascent stage and the development of the telecom sector had just begun. Since the implementation of the Regulation 2004, many developments have taken place in the telecom service sector. Such developments have had an impact on the information that the Authority requires as well as on the manner in which such information is to be furnished by the service providers.

- Movement towards digital convergence and rapid technological change has been altering the competitive landscape of the telecom sector. Boundaries distinguishing services have blurred. A range of new products and services have emerged with focus on Data and Value Added Services (VAS).
- Business models of service providers have also changed over time. Vertically integrated telecom service providers have emerged providing retail telecom services and products as well as wholesale services within the same jurisdiction with substantial concentration of market power. Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) structures of service providers have altered with the adoption of new business paradigms with increased outsourcing. New and more complex forms of upstream and downstream market relationships have emerged.
- A number of regulatory and policy changes have also influenced the sector. Dual technology unified access licenses have been issued. Allocation of 2G spectrum to new players and auction of 3G spectrum have impacted business models and revenue streams of service providers. Regulatory focus is also shifting to new areas such as broadband, data and value added services. On the accounting front, a transition to new converged accounting standards (IFRS/ IND AS) is in progress.

- Events in the telecom sector having outpaced some of the provisions of the Regulation 2004, several issues were being faced in the utilization of ASR information by the Authority. Service providers, during discussions over ASR submissions, have similarly indicated that the provisions, schedules and formats in the Regulation 2004 require review.

1.5 Considering all these aspects, a need was felt to initiate a review of Regulation 2004 for bringing in an up-dated, rationalized and standardized reporting system which covers the requirements of current times and which would have validity for the foreseeable future also.

1.6 After taking into account inputs from stakeholders, TRAI has finalised the "The Reporting System on Accounting Separation Regulations, 2012' (hereinafter referred as Regulations, 2012). These regulations have been published in the Gazette of India (Extraordinary) Part III – section 4 dated 11th April 2012.

1.7 The salient features of the 'The Reporting System on Accounting Separation Regulations, 2012' are as follows:

(a) The ASR would be applicable to all service providers having aggregate turnover of not less than rupees one hundred crore, during the accounting year for which report is required to be submitted under Regulations 2012 from operations under the telecom license(s) issued to them under Section 4 of the Indian Telegraph Act 1885so that undue burden is not placed on small service providers with small turnovers.

(b) Technology, innovation and consumer demand have driven far reaching changes in the last decade in the type of services and products provided. There has been enhancement of data services, innovative product offerings by service providers on a common platform, growth of broadband, opening of new markets/ offering of new products in the international bandwidth segment, MNP, infrastructure services provision, hiving off of tower businesses etc. Some services have virtually disappeared from the market while new services have emerged. Regulatory focus has also been drawn in recent times to sub services / products within services, data and VAS, necessitating the collection of more detailed information regarding the same. To capture these changes, the classification of services and products has been revised and the revised classification is in Schedule I to the Regulations 2012. To capture also the changes in technology and mode of delivery, the classification of the network elements that underlie these services has also been revised, and the revised classification is provided in Schedule II to the Regulations 2012.

(c) Telecom circle/geographical area wise accounting separation reporting for Wireless and Wire-line services is retained as Access licenses are granted service area-wise and tariffs are also operated service area-wise. The existing provisions for submission of accounting separation reports on replacement cost accounting every alternate year for access and long distance services continues.

Efforts have accordingly been made to rationalize the reporting formats and to restrict the reporting requirement to relevant information only. Keeping in mind the various suggestions from service providers for simplification/ rationalization of the formats prescribed in the Regulation 2004 and also drawing from the TRAI's experience in implementation of the ASR, modifications have been made in the formats with the objective of reducing duplication, removing redundancy of information and achieving greater transparency in disclosure, without disturbing the integrity of the prescribed system of cost allocation. The revised formats are provided in Schedule III to the Regulations 2012.

(d) Every year service provider (s) shall submit a copy of the relevant portion of their manual containing (i) a description of accounting policies for allocation and apportionment of revenue, cost, assets and liabilities and (ii) the basis of cost allocation and apportionment, along with audited reports to be filed with the Authority under regulation 4.

(e) To reduce the regulatory burden on service providers, avoid delay and provide flexibility in compilation and analysis of ASR data, efforts are also being made by TRAI to bring in a system of on-line report submission. Service providers/ Associations have welcomed the move for on-line submission of ASR data. An essential pre-requisite for on-line submission is standardization of definitions for products, services and network elements and of the structure of formats for submission of information. The revised classifications for services/products and network elements laid down in Schedules I and II respectively of the Regulations 2012, and the revised formats laid down in Schedule III of the Regulations 2012 will help to provide the required level of standardization/uniformity across service providers in the submission of information. While submitting the ASR, service providers will be required to map their services, products, network elements, support functions /departments etc. to those prescribed under the Regulations 2012.Till the on-line system is actually available, soft copy of the ASR will continue to be submitted by the service providers, in addition to hard copy.

(f) There is no change in the existing frequency of reporting requirement.

(g) The existing auditing requirements for the ASR continue. Further, in order to achieve comprehensiveness and maintain uniformity in the auditing of ASR of different service providers by auditors, a standardized certificate has been prescribed through which the auditor would express his opinion on the ASR. The standardized Audit Certificate is at Schedule IV of the Regulations 2012.

(h) There is a provision for adoption of audited ASRs by the Board of Directors of the company.

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Guidelines for System on Accounting Separation Regulations, 2012

1.8 As per the Regulations 2012 every service provider shall, in order to execute and implement the accounting and reporting practices specified under these Regulations, prepare a manual containing policies, principles, methodologies and procedures for accounting and cost allocation and file with the Authority a copy of the Manual within 90 days from the date of commencement of these Regulations. This manual would contain service provider specific detailed procedures for preparation of reports to be furnished as per theReporting System on Accounting Separation Regulations, 2012.

1.9 The generation of financial reports on Accounting Separation assumes a methodology and the Authority expects service providers to follow the same methodology for preparation of reports mentioned in the Regulations 2012. The Guidelines on System on Accounting Separation (hereinafter referred as **"Guidelines"**) provide broad methodology and principles for accounting separation which should be kept in mind by service providers while preparing the operators specific manuals.

1.10 Some of the aspects as laid down in the Regulations 2012 have also been reproduced in the Guidelines for a ready reference and completeness of the description provided in Guidelines wherever considered necessary.

1.11 These Guidelines do not intend to override the Regulations and in case of any unintended conflict between the two, the Regulations shall prevail.

Chapter-2

Framework for Accounting Separation

2.1 The Reporting System on Accounting Regulations shall be applicable to all service providers having aggregate turnover of not less than rupees one hundred crore, during the accounting year for which report is required to be submitted under these Regulations, from operations under the telecom license(s) issued to them under section 4 of the Indian Telegraph Act 1885.

2.2 As per the requirement of the Regulations 2012, the Accounting Separation Statements to be generated into following segments:

- Telecom Service wise separation
- Geographical area of Operation wise separation
- Product/components wise separation

2.3 In addition, there is reporting of Network Element wise cost, Support Functions and Department Costs, Related Party Transactions and Non-financial Reports.

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Telecom Service-wise Separation

2.4 The telecom service wise separation has been prescribed to measure and review the financial performance of individual services

2.5 As per Regulation 2012, the accounting separation reports are to be furnished for different types of services given by the service providers under the various telecom licenses. The service providers are required to submit the accounting separation statements for each of the following telecom services, as specified in Schedule - I of the Regulation:

- Access Service:
  - Wireless (Full Mobility)
  - WLL
  - Wire Line
- Internet Service
- National Long Distance Service (NLD)
- International Long Distance Service (ILD)
- Tower Business
- Dark Fibre
- Cable Landing Station
- Mobile Number Portability (MNP)
- Very Small Aperture Terminal Service (VSAT)

2.6 If a service provider is engaged in any business activity, which is other than the telecom services as referred above, the cost, revenue and capital employed relating to those business activities will be separated and the same shall form part of the reconciliation between regulatory reporting and audited annual accounts of the company

Geographical Area of Operation wise separation

2.7 The geographical area wise separation has been prescribed to review and compare the results, across geographical areas of operation.

2.8 As per Schedule I of the Regulations 2012, the geographical area of operation is telecom circle for the following telecom services:

- Access Service - Wireless (Full Mobility)
- Access Service – WLL
- Access Service – Wireline

Product / Components wise separation

2.9 The "product/components" for Accounting Separation means a sub-service within a telecom service. The separation of accounts for product/components is intended to make transparent the costs and returns involved in the provision of that product/component

2.10 A list of products/ components as prescribed in Schedule I of the Regulations, 2012 has been provided later in this chapter. The list provides the main products for reporting to TRAI and the balance products if any are grouped under a residual head – 'Others'.

2.11 The reporting systems laid down in the Regulations, 2012 also provides for grouping of products into wholesale and retail so as to study the revenue from the wholesale and retail activities of a service provider.

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Network elements wise cost

2.12 The separation of network cost from 'other than network costs' has been prescribed in the Regulations, 2012 to study the costs involved in various network elements within a service /product and to provide a base for allocation of network costs amongst services/products.

2.13 A list of network elements as prescribed in Schedule II of the Regulations 2012 has been provided later in this chapter. The list provides the main network elements for reporting to TRAI and the balance network elements if any are grouped under a residual head – 'Others'

2.14 The network elements wise reporting is to be done for the main network elements only as specified in Schedule II. It may be noted that the Schedule also provides a list of sub-components within each main network element to ensure uniform grouping of sub-components across service providers. It lays down which sub components have to be included under which network element so that there is clarity.

2.15 In order to ensure uniform grouping of sub-components across service providers, it is required that the service providers while reporting in the ASR also indicate the various sub components grouped under the main network elements viz. Core Network, Radio Access Network, Transmission Media / Equipments and Other Network Elements.

List of Telecom Service/ Geographical Area of Operation / Products/ Components and Network elements

2.16 A list of Telecom Service/ Geographical Area of Operation / Products/ Components and Network Elements as prescribed in Schedule I and II of the Regulations 2012 have been reproduced below for a ready reference.

2.17 The service providers shall use the list of telecom services, geographical area of operations and products/ components as prescribed in the Regulations, 2012. The service providers should map their services and products with the prescribed list of services and products.

2.18 The network elements defined in the regulation assume a typical network design. The service providers should map their network elements to the network elements defined in Schedule II of the Regulation.

Schedule I of Regulation

List of Telecom Service/ Geographical / Products/ Components[1]

Name of Telecom Service	Geographical Area of Operation	Product/ Components
(1)	(2)	(3)
(I) Access Service - Wireless (Full Mobility) (II) Access Service - WLL (III) Access Service - Wireline	Service Area i.e. Telecom Circle	Following products/ components shall be considered separately for postpaid and prepaid subscribers: (a) Rental / Activation / One time / Recharge fees (b) Calls: (i) Voice 1) Off Net 2) On Net (ii) Video 1) Off Net 2) On Net (c) Non-voice Messages: 1) Short Messaging Service 2) Multimedia Messaging Service (d) Value Added Services (e) Roaming: (i) National (ii) International (f) Data (g) Leased circuit (h) Wholesale (Interconnection): (i) Termination Voice call (ii) Termination Video call (iii) Termination SMS/ MMS (iv) Port charges including Co-Location (v) Transit Carriage Charges (vi) Other interconnect charges (i) Any other product (please specify name of each product separately)

[1]As per the Explanatory Memorandum to the Regulation, it is clarified that the requirement of preparing separate accounts applies only to licensed service providers. Accordingly, if a licensed telecom service provider is also providing infrastructure services (tower business and dark fibre) and its aggregate turnover is not less than Rs. 100 crore, such service provider would have to submit ASR for his tower business and dark fibre as well. Since currently standalone infrastructure service providers are not licensed, the ASR is not applicable to them.

Name of Telecom Service	Geographical Area of Operation	Product/ Components
(1)	(2)	(3)
(IV) Internet Service	All India	(a) Internet – Broadband (b) Internet – Narrowband (c) Internet Telephony (d) Internet Protocol (IP) TV (e) Internet Content (f) Webhosting and Web-collocation (g) Any other product (please specify name of each product separately)
(V) National Long Distance Service	All India	(a) Voice (i) Carriage Services (ii) Calling Cards (b) Leased Circuits: (i) Domestic Dedicated Leased Circuit (ii) Managed Data Services (VPN/ CUG) (c) Any other product (please specify name of each product separately)
(VI) International Long Distance Service	All India	(a) Voice (i) Carriage Services (ii) Calling Cards (b) Leased Circuit: (i) International Private Leased Circuit (IPLC) (ii) Managed Data Services (VPN/ CUG) (c) Any other product (please specify name of each product separately)
(VII) Tower Business	All India	(a) Ground Base Tower (GBT) (b) Roof Top Tower (RTT) (c) Roof Top Pole (RTP) (d) Any other product (please specify name of each product separately)
(VIII) Dark Fibre	All India	No product sub-classification
(IX) Cable Landing Station	All India	(a) Collocation; (b) Access facilitation (c) Any other product (please specify name of each product separately)
(X) Mobile Number Portability (MNP)	All India	No product sub-classification
(XI) Very Small Aperture Terminal Service (VSAT)	All India	No product sub-classification

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Schedule II of Regulation

List of Network elements for Telecom Services

S No.	Name of Telecom Service	Network Elements
(1)	(2)	(3)
(I) (II)	Access Service Wireless – Full Mobility Access Service– WLL	**(a) CORE NETWORK:** (Mobile services Switching Centre (MSC)/ Gateway Mobile services Switching Centre (GMSC), MSC-Server/ Virtual MSC, Media Gateway (MGW)/ Gateway Media Gateway (GMGW), Visitor location register (VLR), Serving GPRS Support Node (SGSN), Gateway GPRS Support Node (GGSN), EIR (Equipment Identity Register), HLR (Home Location Register), AUC (Authentication Centre), Transponder, Signalling gateway, Others) **(b) RADIO ACCESS NETWORK:** (Node B (RAN-Radio Access Network), BTS (Base Transceiver Station), RNC (Radio Network Controller), BSC (Base Station Controller), Others) **(c) TRANSMISSION MEDIA / EQUIPMENTS** (Transmission Media Between the Network Element i.e. OFC/Cable/Microwave, Transmission equipments, Others) **(d) OTHER NETWORK ELEMENTS:** (SMSC (Short Message Service Centre), MMSC (Multimedia Messaging Service Centre), HSS (Home Subscriber server), Application servers for Value added service, NMS (Network Management System), Billing servers, IUC servers/ ICB Server (Interconnect Billing Server), IN Servers, LIS (Lawful Interception Server), Facilitation for MNP, Others)
(III)	Access Service Wireline	(a) Equipment at Subscriber's end – POTS, ISDN, PABX, VPT Equipment etc. (b) Access Media between Local Switches & Subscriber's end - Copper loop/ Optical Fibre etc. (c) Local Switches - Local switch (including NGN and IP), Remote Switching Unit, Remote Logical Unit etc. (d) Tandem/TAX switches (e) Media Gateway (MGW) (f) Transmission Media / Equipments (g) Other (please specify)
(IV)	Internet Service	(a) Customer Premises Equipments (CPE) (b) Access Media (Copper Loop/Optical/Fibre, Cables/Wireless network etc. (c) DSLAM

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S No.	Name of Telecom Service	Network Elements
(1)	(2)	(3)
		(d) Router (EDGE/ PE/ CORE) (e) MuX/ Switches (f) Transmission media/systems between networking elements (g) Dedicated Servers (h) Other (please specify)
(V)	National Long Distance Service	(a) Switches (including NGN and IP) (b) Media Gateway (MGW) (c) Transmission Media and Equipment (d) Other (please specify)
(VI)	International Long Distance Service	(a) Switches (including NGN and IP) (b) Media Gateway (MGW) (c) Transmission –Domestic (d) Transmission –International (e) Other (please specify)
(VII)	Tower Business	(a) Tower (b) Associated Infrastructure (c) Other (please specify)
(VIII)	Dark Fiber	(a) Fibre (b) Other (please specify)
(IX)	Cable Landing Station	(a) Transmission line from Cable Landing Station to Meet Me Room (MMR) (b) Network Equipment at Meet Me Room (MMR) (c) Other (please specify)
(X)	Mobile Number Portability (MNP)	(a) Server (b) Router/Switch (c) Transmission Media (d) Gateway (e) Other (please specify)
(XI)	Very Small Aperture Terminal Service (VSAT)	(a) Space Segment Transponder (b) Ground Segment (c) Other (please specify)

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Chapter – 3

Reporting Requirement

3.1 As per the Regulation the service providers are required to prepare the following financial and non-financial reports for each service, geographical area wise as well as consolidated report for all geographical areas for a service. The list of telecom services, geographical areas of operation, products / components and network elements as relevant for the reporting requirements have been laid down in Regulations 2012 as reproduced in the earlier Chapter 2.

Statements	Proforma Reference	Description
Profit &Loss Statement		
Profit &Loss Statement – Service	Proforma A	A statement, showing profit and loss account including revenue, cost and return on capital employed for a service. The revenue, cost and capital employed for all the products within a service shall be reported in this statement.
Profit &Loss Statement – Product	Proforma B	A statement, showing product wise profit/loss account including revenue, cost and return on capital employed within a service. This statement shall be prepared based on the product direct cost, cost of network elements allocated/apportioned as per Proforma C, cost of support functions / departments allocated/apportioned as per Proforma D and capital employed as per Proforma G.
Cost sheets		
Cost Sheet - Network Elements	Proforma C	This statement provides the following: • Network element wise total cost with break up into network direct cost and cost transferred from support functions / departments • Computation of per unit cost of network element based on total cost and total usage. The usage (no. of subscribers / minutes of usage / bandwidth etc.) will be as per the relevant cost driver. • Basis of allocation of each network element cost to various products as per relevant cost driver. • Allocation of network cost (network element wise) to products (Proforma B). This statement shall be prepared based on the network direct cost and the cost of support functions / departments allocated as per Proforma D.

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Statements	Proforma Reference	Description
Cost Sheet - Support Functions / Departments	Proforma D	This statement provides the following: • Support function / department wise total cost • Basis of apportionment of each department cost to various network elements and products as per relevant cost driver (no. of subscribers / no. of bills / area / fixed asset base etc.). • Allocation/apportionment of support function / department cost to products (Proforma B) and network elements (Proforma - C) as per relevant cost driver.
Statements of gross block and capital employed		
Statement of Gross block, Depreciation and Net Block - Service	Proforma E	A statement showing assets category wise gross block, accumulated depreciation, net block and depreciation for the year for network elements, products and support functions / departments.
Capital Employed Statement - Service	Proforma F	A statement showing capital employed for a service. The total capital employed for a service will also be reflected in Proforma A.
Capital Employed Statement–Allocation to Products	Proforma G	A statement showing allocation of capital employed for a service as per Proforma F to the products. The total capital employed allocated to a product will also be reflected in Proforma B under that product.
Others		
Statement of Related Party Transactions	Proforma H	A Statement showing related party information on revenue.
Reconciliation Statement (covering all services and area of operations) with Audited Financial Statements	Proforma I	A statement showing reconciliation of profit and loss account and capital employed covering all services and area of operations with the company's audited annual accounts.
Non- Financial reports		
Statement of Non-financial information for each service	Proforma J	Statement showing non-financial information relating to subscribers, network usage, network capacity etc.

3.2 The above Proformae are attached as Annexure-I to these Guidelines.

3.3 The above reports submitted to the Authority shall be accompanied by the relevant portion of the manual containing description of accounting policies for allocation and

apportionment of revenue, cost, assets and liabilities and the basis of cost allocation and apportionment employed.

Periodicity of preparation and submission of Statements

3.4 As laid down in the regulation:

- The service provider shall prepare financial reports and non-financial reports:

  (a) every accounting year based on Historical Cost Accounting (HCA)for all the services specified in Schedule-I to these regulations ; and

  (b) every second accounting year based on Replacement Cost Accounting (RCA) for the following services specified in Schedule-I to these regulations: -

  i. Access Service – Wireless (Full Mobility)
  ii. Access Service – WLL
  iii. Access Service – Wireline
  iv. National Long Distance Service
  v. International Long Distance Service

  Provided that a service provider is not required to furnish the financial report based on Replacement Cost Accounting for three years from the date of issue of licence.

- The service provider shall submit to the Authority within six months of the end of accounting year:

  (a) yearly audited reports based on the Historical Cost Accounting; and
  (b) every second accounting year, audited reports based on Replacement Cost Accounting

- The reports shall be submitted in hard copy and in soft copy in MS Excel format along with its formulae and linkage.

  The Authority may by direction specify any other method including method of on-line submission of reports.

- The reporting period shall be same as followed by the company for preparation of the annual financial accounts under sub section (4) of section 210 of the Companies Act, 1956.

  Where the reporting period exceeds fifteen calendar months, the service provider shall submit the reports in two parts – one part comprising report of twelve month and the second part comprising of balance period.

3.5 It is clarified that the period of every second year for the purpose of replacement cost accounting under Regulations 2012 shall be reckoned from the accounting period for which replacement cost accounting has been done under the earlier Regulation 2004.

3.6 The financial reports on the basis of replacement cost accounting shall be prepared by:

(i) following financial capital maintenance methodology;

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(ii) limiting cost adjustment to the fixed assets;

(iii) ignoring replacement cost adjustment for assets having life of less than three years;

(iv) taking cost of modern equivalent asset when existing asset is not available due to change in technology or old asset is replaced by modern equivalent asset,

(v) indicating holding gain or loss and supplementary depreciation;

(vi) indicating the change in operating expenditure when an old asset is replaced by a modern equivalent asset.

3.7 The cost base of Historical cost and Replacement cost accountings have been further described in Chapter 4.

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Chapter – 4

Costing Approach

4.1 In this chapter, the costing approach, that is to be followed for Accounting Separation is discussed. The accounting methodologies to derive cost base and cost allocation principle include the following:

- Cost Base
- Cost Allocation Principle

Cost Base

4.2 Historical Cost Accounting (HCA) is the conventional Accounting Method, wherein assets are valued and depreciated at the cost recorded at the time of their purchase. The Replacement Cost Accounting (RCA) methodology prescribes valuation of assets at current costs. However, in the context of telecom industry, where cost trends rapidly leave historic accounts out of step with current realities, RCA is considered to be more relevant for analyzing costs and revenues. In view of this**,** the Regulation 2012 provides that Accounting Separation Statements shall be generated on Historical Cost as well as on Replacement Cost basis.

4.3 The overall framework for RCA has been described in Annexure II.

Cost Allocation Principles

4.4 The Cost Allocation Principles indicate how various costs should be treated and allocated/apportioned to different services/products /network elements. Under the Regulations, it is envisaged that the accounting separation reports shall be prepared following Fully Allocated Method for allocation/apportionment of cost. Under this method, the direct costs and costs other than direct costs are allocated to services/ products based on suitable cost drivers.

4.5 For Accounting Separation, revenue and cost are to be allocated or attributed to different services, network elements and products. The accounting standards/principles that should be generally followed for allocation / attribution are provided below:

- *Causation* - Revenues /costs should be allocated to those services/ products/network elements that cause the cost or revenue to arise.

- *Survey and sampling* - Service providers may need to use survey and sampling techniques such as pattern of usage of network element for each type of product, minutes of usage, number of subscribers, staff activity data, engineering information etc. in order to allocate costs to the relevant services/products/network elements. The fundamental objective of this activity is to arrive at an appropriate basis of attribution to comply with the principle of causation. Where sampling is used it should be based either on generally accepted statistical techniques or other methods, which should result in accurate attribution of cost, revenue, etc.

- *Consistency* - To assist comparability, the same bases and assumptions should be used from year to year. However, it is recognised that with rapidly changing technologies, it may be necessary to review attribution principle annually.

- *Materiality* - The principle of materiality may be followed to avoid any detailed/ cumbersome procedures if the impact is not considered very material. For example the iterative attribution

methods may not be used for certain items, if the effect of that particular item is not expected to be material to the ultimate outcome.

- *Practicality* -The principle of practicality would reflect the need in any system to undertake sampling analysis, and at times use prudent and unbiased estimates of cost and volumes.

- *Objectivity* - This principle requires that the allocation method proposed should be reasonable, substantiated and arbitrary allocation method should be minimal.

- *Transparency* - The methodologies followed for attribution and preparation of statements by each service provider should be comprehensively documented so as to be transparent to the regulator / other users of the statement.

4.6 The methodology for allocation and apportionment of cost has been discussed in detail in Chapter 5.

4.7 The Institute of Cost and Works Accountants of India has also issued Generally Accepted Cost Accounting Principles (GACAP). These may be kept in mind for cost allocation / appropriation to the extent not conflicting with any principles laid down in these Guidelines

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Chapter – 5

Allocation and Attribution Methods

5.1 This chapter provides a broad framework to allocate/ attribute revenue, costs, assets and liabilities to products/ network elements and support functions / departments for preparation of accounting separation statements.

5.2 Service Providers shall maintain adequate records to enable the company to identify the capital employed, fixed assets, working capital etc. to different telecom services

Allocation and Attribution of Revenue and Costs

5.3 The revenue and costs are required to be attributed to each product within a service, geographical area wise as per the list of services / geographies / products defined in the Regulation for preparation of cost sheets and profit and loss account.

5.4 In the context of apportionment and allocation of cost, the following aspects are explained:

- **Profit Centers** – The Profit Center is a service or product for which costs and revenue are worked out and matched to arrive at the profit or loss incurred.
- **Cost Centers** – The Cost Center is a unit for which costs are identified and captured for purpose of allocation/apportionment of costs. Broadly, the following cost centers are identified:
  - **Network Cost Center (Element-wise)** – The network elements for a service has been discussed in Chapter 2. Each network element shall be a cost center and all costs pertaining to that network element, would be accumulated for cost center of that network element. The cost of network will be apportioned to products based on suitable cost drivers.
  - **Support functions/departments**– The support function /department cost centers shall include support functions/departments such as marketing, customer care, finance, administration, transport, etc. Support functions are also referred to as functional departments. The cost of support functions /departments will be apportioned to the products/network cost centers based on suitable cost drivers.
  - The service provider can identify and define the cost centers as relevant/ applicable to them within the overall framework of the cost centers provided above.

The directly identifiable costs to a profit centre shall be allocated directly to the concerned profit centre.

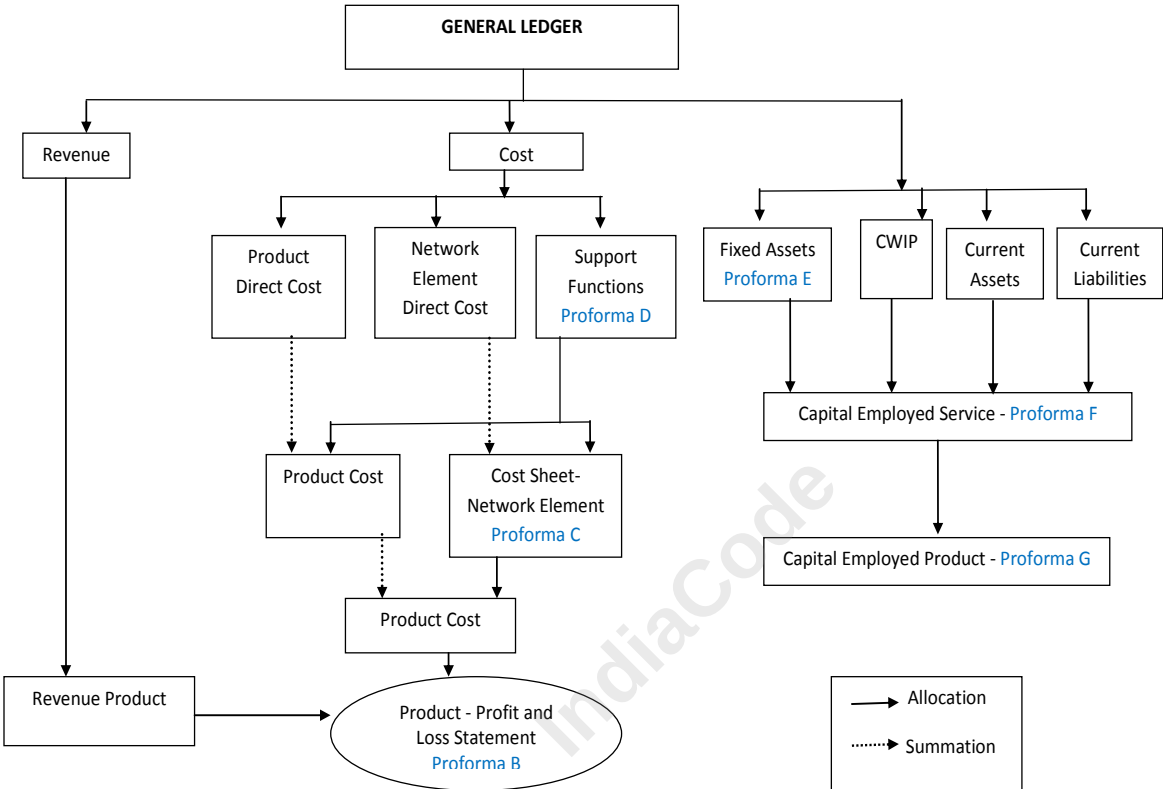
5.5 In case of service providers providing multiple services, the revenue, cost and capital employed would need to be captured / apportioned service wise. The service providers would follow appropriate and consistent basis for service wise separation based on its organisational set up and details kept in its books and accounts following generally accepted costing principles.

5.6 The revenue, cost and capital employed would be allocated / apportioned within a service to each product as per the allocation / apportionment process laid down in these Guidelines.

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5.7 The overall framework for allocation and apportionment of costs and generation of Profit and Loss statement and Cost Sheets for a service has been provided in Exhibit 5.1.

Exhibit 5.1



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Allocation of Revenue

5.8 The revenue earned for providing various products are generally directly identifiable to each product based on accounting records / ledgers and the billing system information. In respect of certain revenue items if the direct allocation is not possible, in such cases the revenue shall be allocated on basis of causation principle.

5.9 In case of bundled services, revenue shall be allocated properly to each service / product on some rational and equitable basis e.g. value of free minutes can be computed by multiplying average call rates, value of free SMS can be computed by multiplying average SMS realisation rate etc.

Allocation / Appropriation of Cost

5.10 As mentioned in the previous chapter, the Fully Allocated Cost Method shall be followed for allocation / apportionment of cost. The costs can be categorised as either direct costs or costs other than direct costs as follows:

Direct Costs

- Cost, which are solely generated by a particular product or network element and are recorded in the accounts against the relevant product or network element e.g. license fees for a product can be directly allocated to that product, cost incurred exclusively for providing value added services can be directly allocated to VAS product.

- Costs, which are solely generated by a particular product or network elements but are not recorded in the accounts against the relevant product/ or network elements e.g. advertisement and publicity expenses paid to external agencies, annual maintenance charges, etc. are costs which are generally recorded in a common account head and not against a particular product/ network element. However these costs may be directly identifiable to the service for which it has been incurred based on some underlying records. For example advertisement and publicity expenses incurred by a cellular service provider for promoting SMS may be booked under a common advertisement expense head but can be identified to SMS profit centre based on detailed records/ subsidiary registers.

Costs other than direct costs

- Costs, which are part of a pool of common cost but which can be attributed to a particular product or network element through a non-arbitrary and verifiable cause and effect relationship. There is no requirement for this to be a one-to-one relationship and it may be multi-step. For example costs such as billing expenses, customer care expenses, expenses of human resource department, rent of office building, etc. cannot be identified to a particular product but can be apportioned by using certain cost drivers. For example:

    - Billing expenses are generally common for all services, and the cost cannot be identified to any specific product. However the cost can be apportioned to various products, based on certain cost drivers such as number of bills raised for each products, etc.

    - Similarly the rent of office building which houses all the departments cannot be identified to any specific cost centre but can be apportioned to various cost centers housed therein on certain cost drivers, say area occupied by each department, etc.

- Other Cost, which are part of a pool of common cost and cannot be identified to a particular product or network element through a non-arbitrary and verifiable cause and effect relationship for e.g. corporate office expenses, legal charges, etc. These costs can be apportioned to various profit centers/cost centres by applying some general cost driver such as revenue or contribution or total cost.

5.11 As per the process presented in Exhibit 5.1 above:

- Each item of cost shall be attributed to a "product" or "cost centre" according to the way in which the product or network element or support function department gave rise to that cost.

- The pool of costs of each cost centre shall then be attributed to further cost centres or products until each cost centre is exhausted and all revenue and costs are associated with products.

- The allocation process is a tiered attribution process beginning with the identification of direct cost and progressively attributing indirect cost on the basis of cost drivers.

5.12 Based on the overall framework given earlier, the steps generally involved in the allocation / apportionment process are described below:

<table>
<tr><td>Step 1</td><td>Capture revenue and cost from the books of account i.e. general ledger/ and allocate them to Products, Network elements and Support Functions/Department.</td></tr>
<tr><td>Step 2</td><td>Attribute the cost of support functions/departments to profit centers (i.e. products) and other cost centers (i.e. network elements). These costs would have to be attributed using appropriate cost drivers. The list of support functions/departments, which are generally adopted by a service provider alongwith indicative list of cost drivers, which may be used in cost allocation/ apportionment of the respective support functions/departments is provided in Annexure III.

From the point of simplicity the cost of support function may not be apportioned to the other support functions as it may involve iterative allocation process.</td></tr>
<tr><td>Step 3</td><td>• After undertaking the above two steps, the cost for each network element would be available. The cost for each network element would include direct cost incurred for operation and maintenance of the respective network elements and also the allocated cost of support functions.

• The next step is to apportion the network element cost to various products.

• The cost of each network element is to be attributed to products based on a causation effect i.e. cost is directly allocated to the products for which the network element is used, for example international gateway will be allocated directly to ILD calls, similarly SMS server cost is directly allocable to SMS charges. In case the network element is used for more than one service then the cost of network element is to be attributed to various products based on an appropriate cost driver, which primarily will be usage based such as usage in minutes, number of connections, number of circuits or bandwidth, etc.

• Typically the basis of apportionment of network element costs may be as follows:

<table>
<tr><th>Network Elements</th><th>Basis of Apportionment</th></tr>
<tr><td>Access</td><td>Number of subscribers</td></tr>
<tr><td>Core Network – switches and equipment</td><td>Minutes of usage</td></tr>
<tr><td>Transmission media and equipment</td><td>Bandwidth for leased lines/ data
Minutes of usage for voice</td></tr>
<tr><td>Dedicated network</td><td>Identified to corresponding products</td></tr>
<tr><td>Internet network – central network</td><td>Bandwidth</td></tr>
<tr><td>Internet network - Joint nodes network</td><td>Bandwidth</td></tr>
<tr><td>Internet network – Dedicated nodes network</td><td>Identified to corresponding products</td></tr>
<tr><td>Access network</td><td>Identified to corresponding products</td></tr>
</table>
</td></tr>
<tr><td>Step 4</td><td>• This step involves aggregating costs of various services / products for preparation of profit and loss statements.</td></tr>
</table>

Allocation / Attribution of Capital Employed

5.13 The capital employed is required to be attributed to each product within a service geographical area wise as per the list of services / geographies / products defined in the Schedule I to the Regulations, 2012 for preparation of working out return on capital employed.

5.14 The statement of capital employed shall include fixed assets, capital work in progress, current assets and current liabilities. The capital employed here shall be the closing capital employed as at the accounting year end.

5.15 For the purpose of apportionment, the capital employed shall be broadly segregated into 'network elements' and 'other than network element'. General principles for allocation of the main components of capital employed are discussed in Annexure IV.

5.16 The gross book value, deprecation and accumulated depreciation of fixed assets need to be identified to network elements cost centres and support function cost centers. This is required for the purpose of allocation of depreciation and determination of fixed assets value to the respective cost centres.

5.17 Generally, the fixed assets for each cost/ profit centre are directly identifiable from the asset records. In case of common assets the capital cost would have to be apportioned to network elements based on appropriate parameters. Broad categories of fixed assets and their respective allocation/apportionment methods are mentioned in Table below:

Asset category	Method of allocation/apportionment
Assets that can be directly allocated to cost/ profit centres, e.g. access/ switching /conveyance related assets/ equipment.	Generally, these should be directly attributable to network elements and other cost centres based on the asset records. In case asset records do not provide the above identification, the detailed records may have to be created. In the interim period, fixed assets costs of the various network elements may have to be arrived at on the basis of a sample study.
Assets jointly used by two or more services or functional departments e.g. land and building housing the TAX and local exchange etc.	These would have to be apportioned to the beneficiary department on an appropriate basis, e.g. floor or space occupied in building by respective departments or network elements.

5.18 The capital employed for network elements (other than the fixed assets which have already identified to each network element) may be apportioned to the individual network elements in the ratio of fixed assets for the respective network elements. The attribution of capital employed on network elements to the products would be similar to the method of allocation / apportionment of network element cost to products (i.e. based on usage).

5.19 The capital employed for 'Others' shall be directly attributable to the product wherever directly identifiable. The balance may be apportioned using general allocator such as revenue, cost etc. as considered appropriate.

Weighted Average Cost of Capital (WACC)

5.20 As per Regulations 2012, the service providers are required to report their Weighted Average Cost of Capital (WACC) in Proforma F – Capital Employed Statement – Service.

5.21 WACC is a method of establishing an organization's cost of capital by taking each source of funds from its balance sheet and assigning a Required Rate of Return to each individual source. The amounts of each of the sources of funds are used as weights applied to the Required Returns, and the total return is divided by total weights to give the WACC expressed as a percentage. The WACC shall be taken as Pre-tax weighted average cost of capital.

Mathematically,

$$\text{Pre Tax WACC} = \frac{Re*\omega 1 + Rd*\omega 2}{(1-T)}$$

where,

Rd = Cost of debt
Re = Cost of equity capital
T = Corporate Tax rate
$\omega 1$ = *proportion of equity in capital structure*
$\omega 2$ = *proportion of debt in capital structure*
and $\omega 1 + \omega 2 = 1$

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Geography / Service wise separation

5.22 In line with the requirement of the Regulation, the revenue, cost and capital employed would need to be captured / apportioned telecom circle wise in respect of Access Services – Wireless (Full Mobility), Access Services – WLL and Access Services – Wireline to work out geography wise separation. Further in case of service providers providing multiple services, the revenue, cost and capital employed would need to be captured / apportioned service wise. The service providers would follow appropriate and consistent basis for geography / service wise separation based on its organisational set up and details kept in its books and accounts following general costing principles.

5.23 The revenue, cost and capital employed would be allocated / apportioned within a service to each product as per the allocation / apportionment process laid down in the earlier paragraphs.

Furnishing of Related Party Transactions

5.24 As per the Regulation, the service providers are required to furnish revenue from related parties as per Proforma – H. This information is required to be provided for each company separately within a group. The group has been defined as 'related party' in the Regulation. The 'related party' has the meaning assigned to it in the Accounting Standard on Related Party Disclosures (AS 18) issued by the Institute of Chartered Accountants of India.

Assets/Liabilities/Income/Expenses excluded

5.25 Non relevant items shall be excluded for determining the charges for services or products. The non-relevant items shall be shown as reconciling items with the audited annual accounts.

5.26 The non-relevant items shall include the following items:

Assets and liabilities

- Non-regulated telecom service related assets, liabilities, revenue and costs.
- Investments – such as in shares, joint ventures, subsidiary company etc.
- Financing transactions – such as inter corporate lending –borrowing
- Goodwill

Income and expenses

- Non-operating income
- Interest costs
- Corporate Tax
- Dividend distributions (paid and proposed)
- Amortisation of goodwill
- Return on investments
- Extra- ordinary items – such as abnormal loss due to fire/ theft etc.

Reconciliation of ASR with Audited Annual Accounts

5.27 The service providers are required to reconcile the profit and loss statement as per Proforma A of Schedule III to the Regulation and capital employed as per Performa G of Schedule III to the Regulation prescribed on the basis of the Historical Cost, with the audited Annual Financial Statement prepared under section 211 of the Companies Act, 1956. The reconciliation statement covering all services and its geographical areas of operation is required to be furnished in Proforma I of Schedule III to the Regulation.

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Chapter - 6

Books of Account

6.1 All licensed telecom service providers are incorporated as companies under the Companies Act, 1956. Books of account maintained by the service providers include all the records required to be maintained under the Companies Act, 1956. These books of account would form the underlying basis for preparation of Accounting Separation Reports (ASR). The service providers may decide if they need to maintain any additional books of account/ records, besides those prescribed under the statutes, rules, regulations and notifications, for furnishing of reports required under the Regulation 2012.

6.2 The service providers are required to maintain a fixed asset register as per the requirements laid down under the Companies Act 1956. The service providers would need to ensure that the fixed asset register contains necessary information required to facilitate network element based costing and generation of accounting separation reports. For example the information required to be maintained would include the following:

- Geographical area wise identification of fixed assets is required in case of Access service providers.
- Identification/ mapping of a fixed asset is required to each network element. This would help in determining total capital cost of a particular network element.
- Break up of cost of individual assets required in case of assets pertaining to more than one network element are purchased / constructed together
- Identification / extent of usage of assets in case any fixed assets item is used for more than one network element or cost centre. For common assets such as land and building, etc. details of the network elements / department using the assets along with proportion of use would need to be maintained.

6.3 In order to generate accounting separation statements, the operators would need to have an appropriate costing system in place, which would enable generation of prescribed statements. Based on the costing system, the revenue, costs, assets, liabilities or any other information maintained in financial records would be attributed, allocated or apportioned to various profit centres and cost centers for preparation of accounting separation reports.

6.4 The quantitative records of traffic data with regard to number of calls, total minutes of usage, number of subscribers, transmission capacity etc. to be maintained in such a manner so as enable service providers to generate reports on non-financial information in the Proforma prescribed in Schedule III to Regulations, 2012. The records would have to be maintained in such manner that information available therein should support the allocation or apportionment procedures also.

Chapter - 7

Administrative Requirements

7.1 This chapter provides the administrative requirements for implementing Accounting Separation and submitting reports/statements to TRAI.

Service provider-specific Accounting Separation Manual

7.2 As per the Regulations 2012, every service provider shall, in order to execute and implement the accounting and reporting practices specified under these regulations, prepare a manual containing policies, principles, methodologies and procedures for accounting and cost allocation.

7.3 The Manual should be sufficiently detailed so that it is transparent to the Regulator, independent auditor or any third party, of the specific policies and methodologies that have been used in preparing the accounting separation reports.

7.4 In line with the regulation, the Manual shall particularly include the following:

Organisational structure	Details of the organisational structure of the service provider
Group companies	List of the all entities within the group operating in the telecom sector and relationship of the service provider with such entities and other group companies and related parties with regard to interconnection and sharing of common resources etc.
Financial accounting system	Details of the financial accounting system adopted by the service provider including policies relating to capitalisation, depreciation, advance receipts of revenue, security deposits, provision for bad and doubtful debts etc.;
Related party transactions	Description of the related party transactions, allocation of shared services and jointly used assets;
Segmentation	Details of products, services, network elements and geographical areas which shall be treated as separate segments for preparing Accounting Separation Statements;
Costing principles/ method of allocation and apportionment for accounting separation	Description of accounting policies for allocation and apportionment of revenue, cost, assets and liabilities; Accounting system followed for recording and generation of the accounting separation information and reports which shall include list of cost and profit centres, linkages of financial heads to cost and profit centres; Description of studies, surveys and model employed in cost apportionment and allocation process;
Maintenance and Updation Procedures	Procedure adopted for maintenance and updating of the Manual
Glossary	Definition of terms used in the Manual

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Filing of Manual

7.5 As per the Regulations 2012 every service provider is required to file with the Authority a copy of the Manual within 90 days from the date of commencement of these regulations. Further every service provider is also required to furnish to the Authority any change in the manual along with reasons within 30 days of such change.

7.6 The Manual may require updation to reflect changes in the procedures resulting from the organizational changes, improvements in costing techniques, technological innovations etc.

7.7 In case a service provider who has earlier filed the Manual with the Authority feels that there is no change in the Manual, then such service providers shall submit the copy of the Manual already filed with the Authority along with a letter confirming that the Manual earlier filed remains valid for Regulations 2012 as well.

Audit and Accountability requirements

7.8 The Regulations 2012 provides the following with respect to the audit and accountability requirements:

- Every service provider shall appoint an auditor qualified for appointment as an auditor under section 224 or 233B of the Companies Act, 1956 to audit the reports prepared by the service provider under regulation 4 of the regulations and obtain a certificate from the auditor in the proforma specified in the regulation in which is reproduced in the exhibit in the next page.

- The Accounting Separation reports prepared by the service provider under regulation 4 of Regulations shall be adopted by the Board of Directors of the company and shall be signed by the authorized signatory before submitting the same to Auditor.

- The Accounting Separation reports prepared by the service provider and the audit report shall be signed by the auditor or a partner of the firm, if a firm is appointed as auditor.

- The Accounting Separation reports along with the audit report shall be submitted to the Authority within 6 months of the close of the accounting year.

7.9 All audit related costs shall be borne by the service providers.

7.10 TRAI may hold discussions with the auditor and seek clarifications from them. However, this would be done after intimation to the Service provider. The Service provider shall ensure that this requirement is provided for in the Letter of Engagement with their auditors.

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Form of Audit Report on the Accounting Separation Report

I/We,.....having been appointed as the Auditor(s) under the requirements laid down in the Reporting System on Accounting Separation Regulation, 2012 (here in after referred to as the Regulation) issued by Telecom Regulatory Authority of India (here in after referred to as the Authority) by ..... (mention name of the Company) having its registered office at ..... (mention registered office address of the company) (here in after referred to as the Company) have audited the attached Accounting Separation Reports covering .....(mention name of service/geographical area) for the year ended ..... (mention the accounting year) of the Company.

2 The Company is responsible for preparation of the Accounting Separation Reports and these have been approved by the Board of Directors of the Company. My/ Our responsibility is to audit the Accounting Separation Reports in accordance with the Regulation and generally accepted auditing standards in India.

3 Further to my/our comments/observations given in the enclosed Annexure (Annexure is required in case there are comments/observations on Accounting Separation Reports), I/We report that:

(a) I / we have received all the information and explanations, which to the best of my/our knowledge and belief were necessary for the purpose of my/our audit.

(b) In my / our opinion proper books of account have been kept by the Company so far as appears from my / our examination of those books to enable the preparation of complete and proper Accounting Separation Reports in accordance with the Regulation.

(c) The Accounting Separation Reports for the year ended …..… are in agreement with the books of accounts and have been properly drawn up in accordance with the Regulation and the methods and basis laid down in the Manual of the Company prescribed under the Regulation.

(d) In my/our opinion, and to the best of my/our information and according to the explanations given to me/us, the Accounting Separation Reports for the year ended..... give the information required by the Regulation in the manner so required and give a true and fair view in conformity with the framework as per the Regulation.

4 I/ We also report that all changes to the Manual prescribed under Regulation that materially affect the Accounting Separation Reports for the year ended …….have been filed with the Authority by the Company.

Dated :
Place :

Signature
Name of Proprietor/Partner
Membership No.
Name of the Firm with Stamp (Seal)

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FINANCIAL AND NON-FINANCIAL PROFORMAS FOR ACCOUNTING SEPARATION STATEMENT

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SCHEDULE III

LIST OF PROFORMAE

Sl. No.	Proforma	Description of the Proforma
1	Proforma A	Profit and Loss Statement - Service
2	Proforma B	Profit and Loss Statement - Product
3	Proforma C	Cost Sheet - Network Elements
4	Proforma D	Cost Sheet - Support Functions/Departments
5	Proforma E	Statement of Gross Block, Depreciation and Net Block - Service
6	Proforma F	Capital Employed Statement- Service
7	Proforma G	Capital Employed Statement: Allocation to Products
8	Proforma H	Statement of Related Party Transactions
9	Proforma I	Reconciliation Statement (covering all services and area of operations) with Audited Financial Statements.
10	Proforma J	Statement of Non financial information for each service

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SCHEDULE III
Proforma A
PROFIT & LOSS STATEMENT - SERVICE

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

S No.	Particulars	Current Year	Previous Year
1	**REVENUES (NET OF SERVICE TAX) :**		
1.1	***Wholesale Revenue***		
1.1.1	*Sale - Outside Group**		
1.1.2	*Sale - Within Group/ Company*		
1.2	***Retail Revenue***		
	Total		
1.3	Less: Pass through Charges:		
1.3.1	*To Access Service Providers*		
1.3.2	*To NLD Operators*		
1.3.3	*To ILD Operators*		
1.3.4	*Others (please specify)*		
1.4	*Revenue(net of Pass through)*		
2	**COSTS:**		
2.1	**Employees cost:**		
2.1.1	Salaries and wages		
2.1.2	Contribution to provident fund and other funds		
2.1.3	Staff welfare		
2.1.4	Training and recruitment		
2.1.5	Others (please specify)		
	Sub total		
2.2	**Administration cost:**		
2.2.1	Rent (Other than Network Element Equipments and Cell sites)		
2.2.2	Rates and taxes		
2.2.3	Insurance charges (Other than Network Element Equipments)		
2.2.4	Communication costs		
2.2.5	Electricity		
2.2.6	Travel and conveyance expenses		
2.2.7	Legal and professional charges		
2.2.8	Printing and stationery		
2.2.9	Audit fees		
2.2.10	Outsourcing Charges		
2.2.11	Porting Charges for MNP		
2.2.12	Others (please specify)		
	Sub total		
2.3	**Sales and Marketing cost:**		
2.3.1	Advertisement and business promotion expenses		
2.3.2	Sales commission		
2.3.3	Provision for bad and doubtful debts		
2.3.4	Bad debts write off		

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2.3.5	Outsourcing (Billing Services and Customer Care Services)		
2.3.6	Others (please specify)		
	Sub total		
2.4	**Maintenance cost:**		
2.4.1	Annual maintenance charges		
2.4.2	Network Consumables		
2.4.3	Repairs and maintenance:		
2.4.3.1	Buildings		
2.4.3.2	Plant and machinery		
2.4.3.3	Others		
2.4.4	Outsourcing Charges for Maintenance activities		
2.4.5	Others (please specify)		
	Sub total		
2.5	**Government charges:**		
2.5.1	License fee		
2.5.2	License fee penalty, if any		
2.5.3	WPC charges:		
2.5.3.1	Radio Spectrum Charges		
2.5.3.2	Microwave Charges		
2.5.4	Others (please specify)		
	Sub total		
2.6	**Network operating Cost:**		
2.6.1	Leased Circuits and Gateway Charges		
2.6.2	Royalty for technical know how fees		
2.6.3	Rent (Network Element Equipments and Cell sites)		
2.6.4	Power and fuel		
2.6.5	Interconnection:		
2.6.5.1	Port charges		
2.6.5.2	Others (please specify)		
2.6.6	Passive Infrastructure Charges:		
2.6.6.1	paid within group/ company		
2.6.6.2	paid outside group		
2.6.7	Insurance Charges (Network Element Equipments)		
2.6.8	Outsourcing Charges for Network Element Equipments		
2.6.9	Others (please specify)		
	Sub-total		
2.7	**Depreciation and Amortisation:**		
2.7.1	Depreciation on Building		
2.7.2	Depreciation on Plant and machinery		
2.7.3	Depreciation on Others (please specify)		
2.7.4	Amortisation of one time entry fee for 3G services		
2.7.5	Amortisation of license fee/entry fees etc. (other than 3G)		
	Sub-total		
2.8	**Other cost:**		
2.8.1	Loss on sale of fixed assets(net)		
2.8.2	Corporate office expenses		
2.8.3	Others (please specify)		
	Sub-total		
2.9	**Finance charges** *(Refer Note 1)*		
2.9.1	Bank charges		
2.9.2	Others (please specify)		
	Sub-total		
2.10	**TOTAL COST**		

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3	**Profit & Loss Before Interest and Tax**		
4	**Replacement Cost Adjustment *(Refer Note 2)***		
4.1	Holding gain/Loss		
4.2	Supplementary Depreciation		
4.3	Change in Operating Cost due to replacement of assets		
4.4	Total adjustment		
5	**Profit & Loss Before Interest and Tax**		
	Total Capital Employed		
	Return on Capital Employed (%)		
	Return on turnover (%)		

* Group mean the parties defined as "Related Party" in the Regulation

Notes:

1 Excluding interest on loans/borrowed funds
2 Relevant for reporting on the basis of Replacement Cost Accounting.
3 This Proforma shall be prepared for each service separately as prescribed in Schedule I to Regulation

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Proforma B
PROFIT & LOSS STATEMENT - PRODUCT

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

S No.	Particulars	Product Type *(See Note 1)*				Total
		Product A	Product B	Product C	Product…	
1	**REVENUES (NET OF SERVICE TAX)**					
1.1	***Wholesale Revenue***					
1.1.1	*Sale - Outside Group**					
1.1.2	*Sale - Within Group/ Company*					
1.2	***Retail Revenue***					
	Total Revenue					
1.3	Less: Pass through Charges					
1.3.1	*To Access Service Providers*					
1.3.2	*To NLD Operators*					
1.3.3	*To ILD Operators*					
1.3.4	*Others (please specify)*					
1.4	*Revenue(net of Pass through)*					
	COSTS:					
2	**PRODUCT DIRECT COST**					
2.1	**Employee cost**					
2.1.1	Salaries and wages					
2.1.2	Contribution to provident fund and other funds					
2.1.3	Staff welfare					
2.1.4	Training and recruitment					
2.1.5	Others (please specify)					
	Sub total					
2.2	**Administration cost**					
2.2.1	Rent (Other than Network Element Equipments and Cell sites)					
2.2.2	Rates and taxes					
2.2.3	Insurance charges (Other than Network Element Equipments)					
2.2.4	Communication costs					
2.2.5	Electricity					
2.2.6	Travel and conveyance expenses					
2.2.7	Legal and professional charges					
2.2.8	Printing and stationery					
2.2.9	Audit fees					
2.2.10	Outsourcing Charges					
2.2.11	Porting Charges for MNP					
2.2.12	Others (please specify)					
	Sub total					
2.3	**Sales and Marketing cost**					
2.3.1	Advertisement and business promotion expenses					
2.3.2	Sales commission					
2.3.3	Provision for bad and doubtful debts					

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2.3.4	Bad debts write off					
2.3.5	Outsourcing (Billing Services and Customer Care Services)					
2.3.6	Others (please specify)					
	Sub total					
2.4	**Maintenance cost**					
2.4.1	Annual maintenance charges					
2.4.2	Network Consumables					
2.4.3	Repairs and maintenance:					
2.4.3.1	Buildings					
2.4.3.2	Plant and machinery					
2.4.3.3	Others					
2.4.4	Outsourcing Charges for Maintenance activities					
2.4.5	Others (please specify)					
	Sub total					
2.5	**Government charges**					
2.5.1	License fee					
2.5.2	License fee penalty, if any					
2.5.3	WPC charges:					
2.5.3.1	Radio Spectrum Charges					
2.5.3.2	Microwave Charges					
2.5.4	Others (please specify)					
	Sub total					
2.6	**Network operating Cost:**					
2.6.1	Leased Circuits and Gateway Charges					
2.6.2	Royalty for technical know how fees					
2.6.3	Rent (Network Element Equipments and Cell sites)					
2.6.4	Power and fuel					
2.6.5	Interconnection:					
2.6.5.1	Port charges					
2.6.5.2	Others (please specify)					
2.6.6	Passive Infrastructure Charges:					
2.6.6.1	paid within group/ company					
2.6.6.2	paid outside group					
2.6.7	Insurance Charges (Network Element Equipments)					
2.6.8	Outsourcing Charges for Network Element Equipments					
2.6.9	Others (please specify)					
	Sub-total					
2.7	**Depreciation and Amortisation**					
2.7.1	Depreciation on Building					
2.7.2	Depreciation on Plant and machinery					
2.7.3	Depreciation on Others (please specify)					
2.7.4	Amortisation of one time entry fee for 3G services					
2.7.5	Amortisation of license fee/entry fees etc. (other than 3G)					
	Sub-total					
2.8	**Other cost**					
2.8.1	Loss on sale of fixed assets(net)					
2.8.2	Corporate office expenses					
2.8.3	Others (please specify)					

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	Sub-total					
2.9	**Finance charges *(Refer Note 2)***					
2.9.1	Bank charges					
2.9.2	Others (please specify)					
	Sub-total					
	TOTAL DIRECT COST (I)					
3	**NETWORK ELEMENT COST *(refer note 3)*:**					
3.1	Network element 1					
3.2	Network element 2					
3.3	Network element 3					
3.4	Network element 4					
3.5	Network Element……					
	Total NETWORK ELEMENT COST (II)					
4	**SUPPORT FUNCTION / DEPARTMENT COST *(refer note 4):***					
	TOTAL SUPPORT FUNCTIONS/DEPARTMENT COST (III)					
5	**TOTAL COST (I+II+III)**					
6	**Profit & Loss Before Interest and Tax**					
7	**Replacement Cost Adjustment *(refer note 5)***					
7.1	Holding gain/Loss					
7.2	Supplementary Depreciation					
7.3	Change in Operating Cost due to replacement of assets					
7.4	Total adjustment					
8	**Profit & Loss Before Interest and Tax**					
	Total Capital Employed					
	Return on Capital Employed (%)					
	Return on turnover (%)					

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* Group mean the parties defined as "Related Party" in the Regulation

Notes:

1 This sheet is to be prepared for each relevant Product as prescribed in Schedule I to Regulation
2 Excluding interest on loans/borrowed funds
3 As transferred from Proforma C
4 As transferred/apportioned from Proforma D
5 Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.
6 The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items
which are not relevant

Proforma C
COST SHEET: NETWORK ELEMENTS

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

S No.	Particulars	Network Element 1	Network Element 2	Network Element….	Total
	COSTS:				
1	**NETWORK DIRECT COST**				
1.1	**Employee cost**				
1.1.1	Salaries and wages				
1.1.2	Contribution to provident fund and other funds				
1.1.3	Staff welfare				
1.1.4	Training and recruitment				
1.1.5	Others (please specify)				
	Sub total				
1.2	**Administration cost**				
1.2.1	Rent (Other than Network Element Equipments and Cell sites)				
1.2.2	Rates and taxes				
1.2.3	Insurance charges (Other than Network Element Equipments)				
1.2.4	Communication costs				
1.2.5	Electricity				
1.2.6	Travel and conveyance expenses				
1.2.7	Legal and professional charges				
1.2.8	Printing and stationery				
1.2.9	Audit fees				
1.2.10	Outsourcing Charges				
1.2.11	Porting Charges for MNP				
1.2.12	Others (please specify)				
	Sub total				
1.3	**Sales and Marketing cost**				
1.3.1	Advertisement and business promotion expenses				
1.3.2	Sales commission				
1.3.3	Provision for bad and doubtful debts				
1.3.4	Bad debts write off				
1.3.5	Outsourcing (Billing Services and Customer Care Services)				
1.3.6	Others (please specify)				
	Sub total				
1.4	**Maintenance cost**				
1.4.1	Annual maintenance charges				
1.4.2	Network Consumables				
1.4.3	Repairs and maintenance				
1.4.3.1	Buildings				
1.4.3.2	Plant and machinery				
1.4.3.3	Others				
1.4.4	Outsourcing Charges for Maintenance activities				
1.4.5	Others (please specify)				
	Sub total				

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1.5	**Government charges**				
1.5.1	License fee				
1.5.2	License fee penalty, if any				
1.5.3	WPC charges:				
1.5.3.1	Radio Spectrum Charges				
1.5.3.2	Microwave Charges				
1.5.4	Others (please specify)				
	Sub total				
1.6	**Network operating Cost**				
1.6.1	Leased Circuits and Gateway Charges				
1.6.2	Royalty for technical know how fees				
1.6.3	Rent (Network Element Equipments and Cell sites)				
1.6.4	Power and fuel				
1.6.5	Interconnection:				
1.6.5.1	Port charges				
1.6.5.2	Others (please specify)				
1.6.6	Passive Infrastructure Charges:				
1.6.6.1	paid within group/ company				
1.6.6.2	paid outside group				
1.6.7	Insurance Charges (Network Element Equipments)				
1.6.8	Outsourcing Charges for Network Element Equipments				
1.6.9	Others (please specify)				
	Sub-total				
1.7	**Depreciation and Amortisation**				
1.7.1	Depreciation on Building				
1.7.2	Depreciation on Plant and machinery				
1.7.3	Depreciation on Others (please specify)				
1.7.4	Amortisation of one time entry fee for 3G services				
1.7.5	Amortisation of license fee/entry fees etc. (other than 3G)				
	Sub-total				
1.8	**Other cost**				
1.8.1	Loss on sale of fixed assets(net)				
1.8.2	Corporate office expenses				
1.8.3	Others (please specify)				
	Sub-total				
1.9	**Finance charges** *(Refer Note 1)*				
1.9.1	Bank charges				
1.9.2	Others (please specify)				
	Sub-total				
	TOTAL COST				
1.10	**Replacement Cost Adjustment (Refer Note 2)**				
1.10.1	Holding gain/Loss				
1.10.2	Supplementary Depreciation				
1.10.3	Change in Operating Cost due to replacement of assets				
1.10.4	Total adjustment				
	TOTAL NETWORK DIRECT COST (I)				

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2	**COST TRANSFERRED FROM SUPPORT FUNCTION / DEPARTMENT**				
2.1	**Dept 1**				
2.2	**Dept 2**				
2.3	**Dept 3**				
2.4	**Dept……..**				
	TOTAL SUPPORT FUNCTIONS/DEPARTMENT COST (II)				
3	**TOTAL NETWORK COST (I+II)**				
	COMPUTATION OF AVERAGE PER UNIT COST OF NETWORK ELEMENT				
	Total Usage (As relevant - No of subscribers / MoU / bandwidth etc.)				
	Average Cost per Unit				

ALLOCATION OF COST OF NETWORK COST TO PRODUCTS

Particulars	Basis of Allocation	Product A	Product B	Product C	Product… .	Total
Network Element 1						
Network Element2						
Network Element…….						
Total						

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Notes:

1 Excluding interest on loans / borrowed funds
2 Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.
3 In case there is any Joint network element with any other service, the cost of the same will be split and shown under the respective service wise cost sheet.
4 The list of Network elements is provided in Schedule II to Regulation. The service provider should use this list. In case any Network element is not relevant, the same may be shown as Nil.
5 The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant

Proforma D
COST SHEET: SUPPORT FUNCTIONS/DEPARTMENTS

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

Rs in lakh

S No.	Particulars	Deptt 1	Deptt 2	Deptt 3	Deptt 4	Deptt 5	Others	Total
	COSTS							
1.1	**Employee cost**							
1.1.1	Salaries and wages							
1.1.2	Contribution to provident fund and other funds							
1.1.3	Staff welfare							
1.1.4	Training and recruitment							
1.1.5	Others (please specify)							
	Sub total							
1.2	**Administration cost**							
1.2.1	Rent (Other than Network Element Equipments and Cell sites)							
1.2.2	Rates and taxes							
1.2.3	Insurance charges (Other than Network Element Equipments)							
1.2.4	Communication costs							
1.2.5	Electricity							
1.2.6	Travel and conveyance expenses							
1.2.7	Legal and professional charges							
1.2.8	Printing and stationery							
1.2.9	Audit fees							
1.2.10	Outsourcing Charges							
1.2.11	Porting Charges for MNP							
1.2.12	Others (please specify)							
	Sub total							
1.3	**Sales and marketing cost**							
1.3.1	Advertisement and business promotion expenses							
1.3.2	Sales commission							
1.3.3	Provision for bad and doubtful debts							
1.3.4	Bad debts write off							
1.3.5	Outsourcing (Billing Services and Customer Care Services)							
1.3.6	Others (please specify)							
	Sub total							
1.4	**Maintenance cost**							
1.4.1	Annual maintenance charges							
1.4.2	Network Consumables							
1.4.3	Repairs and maintenance							
1.4.3.1	Buildings							
1.4.3.2	Plant and machinery							
1.4.3.3	Others							
1.4.4	Outsourcing Charges for Maintenance activities							

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1.4.5	Others (please specify)							
	Sub total							
1.5	**Government charges**							
1.5.1	License fee							
1.5.2	License fee penalty, if any							
1.5.3	WPC charges:							
1.5.3.1	Radio Spectrum Charges							
1.5.3.2	Microwave Charges							
1.5.4	Others (please specify)							
	Sub total							
1.6	**Network operating Cost**							
1.6.1	Leased Circuits and Gateway Charges							
1.6.2	Royalty for technical know how fees							
1.6.3	Rent (Network Element Equipments and Cell sites)							
1.6.4	Power and fuel							
1.6.5	Interconnection:							
1.6.5.1	Port charges							
1.6.5.2	Others (please specify)							
1.6.6	Passive Infrastructure Charges:							
1.6.6.1	paid within group/ company							
1.6.6.2	paid outside group							
1.6.7	Insurance Charges (Network Element Equipments)							
1.6.8	Outsourcing Charges for Network Element Equipments							
1.6.9	Others (please specify)							
	Sub-total							
1.7	**Depreciation and Amortisation**							
1.7.1	Depreciation on Building							
1.7.2	Depreciation on Plant and machinery							
1.7.3	Depreciation on Others (please specify)							
1.7.4	Amortisation of one time entry fee for 3G services							
1.7.5	Amortisation of license fee/entry fees etc. (other than 3G)							
	Sub-total							
1.8	**Other cost**							
1.8.1	Loss on sale of fixed assets(net)							
1.8.2	Corporate office							
1.8.3	Others (please specify)							
	Sub-total							
1.9	**Finance charges** *(Refer note 1)*							
1.9.1	Bank charges							
1.9.2	Others (please specify)							
	Sub-total							
	TOTAL COST							
1.10	**Replacement Cost Adjustment**							

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	(Refer Note 2)							
1.10.1	Holding gain/Loss							
1.10.2	Supplementary Depreciation							
1.10.3	Change in Operating Cost due to replacement of assets							
1.10.4	Total adjustment							
	TOTAL COST - SUPPORT FUNCTIONS/DEPARTMENTS							

ALLOCATION OF COST OF SUPPORT FUNCTION/DEPARTMENT TO PRODUCT / NETWORK ELEMENTS

(Rs in Lakh)

Departments	Deptt 1	Deptt 2	Deptt 3	Deptt 4	Deptt 5	Others	Total
Allocation to Products							
Product A							
Product B							
Product C							
Product D							
Product E							
Product ……							
Allocation to Network Elements							
Network Element 1							
Network Element 2							
Network Element 3							
Network Element 4							
Network Element 5							
Network Element……							
Total							

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1 Excluding interest on loans/borrowed funds
2 Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.
3 The common cost of the Corporate office / regions shall be allocated at the circles
4 The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant
5 The indicative List of departments is provided below.

BASIS OF APPORTIONMENT

List of Departments	Basis of Apportionment*
Marketing	
Billing	
Customer Care	
Call Centre	
Credit Control	
Sales and marketing	
Others	
Network Operations & Maintenance	
Network Management	
Network Maintenance	
Others	
General Administration	
F&A	
HR	
IT / EDP	
Legal / regulatory	
Materials	
Corporate Office	
Others	
Other Departments……..	

* such as No. of subscribers/ no. of Bills / budgeted usage / No. of employees / Area / Fixed Assets base etc.

Proforma E
STATEMENT OF GROSS BLOCK, DEPRECIATION AND NET BLOCK - SERVICE

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

PROFORMA D: FORMAT FOR FIXED ASSET/ DEPRECIATION STATEMENT

Gross Block/Depreciation/Net Block **(Rs in Lakh)**

Particulars	Land	Building	Plant and machinery	Computers	Office equipment	Furniture and fixtures	Vehicles	License	Patents / Technical know how	Others	Total
NETWORK ELEMENTS (refer note 1)											

Sub Total (A)											
PRODUCTS											

Subtotal (B)											
SUPPORT FUNCTIONS/DEPARTMENTS											

Sub Total (C)											
TOTAL (A+B+C)											

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Notes:
1. As prescribed in Schedule II to regulations
2. Separate Forms for Fixed Asset (Gross Block/ Net Block) and Accumulated Depreciation.
2. Form should specifically mention whether it is prepared on Historical cost basis or replacement cost
4. A statement indicating Rate of Depreciation charged during the reporting period on various Fixed Assets will be annexed to Proforma E

Proforma F
CAPITAL EMPLOYED STATEMENT- SERVICE

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

Particulars	Current Year				Previous Year			
	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 2)	Total/ Net Replacement Cost (refer note 2)	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 2)	Total/ Net Replacement Cost (refer note 2)
FIXED ASSETS - Gross Book Value :								
Tangible Assets								
Land								
Building								
Plant and machinery								
Computers								
Office equipment								
Furniture and fixtures								
Vehicles								
Intangible Assets								
License								
Patents / technical know how								
Others								
Total Fixed Assets								
Less: Accumulated Depreciation								
NET BOOL VALUE OF FIXED ASSETS (I)								
CAPITAL WORK IN PROGRESS (II)								
CURRENT ASSETS:								
Inventories								
Cash and bank balance								
Debtors								
Loans and advances								
Others (please specify)								
Sub total								
CURRENT LIABILITIES:								
Trade Payables								
Provisions								
Security deposits								
Advance rentals								
Other (please specify)								
Sub total								
NET WORKING CAPITAL (III)								
TOTAL CAPITAL EMPLOYED (I + II+ III)								
Weighted Average Cost of Capital i.e. WACC (in %)								

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Notes:
1. Capital Employed is the closing capital employed at the end of the Accounting period.
2. Replacement cost Adjustment and Net Replacement Cost is relevant for reports prepared on the basis of Replacement Cost Accounting.
3. WACC is pre tax Weighted Average Cost of Capital. Statement of computation of pre tax WACC should be attached.

Proforma G
CAPITAL EMPLOYED STATEMENT: ALLOCATION TO PRODUCTS

Name of The Company :
Name of Service:
Geographical Area of Operation :
Period :
Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

	Current Year				Previous Year			
Products	**Network Elements**	**Other**	**Adjustment for replacement cost of Assets (refer note 4)**	**Total/ Net Replacement Cost (refer note 4)**	**Network Elements**	**Other**	**Adjustment for replacement cost of Assets (refer note 4)**	**Total/ Net Replacement Cost (refer note 4)**
Product A								
Product B								
Product C								
Product D								
Product E								
Product F								
Products…..								
TOTAL								

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Notes:

1. The capital employed for network elements may be allocated to the individual network elements in the ratio of fixed assets value for the respective network elements. The attribution of capital employed of network elements to the products would be similar to the method of allocation / apportionment of network element cost to products (i.e. based on usage, number on connections, bandwidth etc).
2. The capital employed for 'Others' shall be directly attributed to the product wherever directly identifiable. The balance may be apportioned using general allocator such as revenue, cost etc as considered appropriate.
3. Capital Employed is the closing capital employed at the end of the Accounting period.
4. Replacement cost Adjustment and Net Replacement Cost is relevant for reports prepared on the basis of Replacement Cost Accounting.

Proforma H

STATEMENT OF RELATED PARTY TRANSACTIONS

Name of The Company :

Name of Service:

Geographical Area of Operation :

Period :

Cost Base: Historical Cost Accounting

REVENUE

Particulars	Unit of Measurement *(refer note 1)*	Sale - Outside Group *(refer note 2)*			Sale - Within Group/ Company		
		Volume	Revenue (Rs Lakhs)	Per Unit (Rs)	Volume	Revenue (Rs Lakhs)	Per Unit (Rs)
Product A							
Product B							
Product C							
Product D							
Product E							
Product F							
Products…..							
TOTAL							

Note:

1. Number of Calls, Minutes of Usage, number of messages etc.

2. Group means the parties defined as "Related Party" in the Regulation. Separate information to be provided for each company separately with in Group

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Proforma I

RECONCILIATION STATEMENT (COVERING ALL SERVICES AND AREA OF OPERATION) WITH AUDITED FINANCIAL STATEMENTS

Name of The Company :
Name of Service: Consolidated for all telecom services
Geographical Area of Operation: Service provider as a whole covering all telecom services
Period :
Cost Base: Historical Cost Accounting

(Rs in Lakh)

Sl. No.	Particulars	Telecom Services *(refer Note 1)*											Inter Service Adjustment (if any)	Total of Services (net of inter service adjustment)	Other than telecom services as prescribed in Schedule I to Regulation	Reconciliation (refer note 2)	Total as per Audited Financial Statements
		Access Service - Wireless (Full Mobility)	Access Service - WLL	Access Service - Wireline	Internet Service	National Long Distance Service	international Long Distance Service	Tower Business	Dark Fiber	Cable Landing Station	Mobile Number Portability	Very Small Aperture Terminal Service					
1	**Revenue:**																
1.1	Revenue (net of service tax)																
1.2	Less: pass through																
1.3	Revenue (net of Pass through)																
2	**Costs:**																
2.1	Employees Cost																
2.2	Administration Cost																
2.3	Sales and marketing Cost																
2.4	Maintenance Cost																
2.5	Government Charges																
2.6	Network operating Cost																
2.7	Depreciation and Amortisation																
2.8	Others Cost (please specify)																
2.9	Finance Charges *(refer note 3)*																
	TOTAL COST																

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3	**Profit before Interest and Tax (PBIT)**																
4	**Profit after Tax (PAT)** ***(refer Note 4)***																
5	**Capital Employed**																

Note:

1 For Telecom services, Revenues, costs and capital employed should be in agreement with Proforma A of that particular service.
2 A separate list shall be annexed with this Proforma for individual item / head of account having value more than Rs 10 crore.
3 Excluding interest on loans /borrowed funds
4 Not to be filled at each service level. Reconciliation may be done for consolidated PBIT of all telecom services with PAT of the Company.

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PROFORMA J

NON FINANCIAL REPORT

(A) Statement of Non-Financial Information for Access Service – Wireless (provide separate for Full Mobility and WLL)

I. Basic Information

Information as of (date)

1.1 Name of License

1.2 License No. and date of issue/migration

1.3 Licensed Service Area

1.4 License Period

1.5 Date of commencement of commercial service

II. Subscriber Details

2.1 Number of subscribers (Please mention number of subscribers at the beginning and end of the year)

	Opening	Closing
Pre-Paid		
Post Paid		
Total Subscribers		

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III. Traffic Details

3.1 Usage - Minutes/Numbers (in lakh)

	On Net	Off Net Originating	Off Net Terminating	Total
(A) Voice (MoU)				
(B) Video (MoU)				
(C) SMS (Nos.)				
(D) MMS (Nos.)				

3.2 Data Usage (in MB):

3.3 Total bandwidth (Mbps) sold through leased circuits:

3.4 Transmission Capacity Details

	Length in Route Kilometer
OFC:	
- Owned	
- Leased In	
Microwave:	
- Owned	
- Leased In	
Satellite	

3.5 Number of Towers:

	Owned	Leased
Ground Base Tower (GBT)		
Roof Top Tower (RTT)		
Roof Top Pole (RTP)		

(B) Statement of Non-Financial Information for Access Service – Wireline

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue/migration
1.3 Service Area licensed
1.4 License Period
1.5 Date of commencement of commercial service

II. Subscriber Details

2.1 Details of DELs

	Total Capacity of DELs	Number of Subscribers
Urban		
Rural		
Total		

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III. Traffic Details

3.1 Transmission Capacity Details:

	Length in Route Kilometer
OFC:	
- Owned	
- Leased In	
Microwave:	
- Owned	
- Leased In	
Satellite	

3.2 Minutes of usage/ Numbers (in lakh):

	On Net	Off Net Originating	Off Net Terminating	Total
(A) Voice (MoU)				
(B) Video (MoU)				
(C) SMS (Nos.)				
(D) MMS (Nos.)				

3.3 Data Usage (in MB):

3.4 Total bandwidth (Mbps) sold through leased circuits:

(C) Statement of Non-Financial Information for Internet Service

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue/migration
1.3 License Category (please indicate whether A, B or C)/Licensed Area
1.4 License Period
1.5 Date of commencement of commercial service

II. Subscriber Details

2.1 Number of subscribers:

(a) Internet Broadband
(b) Internet (Other than Broadband)
(c) IP TV

III. Network Information

3.1 Capacity details:

(a) Total owned capacity (bandwidth in Mbps)
(b) Capacity Leased in (bandwidth in Mbps)
(c) Capacity Leased out (bandwidth in Mbps)

3.2 International Internet Bandwidth:

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(D) Statement of Non-Financial Information for National Long Distance Service

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue/migration
1.3 License Period
1.4 Date of Commencement of commercial service

II. Traffic Details

2.1 Details of Transmission Capacity available

	Length in Route Kilometer
OFC:	
(a) Owned	
(b) Leased In	
Microwave:	
(a) Owned	
(b) Leased In	
Satellite	

2.2 Voice Usage Minutes (carriage) (in lakh):

2.3 Managed Data Service (VPN/ CUG) (total bandwidth):

2.4 Total bandwidth (Mbps) sold through leased circuits:

(E) Statement of Non-Financial Information for International Long Distance Service

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue/migration
1.3 License Period
1.4 Date of Commencement of commercial service

II. Traffic Details

2.1 Details of Transmission Capacity (in Mbps) available

	Capacity Utilisation			
Particulars	Capacity Sold-Retail	Capacity Sold-Leased Out	Captive Consumption	Total
Capacity Owned				
Capacity leased in				
Total Capacity				

2.2 Voice Usage Minutes (ILD) (in lakh):

(a) Incoming
(b) Outgoing

2.3 Managed Data Service (VPN/ CUG) (total bandwidth):

2.4 Total bandwidth (Mbps) sold through leased circuits:

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(F) Statement of Non-Financial Information for Tower Business Service

I. Basic Information

Information as of (date)
1.1 Name of License/Registration
1.2 License/Registration No. and date of issue
1.3 Date of Commencement of commercial service

II. Towers Details

2.1 Number of Towers

Particulars	Ground Base Tower (GBT)	Roof Top Tower (RTT)	Roof Top Pole (RTP)
Number of Towers			
Average Tenancy Ratio			

(G) Statement of Non-Financial Information for Dark Fibre Service

I. Basic Information

Information as of (date)
1.1 Name of License/Registration
1.2 License/Registration No. and date of issue
1.3 Date of Commencement of commercial service

II. Transmission Media Details

2.1 Total Number of Route Kilometers of OFC

2.2 Number of Route Kilometers sold/leased out

(H) Statement of Non-Financial Information for Cable Landing Service

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue
1.3 Date of Commencement of service

II. Capacity Details

2.1 Number of Cable Landing Stations:

2.2 Number of submarine cables landing at the Cable Landing Stations:

2.3 Capacity Utilisation:

(in Mbps)

Particulars	Capacity Sold-Retail	Capacity Sold- -Leased Out	Captive Consumption	Total
Capacity Owned				
Capacity Leased in				
Total Capacity				

2.4 Number of ILDO/ISP to whom landing facility provided:

2.5 Number of ILDO/ISP to whom access facility provided:

2.6 Number of ILDO/ISP to whom co-location provided:

(Information in respect of 2.4, 2.5 & 2.6 shall be given for the last day of financial year being reported)

(I) Statement of Non-Financial Information for Mobile Number Portability

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue
1.3 Date of Commencement of commercial service

II. Porting Details

2.1 Number of porting done:

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(J) Statement of Non-Financial Information for VSAT Service

I. Basic Information

Information as of (date)
1.1 Name of License
1.2 License No. and date of issue
1.3 Date of Commencement of commercial service

II. Subscribers/Capacity details

2.1 Number of Subscribers:

(a) Individual
(b) Closed User Group

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Annexure II

Replacement Cost Accounting

Introduction

1. In context of telecom industry, Replacement Cost Accounting is considered to be a substitute for forward-looking costs. The current costs represent investments choices of service providers today; both for an incumbent service provider planning to modernise the network and for a new entrant planning to decide whether to build a new network.

2. The relevant extracts of the Regulation in respect of Replacement Cost are reproduced below:

- The service provider shall prepare financial reports and non-financial reports every second accounting year based on Replacement Cost Accounting for the following services specified in Schedule-I to these regulations:

  - Access Service – Wireless (Full Mobility)
  - Access Service – WLL
  - Access Service – Wireline
  - National Long Distance Service
  - International Long Distance Service

  Provided that a service provider is not required to furnish the financial report based on Replacement Cost Accounting for three years from the date of issue of licence.

- The financial reports on the basis of replacement cost accounting shall be prepared by:
  - following Financial Capital Maintenance Methodology. Financial Capital Maintenance (FCM) considers that financial capital for the company is maintained in the current price terms. Capital is assumed to be maintained in real terms at the same level as at the beginning of the period.
  - limiting cost adjustment to the fixed assets;
  - ignoring replacement cost adjustment for assets having life of less than three years;
  - taking cost of modern equivalent asset when existing asset is not available due to change in technology or old asset is replaced by modern equivalent asset,
  - indicating holding gain or loss and supplementary depreciation;
  - indicating the change in operating expenditure when an old asset is replaced by a modern equivalent asset.

Valuation of Assets

3. Valuation of assets is a major element of the Replacement cost accounting exercise. Normally, Net Replacement Cost of the asset is used as the current cost measure and the Regulations 2102 also provides for the same.

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4. Net replacement cost of an asset can be determined on following basis:

- When there is not much change in technology level, there are two methods of determining net replacement asset value.
    - Indexation: Net Replacement value is derived using indexation of historical book values. The index used should wherever possible be an asset specific index. The price indices can also be created for each class of asset by analysing trend of prices over a period of time. These price trends can be further modified / collaborated using inputs from external sources like RBI price indices etc. A base year is chosen and price trends over the year are compared to the base price. For the newer technologies, base year is set to the first year of expenditure.
    - Absolute Value: At times, indexation method may not be feasible for the lack of data or other issues. Hence it may be more reliable to use physical volumes and unit prices to derive an absolute valuation.
- In situations where there is a technological change, existing assets would not be replaced in an identical form. This may happen because the existing asset is no longer manufactured or its capacity and functionality have been significantly updated. In such cases, value of Modern Equivalent Asset (MEA) is taken which is value of a currently available asset with same level of capacity and functionality.

5. The choice of method for a particular class of asset depends on individual set of circumstances. In context of Indian Telecom industry, major part of the total capital base is represented by assets, which have been acquired in the recent past. Thus many of the assets may fall under the existing technology.

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Functionality abatement issues in MEA

6. In telecommunication industry, the calculation of MEA value is further complicated by rate of technological change in the industry. The identification of a suitable asset, which represents same level of functionality and capacity is a major issue. Moreover, the calculation of MEA value may also impact the value of another asset. For example, if copper cables were replaced by fiber cables in current cost valuation, then corresponding size of the fiber cable will be different from existing copper cable and hence the ducting and trenching cost will have to be modified to reflect the ducting and trenching estimates for fiber cable. If fiber cable requires lesser manpower to provide operation and maintenance as compared to the copper cable, corresponding operating and maintenance costs will also need to be modified as per the revalued asset. These adjustments are known as 'Functionality abatements'.

7. The following needs to be noted with respect to the MEA approach:

- The above operating costs readjustment corresponds to revaluation of asset only and not on the account of improvement of manpower efficiency.

- Emerging new technologies should not be treated as MEA until their cost of replacement is lower than that of existing assets. For example, use of fiber in access will not be an MEA till its cost is lower than copper access.

- The use of new technology as MEA does not assume any efficiency gain on account of improved network topology. The network architecture remains same as in existing network.

Surplus Capacity

8. If the capacity of an asset is not in use and is not expected to be used over the next few years' planning horizon, the capacity is considered to be surplus. For example, if the exchanges are revalued on MEA basis, corresponding area requirement are reduced because of smaller size of the equipment. This may lead to surplus capacity of the building housing the exchange equipment.

9. Only the operative capacity of business is valued for the Replacement Cost Accounting.

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Other aspects

10. Following the above principles of valuation, in general the assets may be valued in the manner given below:

    - The assets items where major programmes of modernisation are underway in the next 3-4 years should be valued based on the concept of modern equivalent asset. Generally equipment such as exchanges, transmission equipment, etc. should be valued based on MEA.

    - Specialised buildings, which are generally used for housing exchanges, should be valued at current cost of reconstruction as per the space requirements of modern equivalent asset.

    - General use buildings should be valued at current cost of reconstruction.

    - Land should be valued at land rates applicable for the same land use in the area.

11. The assets with low value or short life may be valued at their historical price only as they may not have material impact. Accordingly, asset items with life of less than three years or value upto Rs. 1 lakhs may be stated at their historical prices.

CCA Adjustments

12. As per the Regulations 2012, the FCM method shall be followed for CCA. Further CCA adjustments shall be made only in respect of the fixed assets. Other adjustments mentioned below which are otherwise required under CCA are not to be carried out:

- Cost of Sales Adjustment (COSA): This represents the difference between the value to business of the stock consumed during the period and its historical cost.
  Since telecom industry is largely a service-oriented industry with no"raw material" consumption, the COSA should not generally make a significant difference to the P&L. Hence, no COSA is required to be made for CCA.

- Monetary Working Capital Adjustment (MWCA): It reflects the amount of additional or reduced finance needed for monetary working capital as a result of changes in the input prices of goods and services used and financed by the business. In times of rising prices, a business needs more funds to finance monetary working capital. For the sake of simplicity, no adjustment may be made in respect of MWCA for CCA adjustment.

- Gearing Adjustment: Gearing adjustments reflects the impact of capital structure of an organization on profits. The payout to borrowings/loans is not affected by the changing prices. Hence, if a company is financed by external loans, it will be benefited during period of inflation as its payout is decreased in real terms during inflation periods. For the sake of simplicity, no adjustment may be made in respect of Gearing Adjustment for CCA adjustment

13. Current cost profit under FCM shall be derived as follows:

FCM profit = HC profit + holding gains/(losses)+Supplementary Depreciation
(The holding gain loss will be reflected net of backlog depreciation)

14. The above adjustments are explained below:

Supplementary Depreciation

- The charge to the Profit and Loss account for depreciation should be equal to the value of the fixed assets consumed during the period. When the fixed assets are valued on the basis of Net Replacement cost, which may increase/decrease during the year, the charge is based on Net Replacement cost for the period. Hence supplementary depreciation needs to be provided to cover up the difference between current cost and historical cost of asset, as described below:

  *(*Rate of depreciation * Replacement cost of fixed assets) – Historical cost depreciation for the year

Holding gain /loss

- Holding gains (or losses) comprise two components:
  - The gain in the current replacement cost value of assets as a result of changes in the cost of assets; that is, as a result of asset revaluation; and
  - The element of the revaluation that is written off as depreciation during the year in question

- The gain in current replacement cost can be derived as:

  NBV(HC)t-1 x (GRCt/acquisition cost) less NBV(HC)t-1 x (GRCt-1/acquisition cost)

  where NBV(HC)t-1 is the written down historical cost of the asset at the end of the previous year, GRC is the gross replacement cost and acquisition cost is the original purchase consideration. The above formula reduces to the net book value in current cost terms at the end of the previous year multiplied by the change in the asset-specific price index.

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Numerical Example:

The table below illustrates the above concepts for an asset purchased for Rs 10,000. The assumed life of the asset is 4 years. For simplicity, it is assumed that the asset is depreciated on a straight line basis. It is assumed that the cost of replacing the asset falls by 10% per annum.

Yr	Current Cost (NRV)	Depreciation					Holding Gain / (Loss)			CCA Adjustments (Supplementary Depreciation + Holding Gain/loss)
		Current Cost	Historical Cost	Supplementary	Cumulative	Required	Backlog Depreciation	Holding Gain / (Loss)	Holding Gain / (Loss) net of Backlog Depreciation)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
0	10,000									
1	9,000	2,250	2,500	(250)	2,250	2,250	-	(1,000)	(1,000)	750
2	8,100	2,025	2,500	(475)	4,275	4,050	(225)	(900)	(675)	200
3	7,290	1,823	2,500	(678)	5,873	5,468	(405)	(810)	(405)	(273)
4	6,561	1,640	2,500	(860)	7,108	6,561	(547)	(729)	(182)	(678)

Explanation of the above column headings:

- current cost is the gross replacement cost of the asset,
- current cost depreciation is derived as the gross replacement cost divided by the asset life,
- historical cost depreciation is the original acquisition cost divided by the asset life,

- supplementary depreciation is the additional depreciation charged as a result of revaluing the asset (it can also be derived as current cost depreciation less historical cost depreciation),
- cumulative depreciation is the sum of cumulative current cost depreciation as at the end of the previous period, backlog depreciation for the previous period and current cost depreciation for the current period. This is equivalent to required depreciation at the end of the previous plus current cost depreciation for the current period,
- `Required' depreciation is the cumulative depreciation that would have been charged given the current cost of the asset put another way, it is the difference between the gross and net replacement cost of the asset, and
- backlog depreciation is the difference between required depreciation and cumulative depreciation.
- holding gains/(losses)- The gain/loss in the current cost value of assets as a result of changes in the cost of assets; that is, as a result of asset revaluation. As per the Regulation, the holding gain / loss will be shown net of backlog depreciation.

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Annexure III

Indicative basis of Apportionment of Cost of Support Functions

Support Functions / Cost	Apportionment basis
Human resource / Personnel	• The directly identifiable cost shall be directly attributed to cost / profit centres e.g. training cost specific for a product or network segment, etc. • The illustrative list of allocators for HR or personnel department are: ▪ Full time employees or equivalent employees ▪ Manpower cost for various products or network elements, etc. • The unattributable cost (if any) can be apportioned using general allocator
Administration	• The directly identifiable cost shall be directly attributed to the various cost / profit centres. • The illustrative list of allocators for the remaining expenses of administration department are : ▪ Full time employees or equivalent employees ▪ Manpower cost for various products or network elements ▪ Area (square feet)/floors occupied by various cost/ profit centres • The unattributable cost (if any) can be apportioned using general allocator
Maintenance	• Maintenance costs include engineers' and non-engineers' salary, stores and spares and other operating costs. • Stores and spares can be directly allocated based on stores and spares issued and consumed by various network elements as recorded in the stores ledger. • Annual maintenance charges can be allocated directly to various network elements for which it has been incurred specifically. • Maintenance paid to third party for repair of any specific assets can be directly attributed to the network element • Maintenance cost which cannot be identified to any specific asset such as salary, common AMC charges, etc. can be attributed to various network elements based any of the following parameters ▪ Capacity ▪ Usage ▪ Capital cost (Net Book Value), etc ▪ Number of break down ▪ Time spent on each element • The unattributable cost (if any) can be apportioned using general allocator
Marketing and sales	• Costs of advertisement, publicity and market research for specific service / product can be directly attributed to those services or

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Support Functions / Cost	Apportionment basis
	product • Common cost of advertisement, publicity and market research can be apportioned using analyses of number of advertisement/ publicity campaign or contracts undertaken. • Cost of retail outlets can be apportioned to products on the basis of a staff activity analysis, supplemented by analyses of sales / business obtained for each product. • Cost of commission agents can be apportioned based on turnover achieved for each product / commission rates applicable • Cost of bad debts or provision for bad debts can be directly attributed to various products through analysis of bad debts (to the extent these are material). The residual cost can be apportioned based on past experience or on actual analysis of directly attributable bad debt cost. • The unattributable cost (if any) can be apportioned using general allocator
Customer Service	• Costs of product specific customer service centers can be directly allocated to the products to the extent specifically used e.g. in case of outsourcing of customer care services, call centre cost, service provider related services, etc. • Costs of multi product customer service centres can be analysed by operation type and further analysed to products and network elements using appropriate data / sampling data (e.g. numbers of faults obtained from the engineering database, number of calls attended, number of complaints, attached etc.). • The unattributable cost (if any) can be apportioned using general allocator
Billing	• Billing staff costs can be initially analysed by operation type and apportioned to products using appropriate data such as number of bills raised for each product or other relevant data e.g. number of subscribers • Cost of out-sourced services can be allocated based on analysis of data such as number on bills raised / number of subscribers etc. • The unattributable cost (if any) can be apportioned using general allocator
Information technology / EDP / software maintenance	• The cost for IT / EDP department can be allocated using the sample analysis of activity undertaken • The unattributable cost can be apportioned using general allocator
Insurance	• Cost of insurance unit can be attributed to product / network elements based on cost of assets insured or number of employees insured from each segments, in case of group / common insurance the policy the cost can be allocated based on value of fixed assets

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Support Functions / Cost	Apportionment basis
	for each segment.
Finance and accounts	• Cost of finance and accounts department can be allocated to cost/ profit centres based on total expenses booked during the period or based on funds allocated etc.
Circle office	• Circle office cost (to the extent not covered by the functions apportioned separately) can be treated as unattributable cost and apportioned using general allocator
Corporate office	• Corporate office cost (to the extent not covered by the functions apportioned separately) can be treated as unattributable cost and apportioned using general allocator.

The general allocator can be revenue or contribution or total cost as considered appropriate.

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Annexure IV

General Principles for Allocation of main components of Capital Employed

Account heads	Attribution method
Fixed assets	Fixed assets are to be allocated/ apportioned to: • Network segments • Support functions • Products As far as possible, assets should be reported against the category that they represent or support. The assets which cannot be directly and uniquely associated with a cost centre or profit centre are to be apportioned to cost centres according to appropriate cost drivers. Assets jointly used by two or more cost centres should be allocated to the beneficiary department on an appropriate basis, e.g. floor or space occupied in the building, etc. **Land and building** which can be directly attributed to a cost centre shall be allocated to that cost centre. For example a building in which an exchange is situated or a building in which customer service is located can be allocated directly and fully to the local exchange cost centre (under Network cost centre) or customer service as the case may be. In instances where the land and building are shared or commonly used, the capital cost can be identified to various cost centres based on cost driver such as floor space occupied etc. **Plant and machinery** cost which can be directly attributed shall be allocated to that cost centre. For example the cost of switch can be directly identified to a local exchange or a trunk exchange based on the function it performs. Similarly a CMTS service provider can identify the SMS server to that network element. In case of shared machinery / network elements the capital cost shall be allocated based on appropriate cost driver such as usage, in terms of length/ minutes/ band width etc.
Current assets and liabilities	Current assets and liabilities are to be allocated to Network elements and 'Others'.

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Account heads	Attribution method
	Current assets and liabilities should be directly attributed to network segment or Others, wherever possible. For example, specific debtors, creditors, stocks and provisions should be directly allocated to the network segment to the extent identifiable. The attribution methods for the specific heads of current assets and liabilities are provided below.
Stocks	The bulk of stocks relates to network (subscribers equipment, modem, store and spares, etc.) and can be directly allocated to network. All other stocks / store and spares pertaining to support function shall be allocated to 'others'. For example motor transport spares, computer spares, etc.
Debtors	Debtors are analyzed by type –Trade debtors can be broadly classified under two main categories i.e. network and others. Generally the debtors would relate to 'Others' The debtors can be directly identified to different services to which they pertain and in case there is no direct correlation they can be allocated to various services on the basis of relevant turnover. Accrued income shall be allocated on the basis of relevant turnover by billing system.
Cash at Bank and in Hand	Cash and bank balances can be apportioned on the basis of total operating cost (other than depreciation and other amortised costs) of network and others.
Loans and advances	Loans and advances can be allocated to network based on direct identification wherever possible otherwise it can be allocated based on the basis of total operating cost of network and others.
Current liabilities	Creditors should analyzed by creditors type from the general ledger codes and appropriate apportionment bases to be then applied: • Trade creditors can be apportioned to network and others on the basis of total costs excluding salary and depreciation. • Capital creditors can be allocated to network and other groups on the basis of the fixed assets additions during the year. • Payroll creditors can be allocated to network and others on the basis of total pay of the relevant units. • Other creditors can be allocated to network and other using bases appropriate to the particular creditor type.

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Definitions

(i) "Act" means the Telecom Regulatory Authority of India Act, 1997 (24 of 1997);

(ii) "Accounting Separation Statement" means statement furnished in Proforma specified in Schedule III to these regulations;

(iii) "Annual Financial Statement" means financial statements prepared under section 211 of the Companies Act, 1956;

(iv) "Authority" means the Telecom Regulatory Authority of India established under sub-section (1) of section 3 of the Act;

(v) "Broadband" or "Broadband Service" means a data connection –

(a) which is always on and is able to support interactive services including Internet access;

(b) which has the capability of the minimum download speed of two hundred fifty six kilobits per second or such minimum download speed, as may be specified by the licensor, from time to time, to an individual subscriber from the point of presence of the service provider intending to provide Broadband service where a multiple of such individual Broadband connections are aggregated and the subscriber is able to access these interactive services including the Internet through the said point of presence;

(c) in which the interactive services shall exclude any services for which a separate licence is specifically required (such as real-time voice transmission) except to the extent permitted, or, as may be permitted, under Internet service provider's licence with internet telephony, and which shall include such services or download speed or features, as may be specified from time to, by the licensor;

(vi) "Cable Landing Station" means a location,

(a) at which the international submarine cable capacity is connected to the backhaul circuit; and

(b) at which international submarine cables are available on shore for accessing international submarine cable capacity and such location includes buildings containing the onshore end of the submarine cable and equipment for connecting to backhaul circuits;

(vii) "collocation charges" means the charges paid by a service provider for using facilities including land, building space, apparatus and plants, environmental services, security, site maintenance, power, electrical installations, cables, transformers, fire detection,

firefighting systems and back-up power for the purpose of interconnection including installation of collocation equipments i.e. switches, racks and cages, cross-connects and other cabling at the premises owned by another service provider;

(viii) "Cost Centre" means the support function or department of a company or a network element for which cost is incurred;

(ix) "Financial Capital Maintenance" is a methodology of recognising profit after taking account of holding gain or loss arising as a result of Replacement Cost Accounting;

(x) "Geographical area" is a service area, which is treated as separate segment for purpose of preparing reports under regulation 4;

(xi) "Historical Cost Accounting" means a system of accounting where assets, liabilities, costs and revenues are recorded at the value when the transaction was made and where assets are valued and depreciated according to their cost at the time of purchase;

(xii) "Holding gain or loss" means gain or loss arising out of change in the replacement cost of an asset while the asset is still being held at the Historical Cost and is computed as under:-

Holding Gain or Loss= NBVt-1X (GRCt /HC) - NBVt-1X(GRCt-1 /HC)

Where, NBVt-1 = Written down value of an asset at historical cost at the beginning of year t,

GRCt = Gross replacement cost of an asset at the end of year t,

HC = Historical Cost of an asset at the time of its purchase

(xiii) "Internet Service" means all type of internet access or internet content services as provided in the licence;

(xiv) "Licence" means a licence granted or having effect as if granted under section 4 of the Indian Telegraph Act, 1885 (13 of 1885) or the provisions of the Indian Wireless Telegraphy Act, 1933 (17 of 1933);

(xv) "Manual" means manual referred to in regulation 3 of these regulations;

(xvi) "Meet Me Room" means a place where telecom service providers connect their equipment;

(xvii) "Modern Equivalent Asset" means the current value of available asset with the same level of capacity and functionality as that of the original asset;

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(xviii) "Off-net call" means a call which terminates in the network of a service provider other than the originating service provider;

(xix) "On-net call" means a call which originates and terminates in the network of the same service provider;

(xx) "Pass through charges" means the charges excluded from gross revenue to arrive at adjusted gross revenue for the purpose of levying licence fee as provided under the licence agreement of the service provider;

(xxi) "Profit Centre" means a service or a product offered by a service provider to which revenue and cost can be traced to calculate profit from that activity;

(xxii) "regulations" means the Reporting System on Accounting Separation Regulations, 2012;

(xxiii) "Related Party" has the meaning assigned to it in the Accounting Standard on Related Party Disclosures (AS 18) issued by the Institute of Chartered Accountants of India;

(xxiv) "Related Party Transaction" means a transfer of resources or obligations between related parties whether a price is charged or not;

(xxv) "Replacement Cost Accounting" means system of accounting where value of an asset is entered in the financial statement at the price which is required to be paid if same or equivalent asset is purchased;

(xxvi) "Report" means financial and non-financial Accounting Separation statements furnished by service providers under regulation 4;

(xxvii) "Retail Revenue" means revenue earned by the service provider from the sale of products and services directly to the end consumer;

(xxviii)"service provider" means the Government as a service provider and includes a licensee;

(xxix) "Supplementary depreciation" refer to the difference between depreciation on historical cost and depreciation on replacement cost of an asset;

(xxx) "Transit Carriage Charge" means charge for carriage of intra-circle traffic handed over from Cellular Mobile Networks to Fixed Network at Level II Trunk Automatic Exchange (TAX) of Long Distance Charging Area for terminating in Short Distance Charging Area of the same Long Distance Charging Area;

(xxxi) "Value Added Services" means services which are offered to add value to the core services, the core services being voice calls, voice or non-voice messages and data transmission;

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(xxxii) “wholesale interconnection” means a product for which revenue is received from other service providers for carrying or terminating calls or messages or for providing interconnection facilities;

(xxxiii) “wholesale revenue” means revenue realised from the sale of products and services other than to end consumers;

(xxxiv) all other words and expressions used in these regulations but not defined, and defined in the Act and the rules and other regulations made there under, shall have the meanings respectively assigned to them in the Act or the rules or other regulations, as the case may be.

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ABBREVIATIONS

ASR- Accounting Separation Reports
AUC - Authentication Centre
BSC - Base Station Controller
BTS - Base Transceiver Station
CAPEX - Capital Expenditure
COSA - Cost of Sales Adjustment
CPE - Customer Premises Equipments
EIR - Equipment Identity Register
FCM - Financial Capital Maintenance
GGSN - Gateway GPRS Support Node
GMG - Gateway Media Gateway
GMSC - Gateway Mobile services Switching Centre
GBT - Ground Base Tower
HCA - Historical Cost Accounting
HLR - Home Location Register
HSS - Home Subscriber server
ILD - International Long Distance Service
IPLC - International Private Leased Circuit
IP - Internet Protocol
LIS - Lawful Interception Server
MGW - Media Gateway
MMR - Meet Me Room
MMSC - Multimedia Messaging Service Centre
MNP - Mobile Number Portability
MSC - Mobile services Switching Centre
MEA - Modern Equivalent Asset
MWCA - Monetary Working Capital Adjustment
NLD - National Long Distance Service
NGN – Next Generation Network
NMS - Network Management System
OCM - Operating Capital Maintenance
OPEX - Operating Expenditure
RAN - Radio Access Network
RCA - Replacement Cost Accounting
RNC - Radio Network Controller
RTP - Roof Top Pole
RTT - Roof Top Tower
SGSN - Serving GPRS Support Node
SMSC - Short Message Service Centre
TAX - Trunk Automatic Exchange
TRAI - Telecom Regulatory Authority of India
VAS - Value Added Services
VSAT - Very Small Aperture Terminal Service
VLR - Visitor Location Register
WACC - Weighted Average Cost of Capital

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PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY,
PART III, SECTION 4

THE REPORTING SYSTEM ON ACCOUNTING SEPARATION (AMENDMENT) REGULATIONS, 2012

(20 of 2012)

TELECOM REGULATORY AUTHORITY OF INDIA
NOTIFICATION

New Delhi, the 15th October 2012

No. 14-07/2012–F&EA- In exercise of powers conferred by section 36, read with sub-clause (i) of clause (b) of sub-section (1) of section 11 of the Telecom Regulatory Authority of India Act, 1997 (24 of 1997), the Telecom Regulatory Authority of India hereby makes the following regulations to amend the Reporting System on Accounting Separation Regulations, 2012 (7of 2012), namely:-

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1	(1) These regulations may be called the Reporting System on Accounting Separation (Amendment) Regulations, 2012. (2) They shall come into force from the date of their publication in the Official Gazette.
2.	After regulation 5 of the Reporting System on Accounting Separation Regulations, 2012 (7of 2012), the following regulation shall be inserted, namely:- **"5A. Consequences for failure of the service provider to submit reports, statements or making or furnishing of false statements and information:** (1) If any service provider contravenes the provisions of regulation 5, it shall without prejudice to the terms and conditions of its licence or the provisions of the Act or rules or regulations or orders made, or, directions issued, thereunder, be liable to pay an amount, by way of financial disincentive, not exceeding five lakh rupees and, in case the default continues for more than fifteen days, additional amount not exceeding fifty thousand rupees for every day after fifteen days

during which the default continues, as the Authority may, by order, direct.

Provided that for every subsequent contravention, the service provider shall be liable to pay an amount, by way of financial disincentive, not exceeding ten lakh rupees and, in case the default continues for more than fifteen days, additional amount not exceeding one lakh rupees for every day after fifteen days during which the default continues, as the Authority may, by order, direct:

(2) If the report furnished by the service provider under regulation 5 is false and which such service provider knows or believes to be false or does not believe to be true, or omits any material fact knowing it to be material, it shall, without prejudice to the terms and conditions of its licence, or the provisions of the Act or rules or regulations or order made, or, direction issued thereunder, be liable to pay an amount, by way of financial disincentive, not exceeding ten lakh rupees, as the Authority may, by order, direct.

(3) No order for payment of any amount by way of financial disincentive shall be made by the Authority unless the service provider has been given a reasonable opportunity of representing against the contravention of the regulations observed by the Authority.

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(N. Parameswaran)
SECRETARY-IN-CHARGE

Note1: The Reporting System on Accounting Separation Regulations, 2012 (7of 2012) were published in the Gazette of India, Extraordinary, Part III, Section 4 vide Notification No. 16-07/2010-FA dated 11th April 2012.

Note 2: The Explanatory Memorandum explains the objects and reasons of amendment in the principal Regulations.

Explanatory Memorandum

The Telecom Regulatory Authority of India published The Reporting System on Accounting Separation Regulations, 2012 (7of 2012) on 11th April 2012 replacing 'The Reporting System on Accounting Separation Regulation, 2004' which lays down the reporting requirements on Accounting Separation for telecom service providers.

2 In regulation 5, the Authority prescribed for submission of audited Accounting Separation Reports by specified service providers within six months of the end of accounting year to the Authority based on Historical Cost Accounting on yearly basis and Replacement Cost Accounting on every second accounting year.

3 Several instances of delay in submission of audited Accounting Separation Reports by the service providers have been noticed. Also, there have been cases where incomplete/incorrect information was submitted in the audited Accounting Separation Reports of the service providers. Such actions of the service providers defeat the very purpose of calling for the financial & non-financial information by the Authority.

4 The Accounting Separation Regulations do not contain any provision to disincentivize delay in submission of prescribed reports or submission of incomplete/incomplete information in the reports by the service providers. In order to ensure timely submission of complete and correct reports under regulation 5 of The Reporting System on Accounting Separation Regulations, 2012 (7of 2012) notified on 11th April 2012, the Authority has felt that some financial disincentives should be imposed on the defaulting service providers.

5 In view of the above, a new regulation "5A -Consequences for failure to submit reports, statements and making or furnishing false statements and information" has been inserted after regulation 5 and before regulation 6 of the principal Regulations imposing financial disincentives for those service providers who default in compliance with regulation 5 of "The Reporting System on Accounting Separation Regulations, 2012 (7of 2012)".

6 The comments of the stakeholders were invited through TRAI's website on the draft "The Reporting System on Accounting Separation (Amendment) Regulations 2012" containing the proposal for insertion of regulation 5A. In response to the proposal in the draft Regulation, some of the stakeholders have stated that Telecom Regulatory Authority of India Act, 1997 does not confer upon the Authority power to impose penalty in the form of financial disincentives.

7 In this context, it is stated that the TRAI Act confers power on the Authority not only to regulate but also to ensure the compliance of the provisions of the regulations. The word "ensure" has mandatory connotation, it means "make certain". Furthermore, the Hon'ble Supreme Court, in its judgment dated the 17, Aug, 2007, in Civil Appeal No. 2104/2006 (Central Power Distribution Co. & Ors Vs. CERC & Anr), inter-alia, held that "it is well settled that a power to regulate includes within it power to enforce".

8 It will not be out of place to mention that there are a catena of judgments by the Supreme Court wherein the Hon'ble Court has repeatedly re-stated the proposition that legislation should be read and interpreted so as to further the purpose of its enactment and not in a manner that derogates from its main objectives. The Hon'ble Supreme Court in its judgment in the case of State of Karnataka Vs. Vishwabharthi House Building Co-operative Societies and Ors. [(2004) 5 SCC 430], quoted with approval the judgment of Hon'ble Guwahati High Court in the case of Arbind Das Vs.

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State of Assam & Ors. [AIR 1981 Gau 18 (FB)] wherein it was inter-alia, held that where a statute gives a power, such power implies that legitimate steps may be taken to exercise that power even though these steps may not be clearly spelt out in the statute. The Hon'ble Court further held that in determining whether a power claimed by a statutory authority can be held to be incidental or ancillary to the powers specially conferred by the statute, the court must not only see whether the power may be derived by reasonable implication from the provisions of the statute, but also whether such powers are necessary for carrying out the purposes of the provision of the statute which confers power on the Authority in exercise of such powers. The relevant part of the said judgment reads as under:-

> *"We are of firm opinion that where a statute gives a power, such power implies that all legitimate steps may be taken to exercise that power even though these steps may not be clearly spelt in the statute. Where the rule-making authority gives power to certain authority to do anything of public character, such authority should get the power to take intermediate steps in order to give effect to the exercise of the power in its final step, otherwise the ultimate power would become illusory, ridiculous and inoperative which could not be the intention of the rule-making authority.*
>
> *In determining whether a power claimed by the statutory authority can be held to be incidental or ancillary to the powers expressly conferred by the statute, the court must not only see whether the power may be derived by reasonable implication from the provisions of the statute, but also whether such powers are necessary for carrying out the purpose of the provisions of the statute which confers power on the authority in its exercise of such power."*

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In view of the above, the Authority has power to impose financial disincentives on the service providers for non-compliance of the provisions of the Regulations.

9 Some stakeholders have requested that a provision be made in the Regulations empowering the Authority to grant of extension of time for submission of prescribed Accounting Separation Reports as is available to the Registrar of Companies under Section 166(1) of the Companies Act, 1956. In this regard, it is clarified that Section 166(1) of the Companies Act, 1956 empowers the Registrar of Companies to grant extension of time, for any special reason, for holding the Annual General Meeting of a company by a period not exceeding three months. It has been observed that only unforeseen and unexpected circumstances beyond the control of the company are considered as "special reason" for grant of extension of time. The Authority requires Accounting Separation Reports for various regulatory functions and therefore their timely receipt is of paramount importance. Delay in receipt of the information will have adverse affect on the performance of regulatory functions. Therefore, the Authority has decided not to include any provision for extension of time in the Regulation. To take care of the concern of the stakeholders as to the occurrence of delay in submission of Accounting Separation Reports due to unforeseen and unexpected circumstances beyond their control, the sub regulation (3) of regulation 5A already provides that reasonable opportunity will be given to the service provider to represent against the contravention of the regulations observed by the Authority before financial disincentives are imposed.

10 The amendments made through the Regulations are without prejudice to the action that may be taken against the service providers in accordance with the provisions of TRAI Act for violations of regulatory mandates. The Authority wants to make it clear that the prescribed financial disincentives are only to enhance the compliance level and it shall be open to the Authority to take action separately for violation of any Regulations, Order and Direction as provided in the Act.

भारत के राजपत्र, असाधारण, भाग–III, खंड 4 में प्रकाशित

लेखांकन पृथक्करण पर रिपोर्टिंग पद्धति (संशोधन) विनियम, 2012

(2012 का 20)

भारतीय दूरसंचार विनियामक प्राधिकरण

अधिसूचना

नई दिल्ली, 15 अक्तूबर, 2012

संख्याः 14–07/2012–एफएण्डईए : भारतीय दूरसंचार विनियामक प्राधिकरण अधिनियम, 1997 (1997 का 24) की धारा 11 की उप–धारा (1) के खंड (ख) के उप–खंड (i) के साथ पठित धारा 36 द्वारा प्रदत्त अधिकारों का प्रयोग करते हुए, भारतीय दूरसंचार विनियामक प्राधिकरण, लेखांकन पृथक्करण पर रिपोर्टिंग पद्धति विनियम, 2012 (2012 का 07) में संशोधन करने के लिए एतद्द्वारा निम्नलिखित विनियम बनाता है, अर्थात्:–

1 (1) इन विनियमों को लेखांकन पृथक्करण पर रिपोर्टिंग पद्धति (संशोधन) विनियम, 2012 कहा जाएगा।

(2) ये विनियम, इनके सरकारी राजपत्र में प्रकाशन की तिथि से लागू होंगे।

2 लेखांकन पृथक्करण पर रिपोर्टिंग पद्धति विनियम, 2012 (2012 का 07) के विनियम 5 के पश्चात, निम्नलिखित विनियम अंतःस्थापित किया जाएंगे; नामतः–

"5ए– रिपोर्ट, विवरण प्रस्तुत करने में विफल होने तथा गलत विवरण एवं सूचना तैयार या प्रस्तुत करने के परिणाम :

(1) यदि कोई सेवा प्रदाता विनियम 5 के प्रावधानों का उल्लंघन करता है तो यह इसके लाइसेंस के नियमों और शर्तों अथवा अधिनियम के प्रावधानों अथवा तैयार नियमों अथवा विनियमों अथवा आदेशों, अथवा इसके तहत जारी निर्देशों पर प्रतिकूल प्रभाव डाले बिना वित्तीय निरूत्साहन के माध्यम से पांच लाख रुपए से अनधिक की राशि का भुगतान करेगा, यदि चूक पंद्रह दिनों से अधिक समय तक जारी रहती है तो जिन पंद्रह दिनों तक चूक जारी रहती है, उन पंद्रह दिनों के पश्चात् प्रत्येक दिन के

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लिए अतिरिक्त पचास हजार रुपए की राशि, जैसा प्राधिकरण आदेश द्वारा निदेश देगा, का भुगतान करेगा ।

बशर्ते कि प्रत्येक अगामी उल्लंघन के लिए, सेवा प्रदाता वित्तीय निरूत्साहन के माध्यम से दस लाख रुपए से अनधिक की राशि का भुगतान करेगा। यदि चूक पंद्रह दिनों से अधिक की अवधि तक जारी रहती है, तो पंद्रह दिनों के पश्चात्, प्रत्येक दिन जब तक चूक जारी रहती है, के लिए एक लाख रुपए से अनधिक की अतिरिक्त राशि, जैसा प्राधिकरण आदेश द्वारा निदेश दे, का भुगतान करेगा ।

(2) यदि सेवा प्रदाता द्वारा विनियम 5 के तहत प्रस्तुत की गई रिपोर्ट गलत पाई जाती है तथा जो ऐसा सेवा प्रदाता के जानने या मानने में गलत हो अथवा उसके मतानुसार गलत हो या किसी तथ्यात्मक जानकारी का जानबूझ कर लोप किया गया हो, तो यह इसके लाइसेंस के नियमों और शर्तों अथवा अधिनियम के प्रावधानों अथवा तैयार नियमों अथवा विनियमों अथवा आदेशों अथवा इसके तहत जारी किए निदेशों पर प्रतिकूल प्रभाव डाले बिना वित्तीय निरूत्साहन के माध्यम से दस लाख रुपए की राशि, जैसा प्राधिकरण, आदेश द्वारा निदेश दे, का भुगतान करेगा ।

(3) प्राधिकरण द्वारा वित्तीय निरूत्साहन के माध्यम से किसी भी राशि के भुगतान करने का कोई आदेश तब तक जारी नहीं किया जाएगा, जब तक कि प्राधिकरण, सेवा प्रदाता को उसके द्वारा की गई चूक के विरूद्ध, अपना पक्ष रखने का एक उचित अवसर नहीं देता है।

(एन0 परमेश्वरन)
सचिव–कार्यभारी

टिप्पणी 1: लेखांकन पृथक्करण पर रिपोर्टिंग पद्धति विनियम, 2012 (2012 का 07), भारत के राजपत्र, असाधारण, भाग–III, खंड 4 में अधिसूचना संख्या 16–7/2010–एफए दिनांक 11 अप्रैल,2012 द्वारा प्रकाशित हुआ।

टिप्पणी 2: व्याख्यात्मक ज्ञापन, मूल विनियमों में किए गए संशोधन के उद्देश्यों और कारणों का वर्णन करता है।

व्याख्यात्मक ज्ञापन

1. भारतीय दूरसंचार विनियामक प्राधिकरण ने 'लेखांकन पृथक्करण पर रिपोर्टिंग पद्धति विनियम, 2004', जो कि दूरसंचार सेवा प्रदाताओं के लिए लेखांकन पृथक्करण पर रिपोर्टिंग आवश्यकता निर्धारित करता था, को दिनांक 11 अप्रैल, 2012 के लेखांकन पृथक्करण पर रिपोर्टिंग पद्धति विनियम, 2012 (2012 का 7) द्वारा प्रतिस्थापित किया गया।

2 विनियम 5 में, प्राधिकरण ने प्रत्येक विनिर्दिष्ट सेवा प्रदाता हेतु लेखांकन वर्ा के अंत के 6 महीने के अंदर प्राधिकरण को परंपरागत लागत लेखांकन पर आधारित वार्षिक लेखा–परीक्षित रिपोर्टें और प्रतिस्थापन लागत लेखांकन पर आधारित प्रत्येक दूसरे लेखांकन वर्ा की लेखा–परीक्षित रिपोर्टें प्रस्तुत करने का प्रावधान किया गया।

3 प्राधिकरण के संज्ञान में सेवा प्रदाताओं द्वारा लेखापरीक्षित लेखांकन पृथक्करण रिपोर्ट को विलंब से प्रस्तुत करने के कई उदाहरण पाए हैं। यही नहीं, ऐसे भी मामले पाए गए हैं, जिनमें सेवा प्रदाताओं द्वारा लेखापरीक्षित लेखांकन पृथक्करण रिपोर्ट में अपूर्ण/गलत विवरण प्रस्तुत किए गए हैं। सेवा प्रदाताओं के इस तरह की क्रियाओं से, प्राधिकरण द्वारा वित्तीय एवं गैर–वित्तीय सूचना प्राप्त करने का मुख्य उद्देश्य विफल हो जाता है ।

4 लेखांकन पृथक्करण रिपोर्ट विनियमों में, सेवा प्रदाताओं द्वारा निर्धारित रिपोर्ट देरी से प्रस्तुत करने या रिपोर्टों में अपूर्ण विवरण/अपूर्ण रिपोर्ट देने पर, निरूत्साहित करने के लिए कोई प्रावधान नहीं है। प्राधिकरण महसूस करता है कि 11 अप्रैल, 2012 को अधिसूचित लेखांकन पृथक्करण रिपोर्टिंग पद्धति विनियम 2012 (2012 का 7) के विनियम 5 के तहत पूर्ण व सही रिपोर्ट सुनिश्चित करने के लिए चूक सेवा प्रदाताओं पर कुछ वित्तीय निरूत्साहन लगाया जाना चाहिए।

5 उपर्युक्त को देखते हुए, मूल विनियमों के विनियम 5 के पश्चात् तथा विनियम 6 से पहले, ऐसे सेवा प्रदाता जो कि "लेखांकन पृथक्करण पर रिपोर्टिंग पद्धति विनियम, 2012 (2012 का 7)" के विनियम 5 के अनुपालन करने में विफल होंगे, पर वित्तीय निरूत्साहन अधिरोपित करने के लिए एक नया विनियम "5ए– रिपोर्ट, विवरण प्रस्तुत करने में विफल होने तथा गलत विवरण एवं सूचना तैयार या प्रस्तुत करने के परिणाम" को अंतःस्थापित किया गया है ।

6 भादूविप्रा की वेबसाइट के माध्यम से "लेखांकन पृथक्करण पर रिपोर्टिंग पद्धति (संशोधन) विनियम, 2012" में विनियम 5ए को अंतःस्थापित करने के प्रस्ताव के मसौदे पर हितधारकों से टिप्पणियां आमंत्रित की गई थी। मसौदा विनियम में दिए गए प्रस्ताव के जवाब में, कुछ हितधारकों द्वारा कहा गया कि भारतीय दूरसंचार विनियामक प्राधिकरण अधिनियम,1997, प्राधिकरण को जुर्माने के रूप में वित्तीय निरूत्साहन अधिरोपित करने का अधिकार प्रदान नहीं करता है।

7. इस परिप्रेक्ष्य में, यह उल्लेख किया गया है कि भादूविप्रा अधिनियम, प्राधिकरण को न केवल विनियमित करने बल्कि विनियमों के प्रावधानों का अनुपालन सुनिश्चित करने का भी अधिकार प्रदत्त करता है। "सुनिश्चित" करना शब्द में अनिवार्यता का लक्षण है और इसका अभिप्राय "निश्चित बनाना" है। इसके अतिरिक्त, माननीय सर्वोच्च न्यायालय ने सिविल अपील संख्या 2104/2006 (सैन्ट्रल पावर

IndiaCode

डिस्ट्रीब्यूशन कंपनी और अन्य बनाम सीईआरसी और अन्य) में अपने 17 अगस्त, 2007 के निर्णय में अन्य बातों के साथ–साथ यह माना है कि ''यह सुस्थापित तथ्य है कि प्रवर्तन के अधिकार के अंदर विनियमित करने का अधिकार निहित है।"

8. यह उल्लेख करना संदर्भ से इतर नहीं होगा कि सर्वोच्च न्यायालय द्वारा निर्णयों की श्रृंखला हैं, जिसमें माननीय न्यायालय ने बार–बार इस सिद्धांत को दोहराया है कि किसी भी विधान का इस प्रकार से पठन एवं विवेचना की जानी चाहिए कि इससे इसके अधिनियमन के उद्देश्य को सफल बनाया जा सके न कि मुख्य उद्देश्य से अल्पीकरण हो जाए। माननीय सर्वोच्च न्यायालय ने कर्नाटक राज्य बनाम विश्वभारती हाऊस बिल्डिंग सहकारी सोसायटी और अन्य [(2004) 5 एससीसी 430)] मामले में अरविन्द दास बनाम असम राज्य और अन्य [एआईआर 1981 गुवाहाटी 18(एफबी)] में गुवाहाटी उच्च न्यायालय के निर्णय के अनुसमर्थन में उद्धृत किया, जिसमें न्यायालय ने अन्य बातों के साथ–साथ यह माना कि जहां एक संविधि द्वारा अधिकार प्रदत्त किया जाता है, वहां ऐसा अधिकार का अभिप्राय है कि उस अधिकार का प्रयोग करने के लिए विधिसम्मत कदम उठाए जाएं। जबकि, ऐसा हो सकता है कि ऐसे कदमों को संविधि में स्पष्ट रूप से नहीं दर्शाया गया हो। माननीय न्यायालय ने आगे यह भी माना कि इस बात का निर्धारण करने में क्या किसी सांविधिक प्राधिकरण द्वारा दावाकृत अधिकार संविधि द्वारा विशेष रूप से प्रदत्त अधिकारों की अनुषंगी अथवा सहायक अधिकार होंगे, न्यायालय को न केवल यह देखना चाहिए कि क्या अधिकार संविधि के प्रावधानों को न्यायोचित विवक्षा से प्राप्त हुई हैं, बल्कि यह भी देखना चाहिए कि क्या ऐसे अधिकार संविधि के प्रावधानों के प्रयोजन को सिद्ध करने हेतु आवश्यक हैं, जो प्राधिकरण को ऐसे अधिकारों के प्रयोग करने हेतु अधिकार प्रदत्त करता है। उक्त निर्णय का संगत भाग निम्नवत् पठित हैः–

> *''हमारा यह स्पष्ट रूप से मानना है कि जब कोई संविधि अधिकार प्रदान करती है तो ऐसे अधिकार का अभिप्राय है कि उस अधिकार का प्रयोग करने के लिए सभी विधिसम्मत कदम उठाए जाएं, जबकि ऐसा हो सकता है कि इन कदमों को संविधि में स्पष्ट रूप से नहीं दिया गया हो। उस स्थिति में जब नियम बनाने वाला प्राधिकरण किसी सार्वजनिक स्वरूप का कार्य करने के लिए कतिपय प्राधिकार देता है तो ऐसे प्राधिकरण को अंतिम रूप से अधिकारों के प्रयोग को मूर्तरूप प्रदान करने हेतु अंतवर्ती कदम उठाने के लिए अधिकार प्राप्त होने चाहिए अन्यथा अंतिम अधिकार भ्रामक, बेतुका और निष्क्रिय सिद्ध होगा जो कि नियम बनाने वाले प्राधिकरण के अभिप्राय के विपरीत होगा।*
>
> *यह निर्धारित करने के लिए क्या सांविधिक प्राधिकरण द्वारा दावाकृत अधिकार, संविधि द्वारा स्पष्ट रूप से प्रदत्त अधिकरों की अनुषंगी या सहायक कही जा सकती हैं, न्यायालय को न केवल यह देखना चाहिए कि क्या अधिकारों को संविधि के प्रावधानों को औचित्पूर्ण विवक्षा से*

प्राप्त किया जा सकता है बल्कि यह भी देखना चाहिए कि क्या ऐसे अधिकार,, संविधि के प्रावधानों के प्रयोजन को सिद्ध करने के लिए आवश्यक हैं, जो ऐसे अधिकारों को प्रयोग करने के अधिकार प्राधिकरण को प्रदत्त करता है।"

उपर्युक्त के मद्दे नजर, प्राधिकरण को विनियमों के प्रावधानों के अननुपालन के लिए सेवा प्रदाताओं पर वित्तीय अनुत्साहन लगाए जाने के अधिकार प्राप्त हैं।

9 कुछ हितधारकों ने यह अनुरोध किया कि विनिर्धारित लेखांकन पृथक्करण रिपोर्टों को प्रस्तुत करने की निर्धारित समय–सीमा को बढ़ाने का अधिकार प्राधिकरण को देने के लिए विनियमों में प्रावधान किए जाएं, जैसा कि कंपनी अधिनियम,1956 की धारा 166(1) के तहत कंपनियों के पंजीयक को उपलब्ध है। इस संबंध में, यह स्पष्ट किया जाता है कि कंपनी अधिनियम,1956 की धारा 166(1), कंपनियों के पंजीयक को अधिकार प्रदान करता है कि किसी भी विशेष कारण, कंपनी की वार्षिक आम बैठक का आयोजन तीन माह से अनधिक की अवधि में करने की अनुमति का अधिकार प्रदान कर सकता है। यह देखा गया है कि समय में बढ़ोतरी प्रदान करने के लिए केवल कंपनी के नियंत्रण से बाहर अनपेक्षित और अप्रत्याशित परिस्थितियों को "विशेष कारण" माना जाता है। प्राधिकरण को विभिन्न विनियामक कार्यों के लिए लेखांकन पृथक्करण रिपोर्टें की आवश्यकता होती है तथा इसलिए, उनकी समय पर प्राप्ति सर्वोपरि है। देरी से सूचना प्राप्त होने पर, विनियामक कार्यों के निष्पादन पर प्रतिकूल प्रभाव पड़ेगा है। इसलिए, प्राधिकरण ने, विनियम में समय के विस्तार हेतु कोई भी प्रावधान शामिल नहीं करने का निर्णय लिया है। हितधारकों के इस सरोकार का ख्याल रखना कि लेखांकन पृथक्करण रिपोर्टें प्रस्तुत करने में देरी की घटना, उनके नियंत्रण से बाहर अनपेक्षित और अप्रत्याशित परिस्थितियों में होती है, के लिए पहले ही विनियम 5ए का उप–विनियम (3) में वित्तीय निरूत्साहन अधिरोपित करने से पूर्व, सेवा प्रदाता को प्राधिकरण द्वारा पाए गए विनियमों के उल्लंघन के विरूद्ध प्रतिवेदन करने का उचित अवसर प्रदान किया गया है।

10. विनियमों के माध्यम से किए गए संशोधन विनियामक अध्यादेशों के उल्लंघन के लिए भादूविप्रा अधिनियम के उपबंधों के अनुसरण में सेवा प्रदाताओं के विरूद्ध की जाने वाली कार्रवाई पर कोई प्रतिकूल प्रभाव नहीं डालेगा। प्राधिकरण यह स्पष्ट करना चाहता है कि विहित वित्तीय अनुत्साहन केवल अनुपालन स्तर में वृद्धि करने के लिए ही है तथा प्राधिकरण के पास यह अधिकार सुरक्षित रहेगा कि वह किसी अधिनियम में यथा संबंधित विनियम, आदेश तथा अधिनियम में उपबंधित निदेश के उल्लंघन के लिए पृथक कार्रवाई कर सकता है।