

## TELECOM REGULATORY AUTHORITY OF INDIA

### NOTIFICATION

New Delhi, the 10<sup>th</sup> April 2012

No. 16-07/2010-FA : In exercise of the powers conferred by section 36 read with sub-clause (i) of clause (b) of sub-section (1) of section 11 of the Telecom Regulatory Authority of India Act, 1997 (24 of 1997), the Telecom Regulatory Authority of India hereby makes the following regulations, namely:-

#### **The Reporting System on Accounting Separation Regulations, 2012**

(7 of 2012)

<b>CHAPTER I</b> <b>PRELIMINARY</b>
<b>1. Short title, commencement and application:</b> - (1) These regulations may be called the Reporting System on Accounting Separation Regulations, 2012.
(2) They shall come into force from the date of their publication in the Official Gazette.
(3) These regulations shall apply to all service providers having aggregate turnover of not less than rupees one hundred crore, during the accounting year for which report is required to be submitted under these regulations, from operations under the licence issued under section 4 of the Indian Telegraph Act, 1885.
<b>2. Definitions:</b> - In these regulations, unless the context otherwise requires, -
(i) "Act" means the Telecom Regulatory Authority of India Act, 1997 (24 of 1997);
(ii) "Accounting Separation Statement" means statement furnished in proforma specified in Schedule III to these regulations;

(iii) "Annual Financial Statement" means financial statements prepared under section 211 of the Companies Act, 1956;

(iv) "Authority" means the Telecom Regulatory Authority of India established under sub-section (1) of section 3 of the Act;

(v) "Broadband" or "Broadband Service" means a data connection --

- (a) which is always on and is able to support interactive services including Internet access;
- (b) which has the capability of the minimum download speed of two hundred fifty six kilobits per second or such minimum download speed, as may be specified by the licensor, from time to time, to an individual subscriber from the point of presence of the service provider intending to provide Broadband service where a multiple of such individual Broadband connections are aggregated and the subscriber is able to access these interactive services including the Internet through the said point of presence;
- (c) in which the interactive services shall exclude any services for which a separate licence is specifically required (such as real-time voice transmission) except to the extent permitted, or, as may be permitted, under Internet service provider's licence with internet telephony, and which shall include such services or download speed or features, as may be specified from time to, by the licensor;

(vi) "Cable Landing Station" means a location,

- (a) at which the international submarine cable capacity is connected to the backhaul circuit; and
- (b) at which international submarine cables are available on shore for accessing international submarine cable capacity and such location includes buildings containing the onshore end of the submarine cable and equipment for connecting to backhaul circuits;

(vii) "collocation charges" means the charges paid by a service provider for using facilities including land, building space, apparatus and plants,

<p>environmental services, security, site maintenance, power, electrical installations, cables, transformers, fire detection, fire fighting systems and back-up power for the purpose of interconnection including installation of collocation equipments i.e. switches, racks and cages, cross-connects and other cabling at the premises owned by another service provider;</p>
<p>(viii) "Cost Centre" means the support function or department of a company or a network element for which cost is incurred;</p>
<p>(ix) "Financial Capital Maintenance" is a methodology of recognising profit after taking account of holding gain or loss arising as a result of Replacement Cost Accounting;</p>
<p>(x) "geographical area" is a service area, which is treated as separate segment for purpose of preparing reports under regulation 4;</p>
<p>(xi) "Historical Cost Accounting" means a system of accounting where assets, liabilities, costs and revenues are recorded at the value when the transaction was made and where assets are valued and depreciated according to their cost at the time of purchase;</p>
<p>(xii) "Holding gain or loss" means gain or loss arising out of change in the replacement cost of an asset while the asset is still being held at the Historical Cost and is computed as under:-</p> $\text{Holding Gain or Loss} = \text{NBVt-1X (GRct /HC)} - \text{NBVt-1X(GRct-1 /HC)}$ <p>Where, NBVt-1 = Written down value of an asset at historical cost at the beginning of year t,</p> <p>GRct= Gross replacement cost of an asset at the end of year t,</p> <p>HC = Historical Cost of an asset at the time of its purchase</p>
<p>(xiii) "Internet Service" means all type of internet access or internet content services as provided in the licence;</p>
<p>(xiv) "Licence" means a licence granted or having effect as if granted under section 4 of the Indian Telegraph Act, 1885 (13 of 1885) or the provisions of the Indian Wireless Telegraphy Act, 1933 (17 of 1933);</p>

(xv) "Manual" means manual referred to in regulation 3 of these regulations;
(xvi) "Meet Me Room" means a place where telecom service providers connect their equipment;
(xvii) "Modern Equivalent Asset" means the current value of available asset with the same level of capacity and functionality as that of the original asset;
(xviii) "Off-net call" means a call which terminates in the network of a service provider other than the originating service provider;
(xix) "On-net call" means a call which originates and terminates in the network of the same service provider;
(xx) "Pass through charges" means the charges excluded from gross revenue to arrive at adjusted gross revenue for the purpose of levying licence fee as provided under the licence agreement of the service provider;
(xxi) "Profit Centre" means a service or a product offered by a service provider to which revenue and cost can be traced to calculate profit from that activity;
(xxii) "regulations" means the Reporting System on Accounting Separation Regulations, 2012;
(xxiii) "Related Party" has the meaning assigned to it in the Accounting Standard on Related Party Disclosures (AS 18) issued by the Institute of Chartered Accountants of India;
(xxiv) "Related Party Transaction" means a transfer of resources or obligations between related parties whether a price is charged or not;
(xxv) "Replacement Cost Accounting" means system of accounting where value of an asset is entered in the financial statement at the price which is required to be paid if same or equivalent asset is purchased;
(xxvi) "Report" mean financial and non-financial Accounting Separation statements furnished by service providers under regulation 4;

(xxvii) "Retail Revenue" means revenue earned by the service provider from the sale of products and services directly to the end consumer;

(xxviii) "service provider" means the Government as a service provider and includes a licensee;

(xxix) "Supplementary depreciation" refer to the difference between depreciation on historical cost and depreciation on replacement cost of an asset;

(xxx) "Transit Carriage Charge" means charge for carriage of intra-circle traffic handed over from Cellular Mobile Networks to Fixed Network at Level II Trunk Automatic Exchange (TAX) of Long Distance Charging Area for terminating in Short Distance Charging Area of the same Long Distance Charging Area;

(xxxi) "Value Added Services" means services which are offered to add value to the core services, the core services being voice calls, voice or non-voice messages and data transmission;

(xxxii) "wholesale interconnection" means a product for which revenue is received from other service providers for carrying or terminating calls or messages or for providing interconnection facilities;

(xxxiii) "wholesale revenue" means revenue realised from the sale of products and services other than to end consumers;

(xxxiv) all other words and expressions used in these regulations but not defined, and defined in the Act and the rules and other regulations made thereunder, shall have the meanings respectively assigned to them in the Act or the rules or other regulations, as the case may be.

## CHAPTER II

### MANUAL & REPORTS

**3. Manual** (1) Every service provider shall for the purpose of implementing the accounting and reporting practices specified under these regulations furnish to the Authority within 90 days from the date of commencement of these regulations, a manual containing policies,

principles, methodologies and procedures for accounting and cost allocation;

(2) The manual referred to in sub-regulation (1) shall contain the following items, namely: -

- (a) the details of the organisational structure of the service provider;
- (b) a list of the all entities within the group operating in the telecom sector and relationship of the service provider with such entities and other group companies and related parties with regard to interconnection and sharing of common resources etc.;
- (c) the details of the financial accounting system adopted by the service provider including policies relating to capitalisation, depreciation, advance receipts of revenue, security deposits, provision for bad and doubtful debts etc.;
- (d) the description of the related party transactions, allocation of shared services and jointly used assets;
- (e) the details of products, services, network elements and geographical areas which shall be treated as separate segments for preparing Accounting Separation Statements;
- (f) the description of accounting policies for allocation and apportionment of revenue, cost, assets and liabilities;
- (g) the details of the accounting system followed for recording and generation of the accounting separation information and reports which shall include list of cost and profit centres, linkages of financial heads to cost and profit centres;
- (h) the description of studies, surveys and model employed in cost apportionment and cost allocation process;
- (i) the definition of terms used in the manual; and
- (j) the procedure adopted for maintenance and updation of the manual.

(3) Every service provider shall furnish to the Authority any change made in the manual within 30 days of such change alongwith the reasons thereof.

**4. Reports** - (1) Every service provider shall furnish to the Authority the following financial and non-financial reports, geographical area wise as well as consolidated report for all geographical areas, namely: -

**(a) financial reports: -**

- (i) the profit and loss statement in proforma A of Schedule III to these regulations in respect of each service specified in Schedule-I to these regulations;
- (ii) the profit and loss statement in proforma B of Schedule III to these regulations in respect of each product specified in Schedule I to these regulations;
- (iii) the network element wise cost sheet in proforma C of Schedule III to these regulations containing network element wise cost and its allocation to various products, basis of such allocation and cost per unit of usage based on the list of network elements of various services contained in Schedule II to these regulations;
- (iv) the cost sheet of support function and department in proforma D of Schedule III to these regulations and its allocation to products and network elements;
- (v) the statement in proforma E of Schedule III to these regulations containing category wise fixed assets and depreciation thereon ;
- (vi) the capital employed statement in proforma F of Schedule III to these regulations for the services provided by the service provider;
- (vii) the statement in proforma G of Schedule III to these regulations allocating capital employed for each service with respect to the products contained in Schedule I to these regulations;

(viii) the statement in proforma H of Schedule III to these regulations with respect to related party information pertaining to revenue and cost;

**(b) non-financial reports:-**

the statement in proforma J of Schedule III to these regulations for services mentioned in Schedule I to these regulations comprising non-financial information relating to subscribers, network usage and network capacity.

(2) Every service provider shall furnish to the Authority the financial and non-financial reports referred to in sub-regulation (1);

(a) every accounting year based on Historical Cost Accounting for all the services specified in Schedule-I to these regulations ; and

(b) every second accounting year based on Replacement Cost Accounting for the following services specified in Schedule-I to these regulations: -

i. Access Service – Wireless (Full Mobility)

ii. Access Service – WLL

iii. Access Service – Wireline

iv. National Long Distance Service

v. International Long Distance Service

Provided that a service provider is not required to furnish the financial report based on Replacement Cost Accounting for three years from the date of issue of licence.

(3) Every service provider shall-

(a) reconcile the profit and loss statement referred to in sub-clause (i) of clause (a) of sub-regulation (1) and capital employed statement, referred to in sub-clause (vi) of clause (a) of sub-regulation (1), prescribed on the basis of the Historical Cost, with the audited Annual Financial Statement prepared under section 211 of the Companies Act, 1956; and



(b) furnish in proforma I of Schedule III to these regulations a reconciliation statement covering all services and its geographical areas of operation.

- (4) Every service provider shall furnish financial reports referred to in sub-regulation (1) on the basis of Replacement Cost Accounting by-
- (i) following financial capital maintenance methodology;
  - (ii) limiting cost adjustment to the fixed assets;
  - (iii) ignoring replacement cost adjustment for assets having life of less than three years;
  - (iv) taking cost of modern equivalent asset, when existing asset is not available due to change in technology or old asset is replaced by modern equivalent asset,
  - (v) indicating holding gain or loss and supplementary depreciation;
  - (vi) indicating the change in operating expenditure when an old asset is replaced by a modern equivalent asset.

- 5. Periodicity of submission of report** - (1) Every service provider shall submit to the Authority within six months of the end of the accounting year: -
- (a) yearly audited reports based on the Historical Cost Accounting; and
  - (b) every second accounting year, audited reports based on Replacement Cost Accounting

- (2) The reports referred to in sub-regulation (1) shall be submitted in hard copy and in soft copy in MS Excel format along with its formulae and linkage;
- Provided that the Authority may by direction specify any other method including on-line submission of report.

- (3) The accounting year shall be same as followed by the company for preparation of the annual financial accounts under sub section (4) of section 210 of the Companies Act, 1956.

Provided that, if accounting year exceeds fifteen calendar months, the service provider shall submit the reports in two parts – one part comprising report of twelve month and the second part comprising of balance period.

(4) Every report submitted to the Authority under sub-regulation (1) shall be accompanied by the relevant portion of the manual containing description of accounting policies for allocation and apportionment of revenue, cost, assets and liabilities and the basis of cost allocation and apportionment employed.

**6. Audit –**

(1) Every service provider shall appoint an auditor qualified for appointment as an auditor under section 224 or 233B of the Companies Act, 1956 to audit the reports prepared by the service provider under regulation 4 of these regulations and obtain the audit report from the auditor in the proforma specified in Schedule IV to these regulations.

(2) The reports prepared by the service provider under regulation 4 of these regulations shall be adopted by the Board of Directors of the company and shall be signed by the authorized signatory before submitting the same to Auditor appointed under sub-regulation (1).

(3) The reports prepared by the service provider under regulation 4 of these regulations and the audit report referred to in sub-regulation (1) shall be signed by the Auditor or a partner, if a firm is appointed as an Auditor.

(4) The service provider shall furnish to the Authority the audited reports alongwith audit report given by the Auditor referred to in sub-regulation (1).

**CHAPTER III**

**MISCELLANEOUS**

**7. Repeal and saving –** (1) The Reporting System on Accounting Separation Regulation, 2004 (4 of 2004) is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken under the said regulation shall be deemed to have been done or taken under the corresponding provisions of these regulations;

**8. Interpretation** – In case of any doubt regarding interpretation of any of the provisions of these regulations, the clarification of the Authority shall be final and binding.

**(Rajeev Agrawal)**  
**Secretary**

Note ----- Explanatory Memorandum annexed to these regulations explains the objects and reasons for review of the Reporting System of Accounting Separation Regulation, 2004 issued vide Notification 414/7/99-FA dated 23<sup>rd</sup> February 2004 and need for revised Reporting System of Accounting Separation Regulation, 2012

## **Explanatory Memorandum**

### **A Background**

1.01 The Telecom Regulatory Authority of India (TRAI) (hereinafter referred to as “Authority”) has been established under the Telecom Regulatory Authority of India Act 1997 to regulate telecommunications services and matters connected therewith. One of the main objectives of the Authority is to provide a fair and transparent policy environment to promote a level playing field and facilitate fair competition. To achieve this objective, the Authority has to collect financial data from service providers to measure the financial performance of products and services, analyze costs, returns and capital employed in major areas of a service provider’s business, monitor licensees’ returns on products and services, identify cross subsidization which influences the profitability of any segments, investigate predatory pricing, discrimination and other anti-competitive conduct, and understand inter-operator arrangements in terms of their associated pricing and costs.

1.02 Accordingly, the Authority had issued the “Reporting System on Accounting Separation Regulation, 2004” on 23rd February 2004 (hereinafter referred to as Regulation 2004), which was further amended vide 1<sup>st</sup> amendment dated 24<sup>th</sup> May 2004, 2<sup>nd</sup> amendment dated 30<sup>th</sup> September 2004, 3<sup>rd</sup> amendment dated 4<sup>th</sup> March 2005 and 4<sup>th</sup> amendment dated 27<sup>th</sup> March 2006.

### **B Need for review of the Accounting Separation Regulation**

1.03 The existing system of accounting separation was devised nearly a decade ago, at a time when regulatory reporting requirements were still evolving and the development of the telecom sector had just begun. Since the implementation of the Regulation 2004, many developments have taken place in the telecom service sector. Such developments have had an impact on the information that the Authority requires

as well as on the manner in which such information is to be furnished by the service providers.

1.04 Movement towards digital convergence and rapid technological change has been altering the competitive landscape of the telecom sector. A range of new products and services have emerged with focus on Data and Value Added Services (VAS).

1.05 Business models of service providers have also changed over time. Vertically integrated telecom service providers have emerged providing various retail telecom services and products as well as wholesale services within the same jurisdiction. Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) structures of service providers have altered with the adoption of new business paradigms with increased outsourcing. New and more complex forms of upstream and downstream market relationships have emerged.

1.06 A number of regulatory and policy changes have also influenced the sector. Allocation of 2G spectrum to new players and auction of 3G spectrum have impacted business models and revenue streams of service providers. Regulatory focus is also shifting to new areas such as broadband, data and value added services.

1.07 Events in the telecom sector having outpaced some of the provisions of the Regulation 2004, several issues were being faced by the Authority in the utilization of information submitted in Accounting Separation Reports (ASR). Service providers, during discussions over ASR submissions, have similarly indicated that the provisions, schedules and formats in the Regulation 2004 require review.

1.08 At present, there is no system of on-line submission of ASR by service providers. Of late, with increase in the number of service providers, a very large volume of information is being received by the regulator through the ASR. There are 8 to 12 telecom access service providers in each circle and a large number of reports are filed by the service providers to the Authority. To obtain and use ASR in a timely fashion, a need has been felt for its on-line submission and processing, thereby also reducing the regulatory cost. For this purpose, ASR formats need to be standardized.

1.09 In order to review the Regulation 2004, the comments / views of service providers and Associations on the aspects expected to be covered during the review process were invited through Authority's website and through individual letter sent to major service providers and Associations vide letter no. 16-07/2010-FA dated 24<sup>th</sup> June 2011. In the light of comments/views received, interaction/discussions with service providers/ associations, experience in usage of ASR, international practices, the objectives of ASR and current requirements, the Authority reviewed the Regulation 2004, and prepared a draft 'The Reporting System on Accounting Separation Regulations, 2012' (hereinafter referred to as draft Regulation) for comments of stakeholders.

1.10 The draft Regulation was uploaded on the TRAI's website by the Authority on 16<sup>th</sup> January 2012 to seek comments / views of the stakeholders. The last date of submission of comments by stakeholders was 31<sup>st</sup> January 2012 which was subsequently extended to 10<sup>th</sup> February 2012. Comments received from stakeholders were uploaded on TRAI's website on 10<sup>th</sup> / 16th February 2012. Based on the comments / suggestions received from Stakeholders, the Authority has finalized the Reporting System on Accounting Separation Regulations, 2012 (hereinafter referred to as Regulation 2012).

1.11 Regulation 2004 was applicable to those service providers who have an aggregate turnover of Rupees twenty five (25) crore or more, made from the sale or supply of all its products or activities during the preceding financial year. Regulation 2012 is applicable to all service providers having aggregate turnover of not less than rupees one hundred (100) crore, during the accounting year for which report is required to be submitted, from operations under the telecom license(s) issued to them under section 4 of the Indian Telegraph Act 1885.

1.12 During consultation, some stakeholders stated that the Regulation should be applicable only to incumbent / Significant Market Power (SMP) telecom service providers and not to non-integrated / standalone service providers. Another view was that the threshold limit for the turnover should be reviewed and may be increased up to Rs 1000 crores / Rs 2000 crore. Some others were of the view that the Authority should consider two separate set of formats for two levels of service providers, i.e. one for

vertically integrated telecom service providers providing up and downstream telecom services and the other for non-integrated telecom service providers.

1.13 These comments have been examined in the light of the market features that distinguish the Indian telecom sector. Instead of predominance of one or two service providers as in many other countries, the Indian wireless telecommunications market is characterized by the existence of several large service providers, each holding comparable market share. Moreover, since the country is geographically divided into different license service areas, the market structures and dynamics are different in each service area. Therefore, definition of service provider with SMP would be difficult in the Indian context. From a review of global practices, it is evident that factors such as relative size/ turnover of the service provider, the service provider's access to financial resources, technological and marketing superiority, degree of vertical integration, ability to influence market conditions and control of means of access to end users are considered relevant for the applicability of accounting separation. Some of the telecom service providers in the Indian telecom market are integrated players. Most of them have licenses for UAS as well as for other telecom services. Some standalone service providers providing single service have captured major market share in areas or markets in which they are operating. The Authority therefore would need to collect information from a large number of service providers for meeting regulatory objectives. At the same time, the Authority would like to ensure that undue burden is not placed on small service providers with small turnovers. Accordingly, the Authority has revised the existing limit of aggregate turnover of Rs 25 crore specified in the Regulation 2004 upwards to Rs 100 crore. This would help in collection of representative data from a range of medium to large service providers, while excluding small service providers.

1.14 In Regulation 2012, requirements relating to submission of audited ASRs have been retained. A format of the audit report has been prescribed to standardize the system of Audit Reporting on ASR. To strengthen accountability, a provision has been made for adoption of ASR by the Board of Directors of the company.

1.15 During the consultation process, some stakeholders opined that ASR should be filed on the basis of self-certification and the need of audit of ASR should be done away with due to the mandate of Statutory Audit & Cost Audit for all telecom companies.

Another stakeholder has felt that instead of asking for the auditor's opinion or certificate, certification by a member of the ICAI or ICWAI should be considered as compliance of audit formalities. They have also stated that requirement of adoption of Accounting Separation Reports by the Board of Directors should not be mandated since ASR is signed by a representative of the Company duly authorized by the Board, and ASR is based on financial statements which are approved by Board. Such approvals will increase the compliance costs.

1.16 From global practices, it emerges that accounting separation reports submitted to regulators are duly audited and the submission also includes a Directors' report on the accounting separation report in a number of countries. As regards the mandatory requirement for cost audit prescribed by the Ministry of Corporate Affairs under the Cost Accounting Record Rules, 2011, it is seen that although the information called for and audited under the Cost Accounts Record Rules/ Cost Audit and the Accounting Separation Reporting/ASR Audit appears to be similar, the objectives and requirements are different. The Authority needs focused reporting of separated accounting information for discharging its regulatory obligations. Specific reporting and audit requirements for ASR have therefore been retained. Considering the role and responsibility of the Board of Directors (BOD) under the principles of good corporate governance and global practice in this regard, adoption of ASRs by the Board of Directors of the company before audit, has been prescribed.

1.17 Technology, innovation and consumer demand have driven far reaching changes in the last decade in the type of services and products provided. There has been enhancement of data services, innovative product offerings by service providers on a common platform, growth of broadband, opening of new markets/ offering of new products in the international bandwidth segment, MNP, infrastructure service provision, hiving off of tower businesses etc. Some services have virtually disappeared from the market while new services have emerged. Regulatory focus has also been drawn in recent times to sub services / products within services, data and VAS, necessitating the collection of more detailed information regarding the same. To capture these changes, the classification of services and products in Schedule I to Regulation 2012 has been revised. GMPCS, PMRTS and Radio Paging have been removed from the list of services, as these services do not earn significant revenue and are gradually



disappearing. Tower Business, Dark Fibre, MNP and Cable Landing Station have been added to the list of services. Similarly, the list of products has also undergone a change. To capture also the changes in technology and mode of delivery, the classification of the network elements that underlie the telecom services listed in Schedule I has also been revised, and the revised classification is in Schedule II to the Regulation.

1.18 During the consultation process, some service providers opined that the products list should be simplified. They opined that segregation of services into Access Service-WLL and Access Service- Full Mobility, products into pre-paid/ post-paid, calls into on-net/ off-net calls, video and voice, and messages into SMS and MMS is not required. Some other service providers/associations have stated that products should be decided on the basis of main revenue driver and should be limited to pre-paid, post-paid and roaming, with sub-categorization into Calls, Message, VAS, Data and Roaming. They have also stated that only calls, SMS, GPRS etc. should be listed as products.

1.19 The Authority is of the view that Access Service-WLL and Access Service-Full Mobility are technically separate services and the network elements, numbering system and point of interconnection are also different for both services. Separate reporting is therefore required for these two distinct services. Further, on-net and off-net calls are clearly identifiable and could have different revenue and cost structures due to differential tariff and also due to the applicability of Mobile Termination Charge for off-net calls. It is also observed that rental, activation, onetime fee etc. are payments for assurance of services to the consumer that enable him to remain active/ remain connected on the network for a specified period, make free calls and so on, and therefore they collectively qualify as a separate product. Further, prepaid and postpaid are two different segments of service for which separate reporting is required and it was a part of Regulation 2004 as well. In so far as the sub-categorization of calls into voice and video calls is concerned, it is recalled that in their response to a recent pre-consultation paper on "Review of Interconnection usage Charges (IUC)" dated 24.10.2010, stakeholders had indicated, in the context of extending the existing framework of IUC to video call termination, that technically a video call utilizes 4-5 times the resources/ bandwidth as compared to a normal voice call and tariffs for voice and video calls are also different. As revenue and cost structures are distinct, these two sub-products i.e. voice and video need to be identified as separate categories.

Similarly, SMS and MMS need to be identified as separate sub-product categories and cannot be clubbed together.

1.20 The list of telecom services as per Schedule I includes Tower Business and Dark Fibre. Stakeholders have opined during the consultation process that IP-1 service providers are just facilitators and not licensee companies and therefore they should not be mandated to submit ASR. The Authority observes that the requirement of furnishing separate accounts applies only to licensed service providers. Accordingly, if a licensed telecom service provider is also providing infrastructure services (tower business and dark fibre) and its aggregate turnover is not less than Rs 100 crore, such service provider would have to submit ASR for infrastructure services as well. Since currently standalone infrastructure service providers are not licensed, such service providers would not be required to furnish ASR.

1.21 International experience indicates that the level of accounting separation depends upon the assessment of the market by the respective national regulatory authorities. In the Indian context, geographical area wise ASR for Wireless and Wire-line services needs to be retained because access licenses are granted service area-wise and tariffs are also operated service area-wise. There is a varying level of competition across service areas and the collection of information on an aggregated basis for the whole country will not be able to capture these differences. For other services, ASR is at all India level. Although stakeholders have questioned the need for service wise reporting, the Authority is of the view that the submission of ASR at the level of geographical area of operation continues to be relevant for Access services and accordingly it has been retained.

1.22 Some stakeholders have opined that the requirement to submit the ASR service wise and service area wise is against the essence of the proposed Unified Licensing Regime under NTP. The Authority observes, however, that ASR under the Regulation 2012 is to be furnished for different types of services given by the service providers under the various telecom licenses. This does not contradict the spirit of the Unified Licensing Regime. If there are any new requirements after implementation of the Unified Licensing Regime, the same can be examined.

1.23 The Proformae for submission of ASR have been revised as in Schedule III to the Regulation 2012. The number of formats to be submitted have been reduced and rationalised by merging some of the formats prescribed in Regulation 2004.

- (a) Old Proforma A and C have been merged into one format- (Proforma B- Profit and Loss Statement – Product)
- (b) Old Proforma B is now modified as Proforma A (Profit and Loss Statement- Service)
- (c) Old Proforma D, E and F have been merged into one format-(Proforma C – cost sheet- Network Elements)
- (d) Reconciliation of P&L Account (Old Proforma J) and Capital Employed (Old Proforma- K) with the annual audited accounts will now be done at company level covering all the services in a single format- (Proforma I- Reconciliation Statement)

1.24 New formats have been added for reporting on the following:

- (a) Formats for showing cost of support functions and its allocation / apportionment to the products / network elements, as the same was an information reporting gap in Regulation 2004. (Proforma D- Cost Sheet Support Functions/ Departments).
- (b) Format for showing product wise capital employed as the same was an information gap. (Proforma G- Capital Employed- Allocation to Products).But old Proforma H has been removed in lieu of this format.
- (c) Format for reporting related party transactions. (Proforma H- Statement of Related Party Transactions)

1.25 The contents / preparation of the formats have been simplified wherever possible. Reporting of costs into direct / directly attributable, indirectly attributable, un-attributable under network element and product has been done away with as has the process of working out the return on capital employed and adding it to the cost of network and subsequently adjusting it back to work out the cost of products. The information required in the non-financial information formats has been significantly reduced and limited to certain data depicting capacity/usage, subscriber base, MOU, and licence information.

1.26 The cost heads in the formats have been revised to take into account changing business models and phenomena in the industry such as depiction of cost of outsourcing, cost of passive infrastructure sharing, amortisation of 3G entry fee etc. The cost heads of product and service wise allocations have been synchronized to allow reconciliation. Pass through elements will have to be separately identified. The brief basis of the allocation/ apportionment made of the support functions/ net-work elements cost/ capital employed will have to be indicated in the relevant formats (Proforma D- Cost Sheet Support Functions/Depts; Proforma C- Cost Sheet- Network Elements; Proforma G- Capital Employed- Allocation to Products) for ready reference. This will ensure that the method followed by the service provider in preparation of ASR is same as outlined by them in their Accounting Separation Manual.

1.27 The essence of costing of telecommunications service lies in recognition of the fact that services and products are provided over common networks. Although some stakeholders have expressed the view that Proforma C is not needed, the Authority is of the view that the cost sheet for network elements is required to establish what the cost of the network elements is and how these costs have been allocated to the products.

1.28 In Regulation 2004, reference was made to the “The Telecom Regulatory Authority of India, Service Providers (Maintenance of Books of Accounts and other Documents) Rules, 2002 and notifications made thereunder. However, such reference has not been made in the Regulation 2012. In view of this, some stakeholders stated during consultation that TRAI has not prescribed which books of accounts should be the basis for preparation of Accounting Separation Reports. It is noted that all licensed telecom service providers are incorporated as companies under the Companies Act, 1956. Books of account maintained by the service providers include all the records required to be maintained under the Companies Act, 1956. These books of account would form the underlying basis for preparation of ASR. The service providers may decide if they need to maintain any additional books of account/ records, besides those prescribed under the statutes, rules, regulations and notifications, for furnishing of the reports required under Regulation 2012.

## Schedule I

Name of Telecom Service	Geographical Area of Operation	Product/ Components
(1)	(2)	(3)
(I) Access Service - Wireless (Full Mobility) (II) Access Service - WLL (III) Access Service - Wireline	Service Area i.e. Telecom Circle	Following products/ components shall be considered separately for postpaid and prepaid subscribers: - (a) Rental / Activation / One time / Recharge fees (b) Calls: (i) Voice 1) Off Net 2) On Net (ii) Video 1) Off Net 2) On Net (c) Non-voice Messages: 1) Short Messaging Service 2) Multimedia Messaging Service (d) Value Added Services (e) Roaming: (i) National (ii) International (f) Data (g) Leased circuit (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) Any other product (please specify name of each product separately)
(IV) Internet Service	All India	(a) Internet – Broadband (b) Internet – Narrowband (c) Internet Telephony (d) Internet Protocol (IP) TV (e) Internet Content (f) Webhosting and Web-collocation (j) Any other product (please specify name of each product separately)
(V) National Long Distance Service	All India	(a) Voice (i) Carriage Services (ii) Calling Cards (b) Leased Circuits: (i) Domestic Dedicated Leased Circuit (ii) Managed Data Services (VPN/ CUG) (c) Any other product (please specify name of each product separately)

(VI) International Long Distance Service	All India	<ul style="list-style-type: none"> <li>(a) Voice <ul style="list-style-type: none"> <li>(i) Carriage Services</li> <li>(ii) Calling Cards</li> </ul> </li> <li>(b) Leased Circuit: <ul style="list-style-type: none"> <li>(i) International Private Leased Circuit (IPLC)</li> <li>(iii) Managed Data Services (VPN/ CUG)</li> </ul> </li> <li>(c) Any other product (please specify name of each product separately)</li> </ul>
(VII) Tower Business	All India	<ul style="list-style-type: none"> <li>(a) Ground Base Tower (GBT)</li> <li>(b) Roof Top Tower (RTT)</li> <li>(c) Roof Top Pole (RTP)</li> <li>(d) Any other product (please specify name of each product separately)</li> </ul>
(VIII) Dark Fibre	All India	No product sub-classification
(IX) Cable Landing Station	All India	<ul style="list-style-type: none"> <li>(a) Collocation;</li> <li>(b) Access facilitation</li> <li>(c) Any other product (please specify name of each product separately)</li> </ul>
(X) Mobile Number Portability (MNP)	All India	No product sub-classification
(XI) Very Small Aperture Terminal Service (VSAT)	All India	No product sub-classification

## Schedule II

SI No.	Name of Telecom Service	Network Elements
(1)	(2)	(3)
<p>(I)</p> <p>(II)</p>	<p>Access Service Wireless – Full Mobility</p> <p>Access Service Wireless – WLL</p>	<p><b>(a) CORE NETWORK:</b>            (Mobile services Switching Centre (MSC)/ Gateway Mobile services Switching Centre (GMSC), MSC-Server/ Virtual MSC, Media Gateway (MGW)/ Gateway Media Gateway (GMGW), Visitor location register (VLR), Serving GPRS Support Node (SGSN), Gateway GPRS Support Node (GGSN), EIR (Equipment Identity Register), HLR (Home Location Register), AUC (Authentication Centre), Transponder, Signalling gateway, Others)</p> <p><b>(b) RADIO ACCESS NETWORK:</b>            (Node B (RAN-Radio Access Network), BTS (Base Transceiver Station), RNC (Radio Network Controller), BSC (Base Station Controller), Others)</p> <p><b>(c) TRANSMISSION MEDIA / EQUIPMENTS</b>            (Transmission Media Between the Network Element i.e. OFC/Cable/Microwave, Transmission equipments, Others)</p> <p><b>(d) OTHER NETWORK ELEMENTS:</b>            (SMSC (Short Message Service Centre), MMSC (Multimedia Messaging Service Centre), HSS (Home Subscriber server), Application servers for Value added service, NMS (Network Management System), Billing servers, IUC servers/ ICB Server (Interconnect Billing Server), IN Servers, LIS (Lawful Interception Server), Facilitation for MNP, Others)</p>
<p>(III)</p>	<p>Access Service Wireline</p>	<p>(a) Equipment at Subscriber's end – POTS, ISDN, PABX, VPT Equipment etc.</p> <p>(b) Access Media between Local Switches &amp; Subscriber's end - Copper loop/ Optical Fibre etc.</p> <p>(c) Local Switches - Local switch (including NGN and IP), Remote Switching Unit, Remote Logical Unit etc.</p> <p>(d) Tandem/TAX switches</p> <p>(e) Media Gateway (MGW)</p> <p>(f) Transmission Media / Equipments</p> <p>(g) Other (please specify)</p>

<b>(IV)</b>	Internet Service	<ul style="list-style-type: none"> <li>(a) Customer Premises Equipments (CPE)</li> <li>(b) Access Media (Copper Loop/Optical/Fibre, Cables/Wireless network etc.</li> <li>(c) DSLAM</li> <li>(d) Router (EDGE/ PE/ CORE)</li> <li>(e) MuX/ Switches</li> <li>(f) Transmission media/systems between networking elements</li> <li>(g) Dedicated Servers</li> <li>(h) Other (please specify)</li> </ul>
<b>(V)</b>	National Long Distance Service	<ul style="list-style-type: none"> <li>(a) Switches (including NGN and IP)</li> <li>(b) Media Gateway (MGW)</li> <li>(c) Transmission Media and Equipment</li> <li>(d) Other (please specify)</li> </ul>
<b>(VI)</b>	International Long Distance Service	<ul style="list-style-type: none"> <li>(a) Switches (including NGN and IP)</li> <li>(b) Media Gateway (MGW)</li> <li>(c) Transmission –Domestic</li> <li>(d) Transmission –International</li> <li>(e) Other (please specify)</li> </ul>
<b>(VII)</b>	Tower Business	<ul style="list-style-type: none"> <li>(a) Tower</li> <li>(b) Associated Infrastructure</li> <li>(c) Other (please specify)</li> </ul>
<b>(VIII)</b>	Dark Fiber	<ul style="list-style-type: none"> <li>(a) Fibre</li> <li>(b) Other (please specify)</li> </ul>
<b>(IX)</b>	Cable Landing Station	<ul style="list-style-type: none"> <li>(a) Transmission line from Cable Landing Station to Meet Me Room (MMR)</li> <li>(b) Network Equipment at Meet Me Room (MMR)</li> <li>(c) Other (please specify)</li> </ul>
<b>(X)</b>	Mobile Number Portability (MNP)	<ul style="list-style-type: none"> <li>(a) Server</li> <li>(b) Router/Switch</li> <li>(c) Transmission Media</li> <li>(d) Gateway</li> <li>(e) Other (please specify)</li> </ul>
<b>(XI)</b>	Very Small Aperture Terminal Service (VSAT)	<ul style="list-style-type: none"> <li>(a) Space Segment Transponder</li> <li>(b) Ground Segment</li> <li>(c) Other (please specify)</li> </ul>



### SCHEDULE III

#### LIST OF PROFORMAE

<b>Sl No.</b>	<b>Proforma</b>	<b>Description of the Proforma</b>
1	Proforma A	Profit and Loss Statement - Service
2	Proforma B	Profit and Loss Statement - Product
3	Proforma C	Cost Sheet - Network Elements
4	Proforma D	Cost Sheet - Support Functions/Departments
5	Proforma E	Statement of Gross Block, Depreciation and Net Block - Service
6	Proforma F	Capital Employed Statement- Service
7	Proforma G	Capital Employed Statement: Allocation to Products
8	Proforma H	Statement of Related Party Transactions
9	Proforma I	Reconciliation Statement (covering all services and area of operations) with Audited Financial Statements.
10	Proforma J	Statement of Non financial information for each service

**SCHEDULE III**  
**Proforma A**  
**PROFIT & LOSS STATEMENT - SERVICE**

**Name of The Company :**

**Name of Service:**

**Geographical Area of Operation :**

**Period :**

**Cost Base:** Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)			
S No.	Particulars	Current Year	Previous Year
<b>1</b>	<b>REVENUES (NET OF SERVICE TAX) :</b>		
<b>1.1</b>	<b>Wholesale Revenue</b>		
1.1.1	<i>Sale - Outside Group*</i>		
1.1.2	<i>Sale - Within Group/ Company</i>		
<b>1.2</b>	<b>Retail Revenue</b>		
	<b>Total</b>		
1.3	Less: Pass through Charges:		
1.3.1	<i>To Access Service Providers</i>		
1.3.2	<i>To NLD Operators</i>		
1.3.3	<i>To ILD Operators</i>		
1.3.4	<i>Others (please specify)</i>		
<b>1.4</b>	<i>Revenue(net of Pass through)</i>		
<b>2</b>	<b>COSTS:</b>		
<b>2.1</b>	<b>Employees cost:</b>		
2.1.1	Salaries and wages		
2.1.2	Contribution to provident fund and other funds		
2.1.3	Staff welfare		
2.1.4	Training and recruitment		
2.1.5	Others (please specify)		
	<b>Sub total</b>		
<b>2.2</b>	<b>Administration cost:</b>		
2.2.1	Rent (Other than Network Element Equipments and Cell sites)		
2.2.2	Rates and taxes		
2.2.3	Insurance charges (Other than Network Element Equipments)		
2.2.4	Communication costs		
2.2.5	Electricity		
2.2.6	Travel and conveyance expenses		
2.2.7	Legal and professional charges		
2.2.8	Printing and stationery		
2.2.9	Audit fees		
2.2.10	Outsourcing Charges		
2.2.11	Porting Charges for MNP		
2.2.12	Others (please specify)		
	<b>Sub total</b>		
<b>2.3</b>	<b>Sales and Marketing cost:</b>		
2.3.1	Advertisement and business promotion expenses		
2.3.2	Sales commission		
2.3.3	Provision for bad and doubtful debts		
2.3.4	Bad debts write off		
2.3.5	Outsourcing (Billing Services and Customer Care Services)		
2.3.6	Others (please specify)		
	<b>Sub total</b>		
<b>2.4</b>	<b>Maintenance cost:</b>		
2.4.1	Annual maintenance charges		
2.4.2	Network Consumables		
2.4.3	Repairs and maintenance:		
2.4.3.1	Buildings		
2.4.3.2	Plant and machinery		
2.4.3.3	Others		
2.4.4	Outsourcing Charges for Maintenance activities		
2.4.5	Others (please specify)		
	<b>Sub total</b>		

S No.	Particulars	Current Year	Previous Year
<b>2.5</b>	<b>Government charges:</b>		
2.5.1	License fee		
2.5.2	License fee penalty, if any		
2.5.3	WPC charges:		
2.5.3.1	Radio Spectrum Charges		
2.5.3.2	Microwave Charges		
2.5.4	Others (please specify)		
	<b>Sub total</b>		
<b>2.6</b>	<b>Network operating Cost:</b>		
2.6.1	Leased Circuits and Gateway Charges		
2.6.2	Royalty for technical know how fees		
2.6.3	Rent (Network Element Equipments and Cell sites)		
2.6.4	Power and fuel		
2.6.5	Interconnection:		
2.6.5.1	Port charges		
2.6.5.2	Others (please specify)		
2.6.6	Passive Infrastructure Charges:		
2.6.6.1	paid within group/ company		
2.6.6.2	paid outside group		
2.6.7	Insurance Charges (Network Element Equipments)		
2.6.8	Outsourcing Charges for Network Element Equipments		
2.6.9	Others (please specify)		
	<b>Sub-total</b>		
<b>2.7</b>	<b>Depreciation and Amortisation:</b>		
2.7.1	Depreciation on Building		
2.7.2	Depreciation on Plant and machinery		
2.7.3	Depreciation on Others (please specify)		
2.7.4	Amortisation of one time entry fee for 3G services		
2.7.5	Amortisation of license fee/entry fees etc. (other than 3G)		
	<b>Sub-total</b>		
<b>2.8</b>	<b>Other cost:</b>		
2.8.1	Loss on sale of fixed assets(net)		
2.8.2	Corporate office expenses		
2.8.3	Others (please specify)		
	<b>Sub-total</b>		
<b>2.9</b>	<b>Finance charges (Refer Note 1)</b>		
2.9.1	Bank charges		
2.9.2	Others (please specify)		
	<b>Sub-total</b>		
<b>2.10</b>	<b>TOTAL COST</b>		
<b>3</b>	<b>Profit &amp; Loss Before Interest and Tax</b>		
<b>4</b>	<b>Replacement Cost Adjustment (Refer Note 2)</b>		
4.1	Holding gain/Loss		
4.2	Supplementary Depreciation		
4.3	Change in Operating Cost due to replacement of assets		
4.4	Total adjustment		
<b>5</b>	<b>Profit &amp; Loss Before Interest and Tax</b>		
	<b>Total Capital Employed</b>		
	<b>Return on Capital Employed (%)</b>		
	<b>Return on turnover (%)</b>		

\* Group mean the parties defined as "Related Party" in the Regulation

Notes:

- 1 Excluding interest on loans/borrowed funds
- 2 Relevant for reporting on the basis of Replacement Cost Accounting.
- 3 This Proforma shall be prepared for each service separately as prescribed in Schedule I to Regulation

**Proforma B**  
**PROFIT & LOSS STATEMENT - PRODUCT**

Name of The Company :

Name of Service:

Geographical Area of Operation :

Period :

Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

S No.	Particulars	Product Type (See Note 1)				Total
		Product A	Product B	Product C	Product.....	
<b>1</b>	<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>					
	<b>Total Revenue</b>					
1.3	<b>Less: Pass through Charges</b>					
1.3.1	To Access Service Providers					
1.3.2	To NLD Operators					
1.3.3	To ILD Operators					
1.3.4	Others (please specify)					
1.4	Revenue(net of Pass through)					
	<b>COSTS:</b>					
<b>2</b>	<b>PRODUCT DIRECT COST</b>					
2.1	<b>Employee cost</b>					
2.1.1	Salaries and wages					
2.1.2	Contribution to provident fund and other funds					
2.1.3	Staff welfare					
2.1.4	Training and recruitment					
2.1.5	Others (please specify)					
	<b>Sub total</b>					
2.2	<b>Administration cost</b>					
2.2.1	Rent (Other than Network Element Equipments and Cell sites)					
2.2.2	Rates and taxes					
2.2.3	Insurance charges (Other than Network Element Equipments)					
2.2.4	Communication costs					
2.2.5	Electricity					
2.2.6	Travel and conveyance expenses					
2.2.7	Legal and professional charges					
2.2.8	Printing and stationery					
2.2.9	Audit fees					
2.2.10	Outsourcing Charges					
2.2.11	Porting Charges for MNP					
2.2.12	Others (please specify)					
	<b>Sub total</b>					
2.3	<b>Sales and Marketing cost</b>					
2.3.1	Advertisement and business promotion expenses					
2.3.2	Sales commission					
2.3.3	Provision for bad and doubtful debts					
2.3.4	Bad debts write off					
2.3.5	Outsourcing (Billing Services and Customer Care Services)					
2.3.6	Others (please specify)					
	<b>Sub total</b>					
2.4	<b>Maintenance cost</b>					
2.4.1	Annual maintenance charges					
2.4.2	Network Consumables					
2.4.3	Repairs and maintenance:					
2.4.3.1	Buildings					
2.4.3.2	Plant and machinery					
2.4.3.3	Others					
2.4.4	Outsourcing Charges for Maintenance activities					
2.4.5	Others (please specify)					
	<b>Sub total</b>					
2.5	<b>Government charges</b>					
2.5.1	License fee					
2.5.2	License fee penalty, if any					
2.5.3	WPC charges:					
2.5.3.1	Radio Spectrum Charges					
2.5.3.2	Microwave Charges					
2.5.4	Others (please specify)					
	<b>Sub total</b>					

	Product A	Product B	Product C	Product.....	Total
<b>2.6 Network operating Cost:</b>					
2.6.1 Leased Circuits and Gateway Charges					
2.6.2 Royalty for technical know how fees					
2.6.3 Rent (Network Element Equipments and Cell sites)					
2.6.4 Power and fuel					
2.6.5 Interconnection:					
2.6.5.1 Port charges					
2.6.5.2 Others (please specify)					
2.6.6 Passive Infrastructure Charges:					
2.6.6.1 paid within group/ company					
2.6.6.2 paid outside group					
2.6.7 Insurance Charges (Network Element Equipments)					
2.6.8 Outsourcing Charges for Network Element Equipments					
2.6.9 Others (please specify)					
<b>Sub-total</b>					
<b>2.7 Depreciation and Amortisation</b>					
2.7.1 Depreciation on Building					
2.7.2 Depreciation on Plant and machinery					
2.7.3 Depreciation on Others (please specify)					
2.7.4 Amortisation of one time entry fee for 3G services					
2.7.5 Amortisation of license fee/entry fees etc. (other than 3G)					
<b>Sub-total</b>					
<b>2.8 Other cost</b>					
2.8.1 Loss on sale of fixed assets(net)					
2.8.2 Corporate office expenses					
2.8.3 Others (please specify)					
<b>Sub-total</b>					
<b>2.9 Finance charges (Refer Note 2)</b>					
2.9.1 Bank charges					
2.9.2 Others (please specify)					
<b>Sub-total</b>					
<b>TOTAL DIRECT COST (I)</b>					
<b>3 NETWORK ELEMENT COST (refer note 3):</b>					
3.1 Network element 1					
3.2 Network element 2					
3.3 Network element 3					
3.4 Network element 4					
3.5 Network Element.....					
<b>Total NETWORK ELEMENT COST (II)</b>					
<b>4 SUPPORT FUNCTION / DEPARTMENT COST (refer note 4):</b>					
<b>TOTAL SUPPORT FUNCTIONS/DEPARTMENT COST (III)</b>					
<b>5 TOTAL COST (I+II+III)</b>					
<b>6 Profit &amp; Loss Before Interest and Tax</b>					
<b>7 Replacement Cost Adjustment (refer note 5)</b>					
7.1 Holding gain/Loss					
7.2 Supplementary Depreciation					
7.3 Change in Operating Cost due to replacement of assets					
7.4 Total adjustment					
<b>8 Profit &amp; Loss Before Interest and Tax</b>					
<b>Total Capital Employed</b>					
<b>Return on Capital Employed (%)</b>					
<b>Return on turnover (%)</b>					

\* Group mean the parties defined as "Related Party" in the Regulation

Notes:

- 1 This sheet is to be prepared for each relevant Product as prescribed in Schedule I to Regulation
- 2 Excluding interest on loans/borrowed funds
- 3 As transferred from Proforma C
- 4 As transferred/apportioned from Proforma D
- 5 Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.
- 6 The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant

**Proforma C**  
**COST SHEET: NETWORK ELEMENTS**

Name of The Company :

Name of Service:

Geographical Area of Operation :

Period :

Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

S No.	Particulars	Network Element 1	Network Element 2	Network Element....	Total
	<b>COSTS:</b>				
<b>1</b>	<b>NETWORK DIRECT COST</b>				
<b>1.1</b>	<b>Employee cost</b>				
1.1.1	Salaries and wages				
1.1.2	Contribution to provident fund and other funds				
1.1.3	Staff welfare				
1.1.4	Training and recruitment				
1.1.5	Others (please specify)				
	<b>Sub total</b>				
<b>1.2</b>	<b>Administration cost</b>				
	Rent (Other than Network Element Equipments and Cell sites)				
1.2.1					
1.2.2	Rates and taxes				
	Insurance charges (Other than Network Element Equipments)				
1.2.3					
1.2.4	Communication costs				
1.2.5	Electricity				
1.2.6	Travel and conveyance expenses				
1.2.7	Legal and professional charges				
1.2.8	Printing and stationery				
1.2.9	Audit fees				
1.2.10	Outsourcing Charges				
1.2.11	Porting Charges for MNP				
1.2.12	Others (please specify)				
	<b>Sub total</b>				
<b>1.3</b>	<b>Sales and Marketing cost</b>				
1.3.1	Advertisement and business promotion expenses				
1.3.2	Sales commission				
1.3.3	Provision for bad and doubtful debts				
1.3.4	Bad debts write off				
1.3.5	Outsourcing (Billing Services and Customer Care Services)				
1.3.6	Others (please specify)				
	<b>Sub total</b>				
<b>1.4</b>	<b>Maintenance cost</b>				
1.4.1	Annual maintenance charges				
1.4.2	Network Consumables				
1.4.3	Repairs and maintenance				
1.4.3.1	Buildings				
1.4.3.2	Plant and machinery				
1.4.3.3	Others				
1.4.4	Outsourcing Charges for Maintenance activities				
1.4.5	Others (please specify)				
	<b>Sub total</b>				
<b>1.5</b>	<b>Government charges</b>				
1.5.1	License fee				
1.5.2	License fee penalty, if any				
1.5.3	WPC charges:				
1.5.3.1	Radio Spectrum Charges				
1.5.3.2	Microwave Charges				
1.5.4	Others (please specify)				
	<b>Sub total</b>				
<b>1.6</b>	<b>Network operating Cost</b>				
1.6.1	Leased Circuits and Gateway Charges				
1.6.2	Royalty for technical know how fees				
1.6.3	Rent (Network Element Equipments and Cell sites)				
1.6.4	Power and fuel				
1.6.5	Interconnection:				
1.6.5.1	Port charges				
1.6.5.2	Others (please specify)				
1.6.6	Passive Infrastructure Charges:				
1.6.6.1	paid within group/ company				
1.6.6.2	paid outside group				
1.6.7	Insurance Charges (Network Element Equipments)				
1.6.8	Outsourcing Charges for Network Element Equipments				
1.6.9	Others (please specify)				
	<b>Sub-total</b>				

<b>1.7</b>	<b>Depreciation and Amortisation</b>				
1.7.1	Depreciation on Building				
1.7.2	Depreciation on Plant and machinery				
1.7.3	Depreciation on Others (please specify)				
1.7.4	Amortisation of one time entry fee for 3G services				
1.7.5	Amortisation of license fee/entry fees etc. (other than 3G)				
	<b>Sub-total</b>				
<b>1.8</b>	<b>Other cost</b>				
1.8.1	Loss on sale of fixed assets(net)				
1.8.2	Corporate office expenses				
1.8.3	Others (please specify)				
	<b>Sub-total</b>				
<b>1.9</b>	<b>Finance charges (Refer Note 1)</b>				
1.9.1	Bank charges				
1.9.2	Others (please specify)				
	<b>Sub-total</b>				
	<b>TOTAL COST</b>				
<b>1.10</b>	<b>Replacement Cost Adjustment (Refer Note 2)</b>				
1.10.1	Holding gain/Loss				
1.10.2	Supplementary Depreciation				
1.10.3	Change in Operating Cost due to replacement of assets				
1.10.4	Total adjustment				
	<b>TOTAL NETWORK DIRECT COST (I)</b>				
<b>2</b>	<b>COST TRANSFERRED FROM SUPPORT FUNCTION / DEPARTMENT</b>				
2.1	Dept 1				
2.2	Dept 2				
2.3	Dept 3				
2.4	Dept.....				
	<b>TOTAL SUPPORT FUNCTIONS/DEPARTMENT COST (II)</b>				
<b>3</b>	<b>TOTAL NETWORK COST (I+II)</b>				
	<b>COMPUTATION OF AVERAGE PER UNIT COST OF NETWORK ELEMENT</b>				
	Total Usage (As relevant - No of subscribers / MoU / bandwidth etc.)				
	<b>Average Cost per Unit</b>				

**ALLOCATION OF COST OF NETWORK COST TO PRODUCTS**

Particulars	Basis of Allocation	Product A	Product B	Product C	Product....	Total
Network Element 1						
Network Element2						
Network Element.....						
<b>Total</b>						

Notes:

- 1 Excluding interest on loans / borrowed funds
- 2 Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.
- 3 In case there is any Joint network element with any other service, the cost of the same will be split and shown under the respective service wise cost sheet.
- 4 The list of Network elements is provided in Schedule II to Regulation. The service provider should use this list. In case any Network element is not relevant, the same may be shown as Nil.
- 5 The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant





<b>1.6</b>	<b>Network operating Cost</b>							
1.6.1	Leased Circuits and Gateway Charges							
1.6.2	Royalty for technical know how fees							
1.6.3	Rent (Network Element Equipments and Cell sites)							
1.6.4	Power and fuel							
1.6.5	Interconnection:							
1.6.5.1	Port charges							
1.6.5.2	Others (please specify)							
1.6.6	Passive Infrastructure Charges:							
1.6.6.1	paid within group/ company							
1.6.6.2	paid outside group							
1.6.7	Insurance Charges (Network Element Equipments)							
1.6.8	Outsourcing Charges for Network Element Equipments							
1.6.9	Others (please specify)							
	<b>Sub-total</b>							
<b>1.7</b>	<b>Depreciation and Amortisation</b>							
1.7.1	Depreciation on Building							
1.7.2	Depreciation on Plant and machinery							
1.7.3	Depreciation on Others (please specify)							
1.7.4	Amortisation of one time entry fee for 3G services							
1.7.5	Amortisation of license fee/entry fees etc. (other than 3G)							
	<b>Sub-total</b>							
<b>1.8</b>	<b>Other cost</b>							
1.8.1	Loss on sale of fixed assets(net)							
1.8.2	Corporate office							
1.8.3	Others (please specify)							
	<b>Sub-total</b>							
<b>1.9</b>	<b>Finance charges (Refer note 1)</b>							
1.9.1	Bank charges							
1.9.2	Others (please specify)							
	<b>Sub-total</b>							
	<b>TOTAL COST</b>							
<b>1.10</b>	<b>Replacement Cost Adjustment (Refer Note 2)</b>							
1.10.1	Holding gain/Loss							
1.10.2	Supplementary Depreciation							
1.10.3	Change in Operating Cost due to replacement of assets							
1.10.4	Total adjustment							
	<b>TOTAL COST - SUPPORT FUNCTIONS/DEPARTMENTS</b>							

**ALLOCATION OF COST OF SUPPORT FUNCTION/DEPARTMENT TO PRODUCT / NETWORK ELEMENTS**

(Rs in Lakh)

Departments	Deptt 1	Deptt 2	Deptt 3	Deptt 4	Deptt 5	Others	Total
<b>Allocation to Products</b>							
Product A							
Product B							
Product C							
Product D							
Product E							
Product .....							
<b>Allocation to Network Elements</b>							
Network Element 1							
Network Element 2							
Network Element 3							
Network Element 4							
Network Element 5							
Network Element.....							
<b>Total</b>							

1 Excluding interest on loans/borrowed funds

2 Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.

3 The common cost of the Corporate office / regions shall be allocated at the circles

4 The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant

5 The indicative List of departments is provided below.

**BASIS OF APPORTIONMENT**

List of Departments	Basis of Apportionment*
<b>Marketing</b>	
Billing	
Customer Care	
Call Centre	
Credit Control	
Sales and marketing	
Others	
<b>Network Operations &amp; Maintenance</b>	
Network Management	
Network Maintenance	
Others	
<b>General Administration</b>	
F&A	
HR	
IT / EDP	
Legal / regulatory	
Materials	
Corporate Office	
Others	
<b>Other Departments.....</b>	

\* such as No. of subscribers/ no. of Bills / budgeted usage / No. of employees / Area / Fixed Assets base etc.

**Proforma E**  
**STATEMENT OF GROSS BLOCK, DEPRECIATION AND NET BLOCK - SERVICE**

Name of The Company :

Name of Service:

Geographical Area of Operation :

Period :

Cost Base:

Historical Cost Accounting / Replacement Cost Accounting

**PROFORMA D: FORMAT FOR FIXED ASSET/ DEPRECIATION STATEMENT**

Particulars	Gross Block/Depreciation/Net Block										(Rs in Lakh)
	Land	Building	Plant and machinery	Computers	Office equipment	Furniture and fixtures	Vehicles	License	Patents / Technical know how	Others	Total
NETWORK ELEMENTS (refer note 1)											
---											
---											
---											
Sub Total (A)											
PRODUCTS											
---											
---											
---											
Subtotal ( B)											
SUPPORT FUNCTIONS/DEPARTMENTS											
---											
---											
Sub Total ( C)											
TOTAL (A+B+C)											

Notes:

1. As prescribed in Schedule II to regulations
2. Separate Forms for Fixed Asset ( Gross Block/ Net Block) and Accumulated Depreciation.
3. Form should specifically mention whether it is prepared on Historical cost basis or replacement cost
4. A statement indicating Rate of Depreciation charged during the reporting period on various Fixed Assets will be annexed to proforma E

**Proforma F**  
**CAPITAL EMPLOYED STATEMENT- SERVICE**

Name of The Company :

Name of Service:

Geographical Area of Operation :

Period :

Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

Particulars	Current Year				Previous Year			
	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 2)	Total/ Net Replacement Cost (refer note 2)	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 2)	Total/ Net Replacement Cost (refer note 2)
<b>FIXED ASSETS - Gross Book Value :</b>								
<b>Tangible Assets</b>								
Land								
Building								
Plant and machinery								
Computers								
Office equipment								
Furniture and fixtures								
Vehicles								
<b>Intangible Assets</b>								
License								
Patents / technical know how								
Others								
<b>Total Fixed Assets</b>								
<b>Less: Accumulated Depreciation</b>								
<b>NET BOOK VALUE OF FIXED ASSETS (I)</b>								
<b>CAPITAL WORK IN PROGRESS (II)</b>								
<b>CURRENT ASSETS:</b>								
Inventories								
Cash and bank balance								
Debtors								
Loans and advances								
Others (please specify)								
<b>Sub total</b>								
<b>CURRENT LIABILITIES:</b>								
Trade Payables								
Provisions								
Security deposits								
Advance rentals								
Other (please specify)								
<b>Sub total</b>								
<b>NET WORKING CAPITAL (III)</b>								
<b>TOTAL CAPITAL EMPLOYED (I + II+ III)</b>								
<b>Weighted Average Cost of Capital i.e. WACC (in %)</b>								

Notes:

- Capital Employed is the closing capital employed at the end of the Accounting period.
- Replacement cost Adjustment and Net Replacement Cost is relevant for reports prepared on the basis of Replacement Cost Accounting.
- WACC is pre tax Weighted Average Cost of Capital. Statement of computation of pre tax WACC should be attached.

**Proforma G**  
**CAPITAL EMPLOYED STATEMENT: ALLOCATION TO PRODUCTS**

**Name of The Company :**

**Name of Service:**

**Geographical Area of Operation :**

**Period :**

**Cost Base:** Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

Products	Current Year				Previous Year			
	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 4)	Total/ Net Replacement Cost (refer note 4)	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 4)	Total/ Net Replacement Cost (refer note 4)
Product A								
Product B								
Product C								
Product D								
Product E								
Product F								
Products.....								
<b>TOTAL</b>								

Notes:

1. The capital employed for network elements may be allocated to the individual network elements in the ratio of fixed assets value for the respective network elements. The attribution of capital employed of network elements to the products would be similar to the method of allocation / apportionment of network element cost to products (i.e. based on usage, number on connections, bandwidth etc).
2. The capital employed for 'Others' shall be directly attributed to the product wherever directly identifiable. The balance may be apportioned using general allocator such as revenue, cost etc as considered appropriate.
3. Capital Employed is the closing capital employed at the end of the Accounting period.
4. Replacement cost Adjustment and Net Replacement Cost is relevant for reports prepared on the basis of Replacement Cost Accounting.

**Proforma H**  
**STATEMENT OF RELATED PARTY TRANSACTIONS**

**Name of The Company :**

**Name of Service:**

**Geographical Area of Operation :**

**Period :**

**Cost Base:** Historical Cost Accounting

**REVENUE**

Particulars	Unit of Measurement <i>(refer note 1)</i>	Sale - Outside Group <i>(refer note 2)</i>			Sale - Within Group/ Company		
		Volume	Revenue (Rs Lakhs)	Per Unit (Rs)	Volume	Revenue (Rs Lakhs)	Per Unit (Rs)
Product A							
Product B							
Product C							
Product D							
Product E							
Product F							
Products.....							
<b>TOTAL</b>							

**Note:**

1. Number of Calls, Minutes of Usage, number of messages etc.

2. Group mean the parties defined as "Related Party" in the Regulation. Separate information to be provided for each company separately with in Group

**Proforma I**  
**RECONCILIATION STATEMENT (COVERING ALL SERVICES AND AREA OF OPERATION) WITH AUDITED FINANCIAL STATEMENTS**

**Name of The Company :**  
**Name of Service:** Consolidated for all telecom services  
**Geographical Area of Operation :** Service provider as a whole covering all telecom services  
**Period :**  
**Cost Base:** Historical Cost Accounting

(Rs in Lakh)

Sl No.	Particulars	Telecom Services (refer Note 1)											Inter Service Adjustment (if any)	Total of Services (net of inter service adjustment)	Other than telecom services as prescribed in Schedule I to Regulation	Reconciliation (refer note 2)	Total as per Audited Financial Statements
		Access Service - Wireless (Full Mobility)	Access Service - WLL	Access Service - Wireline	Internet Service	National Long Distance Service	international Long Distance Service	Tower Business	Dark Fiber	Cable Landing Station	Mobile Number Portability	Very Small Aperture Terminal Service					
1	<b>Revenue:</b>																
1.1	Revenue (net of service tax)																
1.2	Less: pass through																
1.3	Revenue (net of Pass through)																
2	<b>Costs:</b>																
2.1	Employees Cost																
2.2	Administration Cost																
2.3	Sales and marketing Cost																
2.4	Maintenance Cost																
2.5	Government Charges																
2.6	Network operating Cost																
2.7	Depreciation and Amortisation																
2.8	Others Cost (please specify)																
2.9	Finance Charges (refer note 3)																
	<b>TOTAL COST</b>																
3	<b>Profit before Interest and Tax (PBIT)</b>																
4	<b>Profit after Tax (PAT) (refer Note 4)</b>																
5	<b>Capital Employed</b>																

Note:

- 1 For Telecom services, Revenues, costs and capital employed should be in agreement with Proforma A of that particular service.
- 2 A separate list shall be annexed with this Proforma for individual item / head of account having value more than Rs 10 crore.
- 3 Excluding interest on loans /borrowed funds
- 4 Not to be filled at each service level. Reconciliation may be done for consolidated PBIT of all telecom services with PAT of the Company.

**PROFORMA J**

**NON FINANCIAL REPORT**

**(A) Statement of Non-Financial Information for Access Service – Wireless (provide separate for Full Mobility and WLL)**

**I. Basic Information**

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue/migration
- 1.3 Licensed Service Area
- 1.4 License Period
- 1.5 Date of commencement of commercial service

**II. Subscriber Details**

- 2.1 Number of subscribers (Please mention number of subscribers at the beginning and end of the year)

	Opening	Closing
Pre-Paid		
Post Paid		
Total Subscribers		

**III. Traffic Details**

- 3.1 Usage - Minutes/Numbers (in lakh)

	On Net	Off Net Originating	Off Net Terminating	Total
(A) Voice (MoU)				
(B) Video (MoU)				
(C) SMS (Nos.)				
(D) MMS (Nos.)				

- 3.2 Data Usage (in MB):
- 3.3 Total bandwidth (Mbps) sold through leased circuits:
- 3.4 Transmission Capacity Details

	<b>Length in Route Kilometer</b>
<b>OFC:</b>	
- Owned	
- Leased In	
<b>Microwave:</b>	
- Owned	
- Leased In	
<b>Satellite</b>	



3.5 Number of Towers:

	Owned	Leased
Ground Base Tower (GBT)		
Roof Top Tower (RTT)		
Roof Top Pole (RTP)		

**(B) Statement of Non-Financial Information for Access Service – Wireline**

**I. Basic Information**

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue/migration
- 1.3 Service Area licensed
- 1.4 License Period
- 1.5 Date of commencement of commercial service

**II. Subscriber Details**

2.1 Details of DELs

	Total Capacity of DELs	Number of Subscribers
Urban		
Rural		
Total		

**III. Traffic Details**

3.1 Transmission Capacity Details:

	Length in Route Kilometer
<b>OFC:</b>	
- Owned	
- Leased In	
<b>Microwave:</b>	
- Owned	
- Leased In	
<b>Satellite</b>	

3.2 Minutes of usage/ Numbers (in lakh):

	On Net	Off Net Originating	Off Net Terminating	Total
(A) Voice (MoU)				
(B) Video (MoU)				
(C) SMS (Nos.)				
(D) MMS (Nos.)				

3.3 Data Usage (in MB):

3.4 Total bandwidth (Mbps) sold through leased circuits:

### **(C) Statement of Non-Financial Information for Internet Service**

#### **I. Basic Information**

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue/migration
- 1.3 License Category (please indicate whether A, B or C)/Licensed Area
- 1.4 License Period
- 1.5 Date of commencement of commercial service

#### **II. Subscriber Details**

- 2.1 Number of subscribers:
  - (a) Internet Broadband
  - (b) Internet (Other than Broadband)
  - (c) IP TV

#### **III. Network Information**

- 3.1 Capacity details:
  - (a) Total owned capacity (bandwidth in Mbps)
  - (b) Capacity Leased in (bandwidth in Mbps)
  - (c) Capacity Leased out (bandwidth in Mbps)

3.2 International Internet Bandwidth:

**(D) Statement of Non-Financial Information for National Long Distance Service****I. Basic Information**

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue/migration
- 1.3 License Period
- 1.4 Date of Commencement of commercial service

**II. Traffic Details**

## 2.1 Details of Transmission Capacity available

	Length in Route Kilometer
<b>OFC:</b>	
(a) Owned	
(b) Leased In	
<b>Microwave:</b>	
(a) Owned	
(b) Leased In	
<b>Satellite</b>	

- 2.2 Voice Usage Minutes (carriage) (in lakh):
- 2.3 Managed Data Service (VPN/ CUG) (total bandwidth):
- 2.4 Total bandwidth (Mbps) sold through leased circuits:

**(E) Statement of Non-Financial Information for International Long Distance Service****I. Basic Information**

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue/migration
- 1.3 License Period
- 1.4 Date of Commencement of commercial service

**II. Traffic Details**

## 2.1 Details of Transmission Capacity (in Mbps) available

Particulars	Capacity Utilisation			Total
	Capacity Sold-Retail	Capacity Sold-Leased Out	Captive Consumption	
Capacity Owned				
Capacity leased in				
Total Capacity				

- 2.2 Voice Usage Minutes (ILD) (in lakh):
- (a) Incoming
  - (b) Outgoing
- 2.3 Managed Data Service (VPN/ CUG) (total bandwidth):
- 2.4 Total bandwidth (Mbps) sold through leased circuits:

**(F) Statement of Non-Financial Information for Tower Business Service**

**I. Basic Information**

Information as of (date)

- 1.1 Name of License/Registration
- 1.2 License/Registration No. and date of issue
- 1.3 Date of Commencement of commercial service

**II. Towers Details**

- 2.1 Number of Towers

Particulars	Ground Base Tower (GBT)	Roof Top Tower (RTT)	Roof Top Pole (RTP)
Number of Towers			
Average Tenancy Ratio			

**(G) Statement of Non-Financial Information for Dark Fibre Service**

**I. Basic Information**

Information as of (date)

- 1.1 Name of License/Registration
- 1.2 License/Registration No. and date of issue
- 1.3 Date of Commencement of commercial service

**II. Transmission Media Details**

- 2.1 Total Number of Route Kilometers of OFC
- 2.2 Number of Route Kilometers sold/leased out

## (H) Statement of Non-Financial Information for Cable Landing Service

### I. Basic Information

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue
- 1.3 Date of Commencement of service

### II. Capacity Details

- 2.1 Number of Cable Landing Stations:
- 2.2 Number of submarine cables landing at the Cable Landing Stations:
- 2.3 Capacity Utilisation:

				(in Mbps)
Particulars	Capacity Sold-Retail	Capacity Sold- - Leased Out	Captive Consumption	Total
Capacity Owned				
Capacity Leased in				
Total Capacity				

- 2.4 Number of ILDO/ISP to whom landing facility provided:
- 2.5 Number of ILDO/ISP to whom access facility provided:
- 2.6 Number of ILDO/ISP to whom co-location provided:

*(Information in respect of 2.4, 2.5 & 2.6 shall be given for the last day of financial year being reported)*

## (I) Statement of Non-Financial Information for Mobile Number Portability

### I. Basic Information

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue
- 1.3 Date of Commencement of commercial service

### II. Porting Details

- 2.1 Number of porting done:

## **(J) Statement of Non-Financial Information for VSAT Service**

### **I. Basic Information**

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue
- 1.3 Date of Commencement of commercial service

### **II. Subscribers/Capacity details**

- 2.1 Number of Subscribers:
  - (a) Individual
  - (b) Closed User Group

## SCHEDULE-IV

### FORM OF AUDIT REPORT ON THE ACCOUNTING SEPARATION REPORT

I/We,.....having been appointed as the Auditor(s) under the requirements laid down in the Reporting System on Accounting Separation Regulation, 2012 (here in after referred to as the Regulation) issued by Telecom Regulatory Authority of India (here in after referred to as the Authority) by ..... (mention name of the Company ) having its registered office at ..... (mention registered office address of the company) (here in after referred to as the Company) have audited the attached Accounting Separation Reports covering .....(mention name of service/geographical area)for the year ended ..... (mention the accounting year) of the Company.

2 The Company is responsible for preparation of the Accounting Separation Reports and these have been approved by the Board of Directors of the Company. My/ Our responsibility is to audit the Accounting Separation Reports in accordance with the Regulation and generally accepted auditing standards in India.

3 Further to my/our comments/observations given in the enclosed Annexure (Annexure is required in case there are comments/observations on Accounting Separation Reports), I/We report that:

- (a) I / we have received all the information and explanations, which to the best of my/our knowledge and belief were necessary for the purpose of my/our audit.
- (b) In my / our opinion proper books of account have been kept by the Company 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.
- (c) The Accounting Separation Reports for the year ended ..... are in agreement with the books of accounts and have been properly drawn up in accordance with the Regulation and the methods and basis laid down in the Manual of the Company prescribed under the Regulation.
- (d) In my/our opinion, and to the best of my/our information and according to the explanations given to me/us, the Accounting Separation Reports for the year ended..... give the information required by the Regulation in the manner so required and give a true and fair view in conformity with the framework as per the Regulation.

4 I/ We also report that all changes to the Manual prescribed under Regulation that materially affect the Accounting Separation Reports for the year ended .....have been filed with the Authority by the Company.

Dated :

Signature

Place :

Name of Proprietor/Partner

Membership No.

Name of the Firm with Stamp (Seal)