No.I.12/ FAP/implementation/2013   Dated 28.01.2013

Circular No. FAP/01/2013

Sub: **Revised procedure for Intercompany transactions in FAP**

1   During implementation of the FAP it was observed that the field offices were not approving the intercompany transactions created by other units consequent to which the books of accounts of both the units were not getting completed due to the unposted status of the journal entry.

2.   The process of intercompany transactions in FAP was reviewed and it was decided to discontinue the intercompany transactions in the FAP except for the few transactions and accordingly the changes have been made in the FAP so as to enable the field offices to complete their transactions independently. Now, the field offices would not be required to wait for the approval from the other unit to complete their transactions.

3.   The following procedure for intercompany transactions would be followed for the intercompany transactions:

(A.)   GL Module:

(i) The intercompany transactions in respect of the IOM, IOGA and IOCPF have been discontinued. The transaction for the above intercompany transactions would be handled with the use of zero accounts and the relative unit in intercompany segment in the FAP.

(ii) The category for the InterCo IOM, InterCo IOCPF and InterCo IOGA have been removed from the interco user responsibility and the same has been added in the GL user responsibility. Therefore henceforth the entries related to IOM, IOCPF and IOGA should be made through normal GL user responsibility.

For example in case of an IOM transaction between the units NC14 and WF12 than the following entries would be made in the FAP:

Entry by NC14 (Despatching unit): (Entry to be made in Inter CO IOM category from normal GL user responsibility)

NC14.0000000.0981.0101.0000.WF12.0000   Dr.

NC14.NC14001.7201.0101.0000.0000.0000   CR

Entry by WF12 (Receiving unit) on receipt of the IOM: (Entry to be made in Transfer In stocks recd category from normal GL user responsibility)

WF12.WF12001.7116.0101.0000.0000.0000   Dr.
WF12.WF12001.7243.0101.0000.0000.0000   Dr.

WF12.0000000.0981.0101.0000.NC14.0000   Cr.

WF12.WF12001.7176.0101.0000.0000.0000   Cr.

(iii) Similarly the transactions for the IOCPF and IOGA shall also be entered through the respective category available in GL user responsibility and the zero accounts should be used to enter the transactions.

(B). **Accounts Receivable module:**

(i) The interco responsibility in the Accounts Receivable module have been removed and the transactions shall be entered in the FAP through the normal Receivables User responsibility with the usage of zero accounts.

For example if the amount of Security deposit is received in the Regional office and the same is required to be transferred to the District office i.e. transaction in between NC11 and NC16 the following entries should be made:

Entry by (NC11): For receipt of the EMD: Create a standard receipt in AR module with the following accounting impact:

NC11.NC110120101F.4531.0000.0000.0000.0000 Dr
NC11.0000000.1806.0000.0000.0000.0000   Cr

For transfer of the EMD to NC 16 unit: Create a NON sales Invoice with the following distribution and apply the same to the receipt created above:
NC11.0000000.4731.0000.0000.0000.0000 Dr

NC11.0000000.0931.0000.0000.NC16.0000   Cr

Entry by NC16 For receipt of IOGA of EMD if the same is to be adjusted against sale of stocks: Create a credit Memo with following distribution and apply the same to sale invoice against which the same is to be adjusted.

NC16.0000000.0931.0000.0000.NC11.0000 Dr.

NC16.0000000.4731.0000.0000.0000.0000 Cr

Entry by NC16 For receipt of IOGA of EMD if the same is to be refunded:
Create a standard invoice in Accounts Payable module with the following distribution and make the payment.
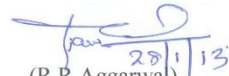
NC16.0000000.0931.0000.0000.NC11.0000 Dr. (In Distribution line)
NC16.0000000.1401.0000.0000.0000.0000 Cr (In the invoice header line)

(C).   Accounts Payable module:

(i) No changes are made in the Accounts Payable module and the use of zero accounts should be avoided in the Accounts Payable module. For the intercompany transactions entered by other units in AP module the report "Payable Inter Office transaction issued and received reports" in Discoverer module for the intercompany transactions at invoice level and "FCI Intercompany AP Payments" for the invoices of one unit paid by other units Payables transactions" should be seen verified.

4.   The intercompany transactions which have not been completed in the system as on the date of this circular would have to be made through the revised intercompany transactions procedure.

5.   In order to reconcile the intercompany transactions and prepare the relevant records related to the intercompany transactions the field offices should run the "Account Analysis report with Sub ledger details – 132 Char" report for the respective zero account in GL module and use the same as the IOG/IOR//IOCPF register. For the schedule of the intercompany transaction the balances of the zero accounts in the Trial Balance Details – report should be seen.

6.   In case of IOM transactions the "Transfer In/Transfer Out report" and "Transfer In against stocks received report should be seen.

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Distribution:

1. CGM (Cost/Fin./A/Cs/IA/Funds/CPF) in Headquarters

2. All CGM/GM (F&A) in Zonal offices

3. The Director, IFS, FCI, Gurgaon, Haryana.

4. All Dy. GM (F&A)/ Asstt. GM (A/cs) FCI, Regional Offices.

5. All Area Managers.