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February, 09, 2012

Pr. Advisor (FA & IFA)
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhavan,
Jawahar Lal Nehru Marg (Old Minto Road),
New Delhi – 110 002,

Kind Attention : Anuradha Mitra

Sub: Views/ Suggestion on TRAI's Draft 'The Reporting System on Accounting Separation Regulations, 2012

Dear Madam,

We warmly welcome the innovative draft regulation issued by the Telecom Regulatory Authority of India on 'The Reporting System on Accounting Separation Regulations.

The appended document details our suggestion on Draft regulation. We look forward to continuing association with the TRAI on this important initiative.

Thanking You

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Suggestive List of Products:

Schedule I List of Products:-

Name of Telecom Service	**Geographical Area of Operation**	**Product/ Components**
(I) Access Service - Wireless (Full Mobility) (II) Access Service - WLL (III) Access Service - Wireline	Telecom Circle	(a) Rental/ Activation/ One time fees (A) (I) Recurring or Monthly Revenue (B) Non Recurring Revenue (b) Calls: 1) Voice Call 1. On Net Terminated on Mobile/WLL 2. On Net Terminated on Landline 3. Off Net Terminated on Mobile/WLL 4. Off Net Terminated on Landline 2) Video Call 1. On Net Terminated on Mobile/WLL 2. On Net Terminated on Landline 3. Off Net Terminated on Mobile/WLL 4. Off Net Terminated on Landline 5. (c) Messages: 1) Short Messaging Service 2) Multimedia Messaging Service 3) Voice Message (d) Value Added Services

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		1) Rental 2) Caller Tune/ring tune 2) Code base service a) news/information's base service b) Entertainment base services 3) Contest base service (e) Roaming: (I) National A Incoming B. Local D. National (ii) International A. Rental B. Voice C. Data (f) Data: (i) 2G services A. Rental B. Usages (ii) 3G services A. Rental B. Usages (g) Leased circuit (A) Analog Type for Telephone or fax

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		(B)Digital Type for Packet Communication We can further segregated leased circuit revenue into data and rental part (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) Other (please specify)
(IV) Internet Service	All India	(a) Internet – Broadband (b) Internet – Narrowband (c) Internet Telephony (d) Internet Protocol TV (e) Internet Telephony-Voice (f) Audio/Video/Web Conferencing (g) Content Acceleration services (h) Web Hosting Services (i) Other (please specify)
(V) National Long Distance Service	All India	(a) Voice

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		(b) Data: (i) Domestic Leased Circuit (DLC) (ii) Managed Network Services (iiI) Other Data Products (c) Other (please specify)
(VI) International Long Distance Service	All India	(a) Voice (b) Data: a. International Private Leased Circuit (IPLC) b. Other Data Products c. VPN d. Ethernet Line (c) Other (please specify)

B. Suggestion on Para 6 of Chapter-II 'Manual & Reports'

To add more independence and transparency audit the audit clause should be amended to restrict statutory/internal/cost Auditor and consultants to audit and sing the accounting separation reports like the authority did in Metering & Billing System Audit.

Audit - (1) Every service provider shall appoint an auditor who is qualified for appointment as an auditor under section 224 or 233-B of The Companies Act, 1956 other than the statutory auditor or internal auditor or cost auditor or concurrent auditor or consultant of service provider to audit the reports prepared by the service provider under regulation 4 of these regulations and obtain a certificate from the auditor in the perfoma specified in schedule IV to these regulations
.

C. Suggestion on "SCHEDULE-IV- FORM OF AUDIT CERTIFICATE ON THE ACCOUNTING SEPERATION REPORT"

Clause 3 (b)
"In my / our opinion proper books of account have been kept by the Company in compliance of Cost Accounting Standards issued by Institute of Costs and Works Accountants of India and Generally Accepted Cost Accounting Principles 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."
Suggestion: -

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This clause put and extra and unnecessary work on auditors as follows:-

1. The opinion regarding maintenance of proper books and accounts in compliance of Cost Accounting Standards is already express by the Cost auditor of the company like the statutory auditor do in statutory audit. Even the service provider need to file the compliance certificate for maintenance of book of cost record with MCA so again expressing the same opinion does not serve any purpose.
2. Statutory books of accounts /cost records prepared and maintain to fulfill the requirements of companies act. However the Accounting separation record are prepared for a wide & different scope of work and purpose than statutory book of accounts/ cost records. An accounting separation system should be a comprehensive set of accounting policies, procedures and techniques that can be applied to the preparation of financial information that demonstrates compliance with non-discrimination obligations and the absence of anticompetitive cross subsidies. The outputs from such a system must be capable of independent verification (auditable) and fairly present the financial position and relationship (transfer charge arrangements) between product and service markets. So we suggest that prior to the approval of the Accounting Separation Regulation 2012, The Authority should define the accounting principles that must guide and base for preparation of Accounting Separation Records.

D. Some more clarity need from authority on accounting separation modules:

The Authority should provide guideline on separation of these items:

A. Segregation of revenue from Bundle offer in handset sales and service revenue.
B. Segregation of revenue in voice and data for top-up recharges that provide free MOU as well as SMS/ Data
C. Segregation of revenue in rental and Usages in first recharges.
D. Segregation of revenue of tariff plan rental into rental and MOU that provide user certain free MOU and Data.
The Sample Tariff structure of Plan as follows

Tariff Plan	Plan Rental	Free MOU	Free SMS	Free Data
A	99	0	0	0
B	150	0	150 SMS	0
C	299	150 Local/STD	500	2 GB

In tariff plan 'C' Rs. 299 does not represent 'rental income' its carry some part of revenue related to MOU, SMS and Data as well. Hence allocation of entire 299 in 'rental income' does not present actual picture of cost and revenue of services. So the Authority should prescribe some method to allocate this type of revenue in their respective services.

Regards

Laxmikant Saini