

BANGLADESH RURAL ELECTRIFICATION BOARD

BREB INSTRUCTION 600-18

SUBJECT: MATERIAL ACCOUNTING POLICIES

I. Purpose:

This Instruction establishes policy and responsibilities for material accounting including maintaining of documents to record receipt, issuance, return of materials and transfer of materials from one project to other and one PBS to other PBSs.

II. General BREB Policy:

A. CS&M Directorate, stores control branch will not maintain stores record cards for the purpose of pricing materials. Project Director(s) offices and Material Accounting branch & General Accounts Section of Accounts Directorate will maintain a store ledger for each project. General Accounts Section of Accounts Directorate will maintain control ledger for all stores ledgers to record totals of all materials.

Project Directors' offices will feed back to General Accounts Section of Accounts Directorate in this respect. In applicable cases, Material Accounts Section of Directorate of Accounts will maintain store ledgers and control ledger as well.

Project Directors' offices will prepare Material Schedule and Journal with material code and send them of General Accounts Section of Directorate of Accounts for necessary incorporation.

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Project Directors' offices will also prepare Debit/Credit memorandum and send to the concerned PBSs, providing copy to General Accounts Section of Directorate of Accounts.

B. Receiving Reports will be prepared by the receiving warehouses at the time of receipt.

C. Issue Vouchers:

1. For materials issued to PBSs or BREB for their own consumption, vouchers will be sent to Accounts Directorate/Project Director(s) on a regular basis for normal accounting processing.

2. Project Directors' offices will be responsible for pricing the materials. The weighted average price list will be prepared on the basis of the Book Cost of the Materials reflected in CPR maintained by the Directorate of Accounts. While pricing the materials, Store Expenses un-distributed and CD VAT will be added. Freight, Sales Tax and any other charge will also be considered, if applicable.

Project Directors' offices and Material Accounting Section of Accounts Directorate will periodically reconcile the prepared material List with the Warehouse.

3. **Unused Materials:** Unused materials will be reconciled with the Stock Register of the Warehouse(s), after completion of the project.

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4. For materials issued for construction work orders:

a) Issue Vouchers on work orders will be sent to Accounts Directorate/Project Director(s) regularly for accounting processing.

b) Issue Vouchers on work orders will be accumulated by work order number and controlled by the concerned XEN. On completion of the work orders, all closeout documents including issue Vouchers, and the construction inventory will be sent to the Accounts Directorate/Project Director(S) for accounting processing.

D. Pricing of imported materials will be done on the basis of the prevailing exchange rate be derived from Economic Relations Division (ERD), on the date of receipt of the materials.

E. Issue Vouchers for warehouse transfers will not be sent to the Accounts Directorate/Project Director(s) Offices.

F. All unused materials issued for any purpose is to be returned to stock. It will be priced on current price at the time of return.

III. PROCEDURES:

I. General

This Instruction is concerned primarily with the procedures to be used in the Material Accounting Branch/External Bill Section/General Accounts Section of Accounts Directorate/Project Director(s) Offices in posting to ledgers, Pricing of materials and reporting. Some operations in CS&M Directorate may be touched on as they affect what is being done but the main thrust is accounting.

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II. Transactions:

The following transactions will be used in material accounting:

1. Receiving Reports- two (2) kinds:
 - a. For goods purchased both locally and imported.
 - b. Warehouse transfers.
2. Issue Vouchers-three (3) kinds:
 - a. Sales to PBS & BREB for their own use.
 - b. Construction
 - c. Warehouse transfers.
3. Warehouse Return- two (2) kinds-
 - a. Returns by contractors from construction jobs
 - b. Returns by PBS & BREB.
4. Salvage Tickets.
5. Scrap material Ticket.

All transactions except warehouse transfers are to be posted to the Stores ledgers. The stores ledgers consist of ledger sheets bound in loose leaf form with hard covers. Each sheet provides for one store item number. The stores item number and the description are shown at the top of the page. In the body of the sheet there are provided three (3) separate areas, one for receipts, one for issues and one for the balance. As material is received, the balance increases; as issues are made, the balance decreases. In the balance area there is a column for value and for unit price. There is a separate stores ledger for each Project. The transactions will be considered in order of listing.

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III. Instructions:

A. Receiving Reports:

A receiving report is originated when material is received. It is prepared in an original and four (4) copies. Two copies are sent to material accounting/Project Director(s). The Form is a pre-numbered form and all numbers must be accounted for. It shall contain information, the Issue Voucher number and the work order number or account numbers. The receiving report will not be prepared for material returns for salvage.

The invoice (s) applying to the Receiving Report are also to be shown. There is also date needed for filing damage or other claims, if necessary.

When the two copies are received in Material Accounting/concerned PD Office, they should be date stamped to show when received. The invoices are received separately and should also be stamped. The tickets are then posted to stores ledgers as follows:

1. Separate by Project.
2. Match the tickets to the invoices. On the original ticket only, Price the ticket according to the invoice or the material schedule. Show the total for each item including freight; Distribute sales tax and any other charge (if applicable) that need to be spread to all the items. On dividing the total for each item by the quantity of the item to get a unit price and show the unit price in the applicable column on the report.

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Note-1: If there are number of items on the invoice and the receiving report, but only one total for freight and one for duty and one for sales to those charges need to be spread over all the items. 10% Overhead and 1% IBDC will be added, while pricing the Receiving Reports(RR). They should be spread on the ratio of the total cost of each item to the total cost of materials.

Note-2: Some costs may not be available at time of handling and may not come in very soon. In this case an estimate should be made based on contract costs or other available data, and the cost spread to the items under consideration. When actual costs are determined, an adjustment must be made.

3. Select the appropriate stores ledger and post:

- The date- month and year only.
- The ticket number
- The quantity received.
- The cost of the materials
- Add the quantity to the total quantity and enter new quantity on hand.
- Add the cost to the total cost and enter new balance.
- Divide the total value by the total quantity to get average unit price and enter in the appropriate column.

4. Note on the ticket that it was posted to a ledger showing the ledger number, initial and date with month and year.

5. In case, materials are purchased in foreign currency, the second copy of the ticket will be priced in Taka. The conversion rate will be used in the current rate at the time of pricing. This rate will prevail during entire financial year.

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Rate Variance Journal:

It will be prepared by the Material Accounting Section of Accounts Directorate and PD office(s) which initially prepared 100% journal as per Sub-package.

6. The originals will be retained in the filed in the material accounting files as permanent items. The copies in BDT will be used to make the monthly stores journal and subsequently will be filed as backup to the journal.

B. Issue Vouchers:

Issue Vouchers will be prepared when material is issued from Stock Form for three (3) purposes:

1. For constructions.
2. For warehouse transfers
3. For use by PBS or BREB including issues of small tools.

This will be considered in following order:

1. Use by PBS or BREB

Two copies of issue vouchers are sent to Material Accounting/PD office. Upon receipt that should be date stamped. They are not posted directly to the ledger but are posted first to a Form called "Summary of material charge and credit tickets".

The Form is a long sub-ledger sheet, BREB Form no. 552.

There is room to post 31 issue tickets and provision for thirty material items per ticket. There are also columns for total. Tickets are handled as follows:

- a. Stores item numbers should be entered in sequence in the column on the left marked "Item No".

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- b. Tickets to be posted are from the same project. The ticket number being worked is entered in the left most column available in the area provided for ticket numbers. The number is entered at the top of the column. The items shown on the ticket are then entered on the appropriate lines. Quantity only is shown. The next ticket is posted in the column immediately to the right of the one previously posted.
- c. Quantities need to be totaled across to the right. Each line is totaled to the right and the total be entered in the column headed "Total Items".
- d. Prices will be entered on the tickets by concerned warehouse personnel prior to sending to Accounts Directorate/Project Director. The price is multiplied by the quantity to obtain a total amount which is entered in the column headed "Total amount".
- e. Summaries are continuous. When a page is full, another is used until all tickets for a project are completed. When the job is completed the sheets should be totaled and the total be entered at the bottom of the last page. The sheets are then ready for posting to the stores ledger.
- f. For each item on the page the quantity issued will be entered in the ledger and then subtracted from the total quantity on hand. The total amount for the same line will be entered and be subtracted from the total value on hand. Each line should be checked of when it is posted.
- g. The sheet is then noted that it was posted in stores ledger and the number of the ledger shown. It will be initialed by the one posting and the date shown.

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h. A debit memo will be then prepared in the amount of the summary sheet. Since the unit prices include all costs, no other charges need be added. The debit note will be sent to the applicable PBS with notification of last stores ticket used. The debit note will be used as a basis for increasing the loan account. The Summary sheet will be then filled.

2. Issues for construction:

Tickets issued for construction will not be sent to Material Accounting/PD Office until the work order is completed. All closing documents issued in the field including issue ticket will be sent to work order accounting. The issue tickets will be separated from other documents and sent to Material Accounting/PD Office. The handling is then the same as for other tickets summarizing, posting and pricing of tickets. After pricing, the original copy will be retained in file.

3. Warehouse Transfers:

Warehouse transfers will not be sent to material accounting. They are only transactions between warehouses.

c. Warehouse Return:

1. Returns by contractor for construction jobs when a job is completed and there is excess material it is returned to the warehouse and placed back into stock. Material return ticket which is very similarly to an issue ticket will be prepared. It shows the work order number to which the material was originally charged. The credit will be made to the same work order number. The ticket will be priced with the current unit price. It will come in with the closeout documents for the work order.

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2. Returns by PBSs and BREB.

Excess material that has been charged out for PBS and BREB consumption will also be returned to stock. It is handled as above in returns by contractors. When the return has been worked a credit memo will be issued and handled the same as the debit memo in material issues.

D. Salvages Tickets.

Material that has been salvaged when removed on a retirement work order will be returned to stock on a salvage ticket.

Anything re-useable should be priced at the current prices, except large items, like a substation transformer that should be priced at original cost.

iv. Transfer of Materials from one Project to other:

This will be done following the procedures as described in PBS Instruction 100-47.

V. Inter-PBS Material Transfer and Price Adjustment:

Inter-PBS Material Transfer helps the PBSs accelerate the construction work and perform o & M works timely. So, it is essential for the concerned PBSs to adjust the price against inter-PBS Material Transfer.

The PBSs which owe to other PBSs for receiving materials are primarily responsible for making the payment/adjustment thereof. Director, PBS Loans & Budget will co-ordinate and give thrust for price adjustment against inter-PBS Material Transfer. PBS Loans & Budget Directorate will collect the list of inter-PBS Material Transfer, review the same **quarterly** and take necessary action to adjust the price by the PBSs so that the price can't remain unadjusted for years together.

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Director, PBS Loans & Budget will prepare a comprehensive Report on half-yearly basis, stating the status of price adjustment against the inter-PBS Material Transfer, for submission to the higher Management.

For details, PBS Instruction 100-74 with respect to Inter-PBS Material Transfer & Price Adjustment can be seen.


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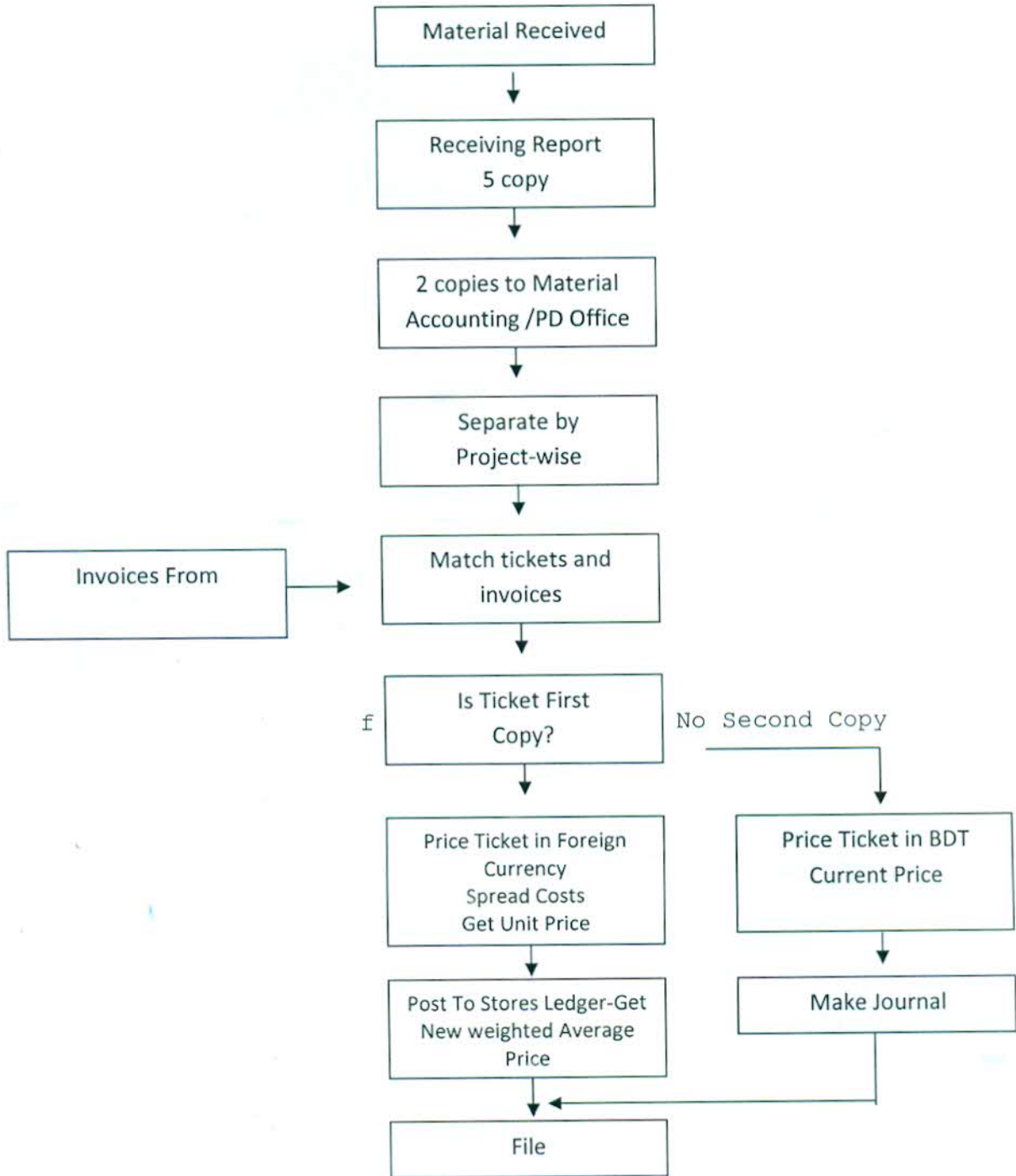

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Flow Chart

Receiving Report

(For Imported Materials only)



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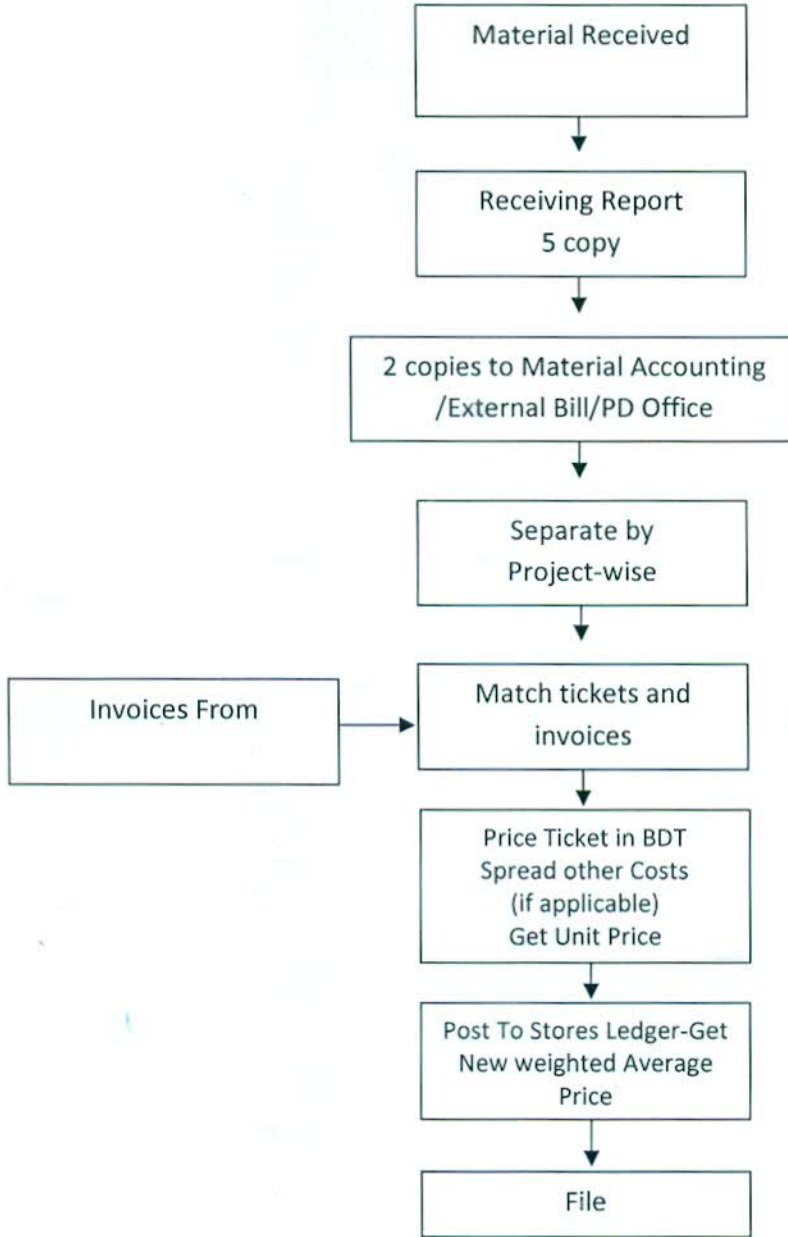

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Flow Chart
Receiving Report

(For Purchases in BDT)




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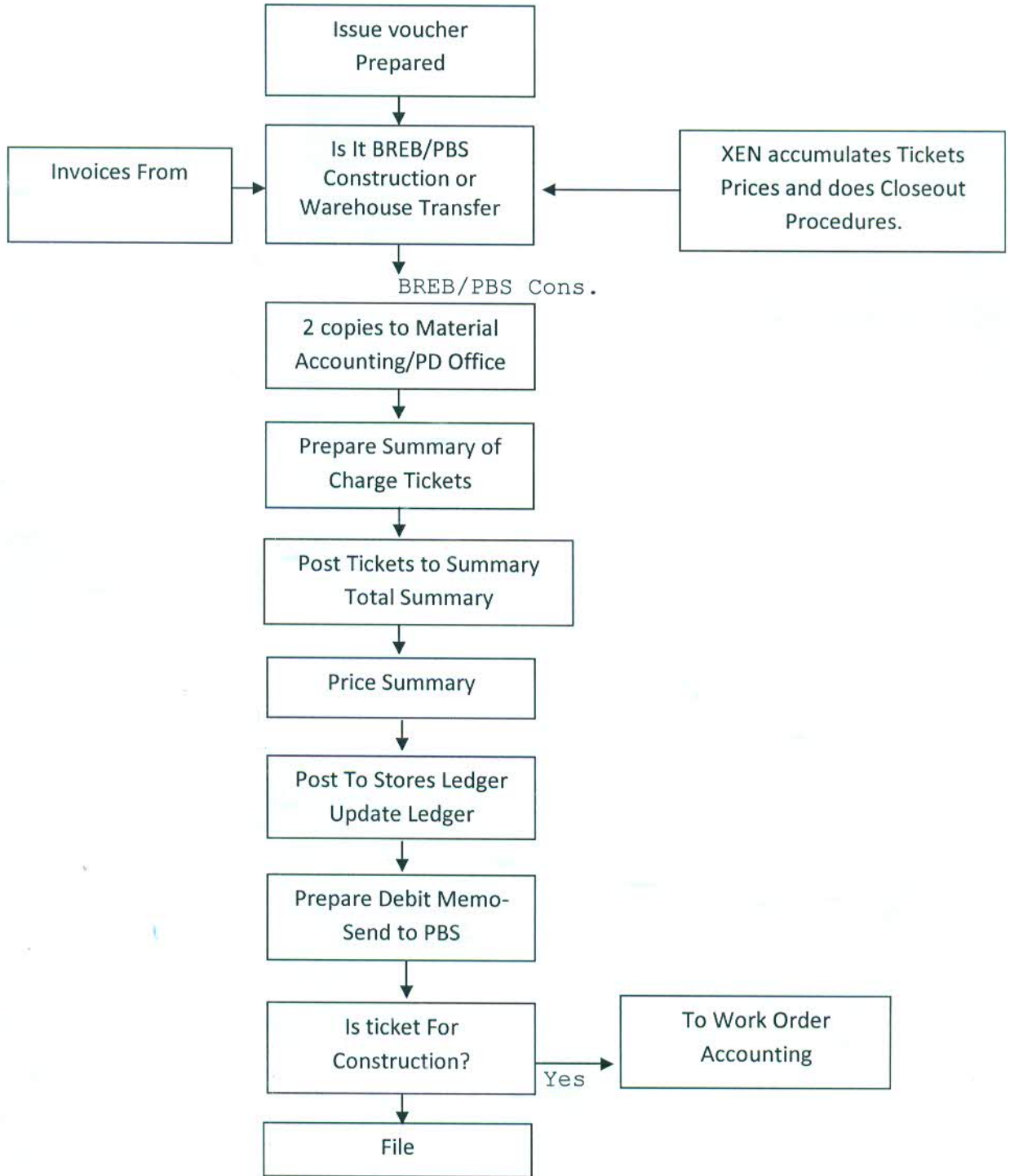

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Flow Chart
ISSUE VOUCHERS



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