



# **Uniform Chart of Accounts (UCA)**

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# **Introduction:**

- ▶ **The project “Technical Assistance for the Electricity Regulatory Commission, Jordan (ERC)” is provided the ERC with technical assistance to strengthen its institutional capacity and regulate more effectively the energy sector.**
- ▶ **An integral element of this Project is the provision of a Uniform Chart of Accounts that would be consistently implemented in a reasonable time frame by all the Distribution Licensees.**

# Introduction:



- ▶ **The Uniform Chart of Accounts (UCA) is one of the projects in which the electricity Regulatory Commission (ERC) aims to contribute in the continues developing of the electricity distribution companies.**
  
- ▶ **The UCA will implement by all the Distribution Companies:**
  - ❑ **Jordanian Electric Power Company (JEPCO).**
  - ❑ **Electricity District Company (EDCO).**
  - ❑ **Irbid District Electricity Company (IDECO).**



# **Objectives of the UCA**

**The UCA designed to:**

- 1. Developing of financial and accounting systems to the distribution companies, the External and the Local consultants for the UCA denoted that (EDCO) needed to replace the financial information systems with new financial Systems addition to the implementation of the UCA, while that (JEPCO) and (IDECO) needed only to develop its existence financial information systems along with the implementation of the UCA.**



## **Objectives of the UCA (Cont...)**

- 2. Standardization the Accounting policy for the electricity distribution companies.**
  
- 3. Standardization the of financial statements for the electricity distribution companies in order to facilitate the work of the Electricity Regulatory Commission in the preparation of Bulk and Retail Tariff for distribution companies.**



# **Financial Reports Requirements**

**The Financial Reports to be submitted by the Licensees to the Electricity Regulatory Commission are covering the following areas:**

- 1.Assets and Liabilities Report.
- 2.Revenues and Cost Report.
- 3.Fixed Asset Cost Report.
- 4.Fixed Asset Depreciation Report.
- 5.Core Tariff Income Report.
- 6.Core Tariffs Cost Report.
- 7.Core Non-Tariff Revenues and Costs Report.
- 8.Non-Core Revenues and Costs Report.
- 9.Rate Base Report.

## Components of the UCA

### Uniform Financial Statements

(1) A detailed report of assets and liabilities.

(2) A detailed report of earnings and expenses.

(3) A detailed report of the costs of fixed assets.

(4) A detailed report of Depreciations and Amortizations

(5) A detailed report of energy sales income.

(6) A detailed report of energy purchases costs.

(7) A detailed report of core earnings and core expenses unassociated with sales and purchases of energy.

(8) A detailed report of non-core income and costs.

(9) calculation of the asset base (RAB).

### Accounting Manual

### Chart of Accounts



# The Current Situation in Regarding the Existence Accounting System



- ▶ The most important step in implementing the UCA is to determine the scale of fit between the existing chart of account of each licensee and the Uniform Chart of Account (UCA).
  - Significant gaps were identified relating to several items such as:
    - ▶ Differences in the Balance Sheet Accounts such as (Customers Deposit Account). [CLICK TO ILLUSTRATE](#)
    - ▶ Differences in Income Statement Accounts such as Surplus (Revenue) from the customers contributions. [CLICK TO ILLUSTRATE](#)

# The Current Situation in Regarding the Existence Accounting System (Cont...):



- ▶ **fixed assets and the corresponding accumulated depreciation accounts.**
- ▶ **Additionally, there are gaps relating to the core and non-core revenues and expenses, where as the UCA provide more clarifications in this regard.**
- ▶ **Salaries: IDECO Reflects the costs of salaries in separate items, but EDCO and JEPCO reflected the costs of salaries in three items (Operating, Maintenance and Administrative).**
- ▶ **In the UCA DESCO's shall implement the salaries accounts like EDCO and IDECO.**

# **The Current Situation in Regarding the Existence Accounting System (Fixed Assets):**

## **EDCO Fixed Assets**

- ▶ EDCO Fixed Assets are categorized by region (i.e., Jordan Valley, Karak. etc)
- ▶ The specific region assets are broken down into subcategories such as:
  - Lands
  - Buildings
  - Meters
  - Low Voltage Land Lines
- ▶ The fixed assets categories and subcategories are not consistent with the UCA

# The Current Situation in Regarding the Existence Accounting System (Fixed Assets) cont....:



## IDECO Fixed Assets

- ▶ IDECO Fixed Assets are grouped as follows :
  - Fixed Assets Except for Networks
  - Distribution Networks Assets
  - There is inconstancy between IDECO and EDCO.

# The Current Situation in Regarding the Existence Accounting System (Fixed Assets) cont....:



## JEPCO Fixed Assets

### ► JEPCO Fixed Assets are categorized such as:

- Fixed Assets:
  - Buildings
  - Transformers
  - Network Overhead Lines
  - Underground cables
- Distribution Assts
  - Buildings
  - Transformers
  - Network Overhead Lines
  - Underground cables
- Other Assts
  - Lands
  - Buildings
  - Generators
  - Communication Equipments
  - Rural Projects
  - Tools
  - Furniture
  - Vehicles
  - Computer Equipment
  - Meter Test Equipment
  - Heating Equipment.

## **(Fixed Assets) According to the UCA Classifications**

- ▶ **UCA fixed assets categories as:**
  - **System Operations**
  - **Transmission Plant**
  - **Distribution Plant**
  - **General Core Tariff Plant**
  - **Other Core Tariff Fixed Assets**
  - **Non-core Fixed Assets**
  
- ▶ **The accumulated depreciation accounts of EDCO are also not consistent with the UCA**

# The Income Accounts According to the UCA

## Classifications:



### **1. CORE TARIFF INCOME.**

- ▶ Revenues from the sold energy.

### **2. CORE NON-TARIFF INCOME:**

- ▶ Revenues arising from penalties and fines (Such as declining the power factor).
- ▶ Revenues relating to the connection of customers.
- ▶ Revenues arising from sales of other services.
- ▶ Revenues arising from sales of goods.
- ▶ Surplus / deficit on work funded by contributions.
- ▶ Other core non-tariff income.



# The Income Accounts According to the UCA

## Classifications (cont)....:

### Other Income

- ▶ Revenues from electric plant leased to others.
- ▶ Revenues from merchandising, jobbing, and contract work.
- ▶ Gains from disposition of utility plant.
- ▶ Foreign Exchange gains.
- ▶ Other core-non tariff other revenue.



# The Income Accounts According to the UCA

## Classifications (cont)....:

### **3. NON-CORE INCOME**

- ▶ Rental income.
- ▶ Gain on disposition of non-core property.
- ▶ Interest and dividend income.
- ▶ Interest and dividend income from associated / subsidiary companies.
- ▶ Gains on investments and loans.



# **The Expenses Accounts According to the UCA**

## **Classifications:**

### **1. CORE TARIFF EXPENSES**

- ▶ **Purchased Power Supply Expenses**

### **2. CORE NON TARIFF EXPENSES**

- ▶ **System Operation : Operation, Maintenance**
- ▶ **Transmission : Operation, Maintenance**
- ▶ **Distributions : Operation, Maintenance**
- ▶ **Customer Accounts Expenses**
- ▶ **Customer Service and Information Expenses**
- ▶ **Sales Expenses**
- ▶ **Administrative and General Expenses**
- ▶ **Depreciation and Amortisation Expenses**
- ▶ **Other Expenses**

# The Expenses Accounts According to the UCA

## Classifications (cont)....:

### **3. NON-CORE EXPENSES**

- ▶ Expenses of non-core income activities.
- ▶ Non-core rental expenses.
- ▶ Loss on disposition of non-core property.
- ▶ Losses on revaluation of non-core plant.
- ▶ Non-Core Labour Cost.
- ▶ Losses on revaluation of core plant.
- ▶ Depreciation of Transmission assets revaluation surplus.
- ▶ Depreciation of system operation assets revaluation surplus.
- ▶ Depreciation of distribution assets revaluation surplus.
- ▶ Depreciation of general core tariff plant revaluation surplus.
- ▶ Depreciation of other core tariff fixed assets revaluation surplus.
- ▶ Depreciation of non-core fixed assets.
- ▶ Depreciation of non-core fixed assets revaluation surplus.
- ▶ Depreciation of contributions for construction from Rural Fils.
- ▶ Depreciation of contributions for construction from Customers.



## **The Electricity Regulatory Commission requires that the Licensees obtain Independent Audits to verify:**

- ▶ **The accounting policies adopted by the Licensee and used in preparing the Financial Reports are in compliance with International Financial Reporting Standards.**
- ▶ **During the fiscal periods prior to full implementation of the Uniform Chart of Accounts that the submitted Financial Reports are arithmetically correct and are appropriately cross-referenced to the base financial data from each Licensee.**
- ▶ **Following full implementation of the UCA, that financial information within the submitted Financial Reports reconciles and agrees with the Uniform Chart of Accounts.**



## **Reporting Challenges:**

- ▶ **Various reporting requirements for stakeholders.**
- ▶ **The existing accounting system may not accommodate the various reporting requirements.**
- ▶ **The detailed UCA has the required details to satisfy the reporting requirements of stakeholders.**
- ▶ **Various sets of reports can be created by grouping and details consistent with required reporting requirement.**



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You.....

