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Review of 'The Reporting system on Accounting Separation Regulations, 2012 (As Amended)'

Sistema Shyam Teleservices Limited welcomes the opportunity extended by TRAI to comment on the review of "The Reporting system on Accounting Separation Regulations, 2012 (As Amended)" vide its letter No. 16-02/2015-F&EA dated on 1st April 2015. Please find below our comments on the same:

A. Replacement Cost Accounting (RCA)

- 1. Periodicity of Submission of ASR on basis of Replacement Cost Accounting (RCA) -** Currently Accounting Separation Reports based on RCA is required to be submitted every second year in addition to the reports based on historical cost accounts which are to be submitted every year. RCA are required only for the purpose of valuation of assets at current cost. Since cost of assets is not frequently change therefore it is suggested that RCA should be required after three accounting year instead of every second accounting year.
- 2. Index for determine current cost Assets -** Currently all telecom companies are using different methodology for determining the current cost of the assets. There are no standard/Specific guidelines issued/recommended by the TRAI to determine current cost. It is suggested there should be standardized guidelines for determining the current cost, so uniformity can be maintained across industry.

B. Uniform Basis of Allocation and Apportionment

- 1. Basis of Allocation Common Cost to Product -** There is no standard basis's for allocation of Common cost to multiple products. Every company has own view to allocate of common cost. It is suggested making specific guideline for cost allocation between products.
- 2. Basis of Allocation Support Function Cost-** A uniform basis of distribution of Cost of Support function (Proforma D) to Network Elements (Proforma C) and to Products (Proforma B) should be prescribed by TRAI. Likewise a uniform basis of distribution of cost of Network Elements (Proforma C) to Products (Proforma B) should be prescribed by TRAI. This will facilitate TRAI in conducting Analysis and Fixation of Rate of Products (Call rate, data Charges etc.).
- 3. Basis of Allocation Common Cost to Services-** There is no uniform basis for allocation of Common cost to two or more than two services. Every company has own basis to allocate on multiple Services. TRAI should prescribe a uniform basis of allocation to allocate common cost to services.



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4. **Basis of Allocation of Corporate Opex Cost** – Currently telecom companies are incurring huge cost on account of common Advertisement/Branding cost, Common Network cost, Corporate employee cost and likewise any other cost, which are not allocated to any specific circle and accounted for in the books of corporate center . There are no specific guidelines for allocation & apportionment of corporate center cost across circles. It is suggested that specified guideline should be prescribed for allocations.
5. **Basis of Allocation & Apportionment of Common Fixed Assets** –TRAI should prescribe a uniform basis of allocation and apportionment for the following
 - a. Common Network Elements used by two or more than two services.
 - b. Land & Building, Furniture & Fixtures, Office Equipment and other such Common Non Plant & Machinery Assets used by two or more than two services.
 - c. Current and Non-Current Assets used by two or more than two services.

C. Accounting Separation Manual (ASM)

1. **Periodicity of Submission of Accounting Separation Manual (ASM)** –As per current guidelines every company should submit the revised manual within 30 days from date of any changes. It is suggested that submission of manual should be annually either at the beginning accounting year or along with submission of accounting separation records.

D. Submission of Reports

1. Online submission of Reports – ASR reports should be submitted to TRAI in Online mode like XBRL along with linked excel files saved in a CD-ROM. E-submission will be more eco-friendly. Hard copies takes a lots of time as well as wasting resources.
2. Manual Submission of Reports – Currently all the ASR reports are required to submitted at Delhi office of TRAI, It is suggested that multiple locations should be made available to all companies for submission of their ASR Reports.

E. Financial and Non-Financial Proforma –

1. **Proposed Changes Need to do in Proforma' s** – We Suggest to TRAI to make Following changes in Schedule I of Proforma.
 - a. **Proforma C & D** – Can Proforma C & D can be merged and single proforma to be used for allocation of Network Cost and Supportive function cost.
 - b. **Proforma H** – Title of proforma H is “Statement of Related Party Transactions”, but the desired information in proforma H is measurement of per unit Revenue of different products. It does not have information of related party. It is suggested either changes in title or suggests that only related party transactions need to be mentioned.