

# Sanjay Gupta & Associates

## Cost Accountants

April 22nd, 2015

**Advisor (F & EA)**

Telecom Regulatory Authority of India  
Mahanagar Door Sanchar Bhawan,  
Jawahar Lal Nehru Marg (Old Minto Road),  
New Delhi-110002

Kind Attention: Mr. M.P. Tangirala

Ref No.- 16-02/2015-F&EA dated April 1st, 2015

**Sub:- Review of "The Reporting System on Accounting Separation Regulation, 2012 (7 of 2012)" dated April 10th, 2012 (as amended)**

Dear Sir,

**SGA welcomes the opportunity by Telecom Regulatory Authority of India for providing comments/views on various aspects of Accounting Separation Regulation, 2012.**

**A. Products defined in Schedule I of ASR 2012**

We suggest the following changes to be done in Schedule I list of ASR 2012

- a. In Access Service Products categories, there is need to change in sub products under the head of Calls as follows :

As per ASR 2012	Suggestion
(b) Calls :	(b) Calls :
(i)Voice 1. Off Net 2. On Net	(i)Voice
(ii)Video 1. Off Net 2. On Net	(ii)Video

- b. In Access Service Products categories, there is need to made more sub products under the head of Roaming as follows :

As per ASR 2012	Suggestion
(e) Roaming :	(e) Roaming :
(i) National	(i) National a. Calls b. SMS c. Data
(ii) International	(ii)International a. Calls b. SMS c. Data

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- c. In Access Service Products categories, (h) Wholesale (Interconnect) Product group should not be shown as Postpaid and Prepaid rather it should be shown in consolidation.
- d. In Access Service Products categories, there is need to made more sub products under the head of Data as follows :

As per ASR 2012	Suggestion
(f) Data	(f) Data a. 2G b. 3G

### B. Network Elements defined in Schedule I of ASR 2012

The following changes to be done in Schedule II list of ASR 2012

- a. In Access Service Wireless and WLL categories, there is need to made Network Element namely "Tower" under the Other Network Elements head.

### C. Uniform Basis of Allocation and Apportionment

1. TRAI should prescribe the uniform basis of allocation and apportionment of Common Network Elements used by two or more than two services
2. Authority should prescribe the uniform basis of allocation and apportionment of Common Non Plant & Machinery Assets ( Land & Building, Furniture & Fixtures, Office Equipment etc.) used by two or more than two services.
3. TRAI should prescribe the uniform basis of allocation and apportionment of Current and Non Current Assets used by two or more than two services.

### D. Submission of Reports –

- a. ASR reports should be submitted to TRAI in Online form like XBRL with the linked excel files in CD. This will save the paper and trees and our environment.
- b. ASR reports should be submitted on half yearly basis and it should be submitted to TRAI within 60 days from end of the six month period. It would be useful as current year's data will be available to TRAI for making policies.

### E. Financial and Non Financial Proformae –

- a. In **Proforma B**, S. No. 2.6 - Network Operating Cost should be deleted as Proforma B relates to product cost and not Network cost.
- b. In **Proforma C**, S. No. 1.3 - Sales and Marketing Cost and S.No. 1.5 - Government Charges should be deleted as Proforma C related to Network cost not Product Cost.
- c. In Proforma D, S. No. 1.5 - Government Charges and S.No. 1.6 - Network Operating Cost should be deleted as Proforma D related to Support Department cost and not Product and Network Costs.
- d. Proforma G should be deleted because in this Proforma no useful information arrived for making any decision.
- e. Proforma A, and B, presently "Sale – Within Group/Company" shown under Whole Revenue only :

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1	<b>REVENUES (NET OF SERVICE TAX) :</b>
1.1	<b>Wholesale Revenue</b>
1.1.1	Sale - Outside Group*
1.1.2	Sale - Within Group/ Company
1.2	<b>Retail Revenue</b>

- a. the same should be shown under retail column also like this :

1	<b>REVENUES (NET OF SERVICE TAX) :</b>
1.1	<b>Wholesale Revenue</b>
1.1.1	Sale - Outside Group*
1.1.2	Sale - Within Group/ Company
1.2	<b>Retail Revenue</b>
1.2.1	Sale - Outside Group*
1.2.2	Sale - Within Group/ Company

- f. In Proforma B, presently **Rental** income is required to be allocated in the **“Rental/Activation/One Time Fees/Recharge Fees”** but **“Pass Through Charges”** could not be allocated to the cost of this product. Due to this reason this product becomes a profitable products and other products like **“Voice”** , **“Data”**, **“VAS”** etc. shows either loss or very less profit which is incorrect. It is suggested that **“Rental”** should be eliminated from this product and it should be shown as **“Activation/One Time Fees/Recharge Fees”**
- g. In Proforma B, **“Leased Circuit”** should be part of **“Whole Sale”** products and not **“Retail Sale”**
- h. **For all services** : We would like to request for removing the network operation & maintenance cost column from the Support function which is appearing in Proforma D, as all network related cost is covered under Proforma C.
- i. **For Wireless and WLL Services:** We would like to suggest changes in Proforma C & E. In these Proforma MSC/GMSC and MSC-Server/ Virtual MSC are shown separate and we have to track the separate opex and capex record but in reality it's very difficult to find out the opex and capex cost for these two. So we request for merging these two in single line. And same is the case for tor SGSN and GGSN.
- j. **For Wireline Service:** We would like to request for removing the Roaming (National and International) and Non voice (SMS and MMS) products column from the Proforma B, as these product not generate any revenue for wireline service. And **“Prepaid Revenue”** segment should also be removed from the report.

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- F.** 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 help to the TRAI for Analysis and Fixation of Rate of Products (Call rate, data Charges etc.).
- G.** Similarly, a uniform basis of distribution of Capital Employed (Proforma F) to Products (Proforma G) should be prescribed by TRAI.
- H.** In Proforma F, Capital Work in Progress should not be included in the calculation of total Capital Employed. Since, this element of Capital Employed has not **“put to use”**. Therefore, it should not be included in the Capital employed should be shown as Reco. Item.
- I. Separate report on Wireless & WLL Services :**We would like to suggest abandoning the filling of separate report for Wireless and WLL services as both services are having the same product group and same network elements. None of telecom entity is able to maintain separate record for these services for opex, capex expenses and current assets and liabilities, even for pass through charges. For segregating the opex ,capex expenses and current assets and liabilities we have to take the revenue ratio which is logically but not perfect and even report is may not show the true picture.
- J. Treatment of license surrender circle:** No guideline is available to treat the opex, capex expenses, current assets and liabilities of license surrender circles whether it should be considered as reconciliation item or should charged to the corporate office or allocate to all operating circle.

Further, it is suggested that the above changes be bought from the Financial Year 2015-16.

**Thanking You,**

**Yours Faithfully,**

**Sanjay Gupta**

Partner

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