

Circulars - Accounts Division

200(a)	18.4.06	Issue of files to customer relation division	In force
201(f)	02.06.10	Revised List of account assigned to accountants	In force
204(a)	28.7.05	Scanning	In force
205(a)	10.9.05	Bank Charges	In force
206(a)	21.10.05	Accounts to accountants	In force
207(a)	2.12.06	Policy of accepting booking amounts and booking forms	In force
208(a)	7.5.07	Payment of on-account cash	In force
208(b)	19.6.07	Payment of on-account cash (Revised)	In force
210(a)	16.7.07	Maintenance of Movement Register	In force
211(a)	5.9.07	Payment of P.F.	In force
212(b)	19.11.07	Standard Procedures - Master circular	In force
213(a)	19.11.07	Cash Receipts & cash withdrawals	In force
214(a)	28.02.08	Payment for electric power connection	In force
215(a)	9.06.09	Cash & Receipt books and petty cash A/c.	In force

Circular No. 200(a) – Accounts Division

Date: 18.04.2006

Sub: Issue of Files to customer relations division

Accountants shall ensure that entries are made in the inward and outward registers while issuing the files to the customer relation division or to any other division or to the M.D.

In case of file issued to M.D., Aruna can sign in the register. Accountants shall be solely responsible for missing file.

Accountants as earlier shall ensure that cheques, agreements, booking forms, receipts etc., are also duly entered in inward and outward registers.

Managing Director

Sub: Revised list of account assigned to accountants to be effective on or before 06.06.2010.

S.No.	Name of the Company	
1	Mehta & Modi Homes	Rupesh to be assisted by G. Jagdish
2	Silver Oak Estates	
3	Silver Oak Bungalows Owners Association	
4	Villas at Silver Creek	
5	Vista Homes	
6	Summit Builders	Rupa to be assisted by Purushotham
7	Paramount Builders	
8	Bhargavi Developers	
9	Paramount Builders Owners Association	
10	Paramount Avenue Pvt Ltd	
11	MPIPL	
12	Modi Housing Pvt Ltd	
13	Summit Housing Pvt Ltd	
14	Soham Modi	
15	Tejal Modi	
16	Gaurang Mody	
17	Soham Modi HUF	
18	Paramount Estates	
19	Modi & Modi Constructions	Subramanyam to be assisted by Nagamani
20	Nilgiri Estates	
21	Nilgiri Homes Owners Association	
22	Greenwood Estates	Nagamani to be assisted by Subramanyam
23	Greenwood Residency Owners Association	
24		
25	B&C Estates	Haritha to be assisted by Keerthi
26	Alpine Estates	
27	Mayflower Heights	
28	Mayflower Heights Owners Association	
29	Modi Ventures I & II	Keerthi to be assisted by Haritha
30	Sri Sai Builders	
31	Alpine Heights	
32	MCMET	
33	GMCT	
34	Soham Mansion Owners Association	
35	Pramod Modi	
36	Syed Mehdi	
37	Modi Estates	
38	Gulmohar Residency	
39	Jade Estates	

40	Greens	G. Jagdish to be assisted by Roopesh
41	Satish Modi HUF	
42	Satish Modi	
43	Kadokia & Modi Housing	
44	MBMC	
45	Viswajit Castings	
46	M & M Associates	
47	Mahesh Desai & others	
48	Auditing	Sambasiva Rao & Purushotham
49	Bank works & other works	Santosh

Managing Director

Sub: Scanning

From 1st August 2005, all documents including agreements, deeds, letters, booking forms, advertisements, utility bills, utility receipts, etc., will be scanned and stored in PDF Format in the head office. All documents for scanning shall be placed in the scanning tray provided next to the computers in the head office. A slip for details of scanning has been provided and the same shall be attached to the documents which are to be scanned.

Raj kumar shall scan the documents and file them in the appropriate file. Bills and receipts shall be returned to the accountants for filing along with the vouchers.

Details / doubts regarding scanning shall be discussed in the next office meeting.

Managing Director

Circular No. 205(a)- Accounts Division

Date: 10.09.2005

Sub: Bank Charges

We are 'Preferred' customers at HDFC Bank. Accordingly, HDFC Bank has agreed to not to levy any bank charges on any of our accounts. In case bank charges are levied, accountants may please send a representation to HDFC Bank as per the enclosed draft. Draft is available in draft folders on the server.

Accounts in other bank which are not being used, must be closed on or before 17/09/05
Draft letter is enclosed.

Managing Director

Sub: Accounts to Accountants

Accountants for M/s. Modi Ventures (Mr. Jagadish), M/s. Mehta & Modi Homes (Mr. Satyanarayana), M/s. Summit Builders (Ms. Rupa), Paramount Builders (Mr. Mubashir), Greenwood Estates (Mrs. Nagamani), Mayflower Heights (Mrs. Vasanthi) shall maintain an Inward and Outward Register for the following documents:

1. Booking Form
2. Cheques (Current & PDCs)
3. Security cheques
4. Agreements and deeds
5. Documents relating to housing loan
6. Other documents relating to the customers like affidavits, confirmation letters, etc.

All documents not entered into the office inward and outward register and specifically relating to each project shall be entered into these registers.

The Format for Inward / Outward register shall be as follows:

1. Sl.No.
2. Date
3. Document / Item description
4. Flat / Plot No.
5. Sent through (Name & Sign) / Received from (Name & Sign)
6. Accountant's Sign
7. Remarks

Managing Director

Sub.: Policy on accepting booking amounts and booking forms.

Accountants shall not deposit booking amount cheques without receiving the booking form though they may accept the cheque and block the respective flat / bungalow. The flat may be blocked up till the end of the next working day.

The marketing staff may accept cheques towards booking without issuing the receipt. The receipt may be issued only at the time of signing the booking form. The marketing staff will not accept cash towards booking amount or issue a receipt before the booking form is signed.

In exceptional circumstances marketing staff may request Ramana Murthy / Sambasiva Rao to make the booking form in the office and send the original plus 1 copy to the site so that cash / cheque towards booking can be accepted.

In no circumstances the receipts shall be issued for booking amounts received without signing the booking form.

In case of outstation customers, the booking form has to be made, scanned and sent to the customer by e-mail latest by the end of the next working day from the date of receiving due credit for the booking amount. In case of outstation customers whose booking is made by a representative, booking form must be signed by the representative simultaneously with issue of receipt.

Accountants shall not accept booking forms where information like, Name, father's name, age, occupation, phone no., e-mail address if any, is not given. Under no circumstances shall an outstation booking be accepted without the correct e-mail address.

Soham Modi

Subject: payment of on-account cash

On-account cash payment being made by accountants shall be issued after due authorization as per the following limits:

Amount	On A/c. issued to	Purpose	Authorised by
Upto 1,000/-	Purchase Div.	Transport only	Suresh / Gaurang Mody / Kanaka Rao
Above 1,000/-	Purchase Div.	Transport only	Gaurang Mody / Kanaka Rao
Upto 5,000/-	Purchase Div.	Purchases only	Suresh / Gaurang Mody / Kanaka Rao
Upto 25,000/-	Purchase Div.	Purchases only	Gaurang Mody / Kanaka Rao / M.D.
Above 25,000/-	Purchase Div.	Purchases only	M.D.
Upto 5,000/-	Construction Div. for Engineers	Site expenses only	SOB - Ranjit / Anand / Swaroop SOA / MFH - P. Ramesh / Anand GMG - A. Ramesh / Srujan Babu PMR – Subba Reddy GWE – Suresh / Raghavendra / Hari HO & Maintenance – Shankar Reddy Other sites - Kanaka Rao / M.D / Ramana Authorization for above can also be given by Kanaka Rao / M.D / Ramana Murthy. Note: Supervisors are not authorised to take on-account without approval from the above.
Upto 10,000/-	Construction Div. for Engineers	Site expenses only	Ramana Murthy / Kanaka Rao / M.D.
Above 10,000	Construction Div. for Engineers	Site expenses only	M.D.
Upto 2,000/-	Admin. Div.	Office expenses / Salary advance	Shanker Reddy / Majid / Ramana Murthy
Upto 5,000/-	Admin. Div.	Office expenses	Shankar Reddy / Ramana Murthy
Above 10,000/-	Admin. Div.	Office expenses	M.D.
Upto 5,000/-	Customer Relations Div.	Incidental expenses, stamp papers & Reg. charges	Prabhakar Reddy / Kanaka Rao / M.D. / Ramana Murthy
Upto 25,000/-	Customer Relations Div.	Incidental expenses, stamp papers & Reg. charges	Kanaka Rao / M.D.
Upto 5,000/-	Sales	Sales promotional expenses	Deshmukh / Jagdish .K/ M.D.

Upto 50,000/-	General Manager	Incidental expenses	Kanaka Rao / M.D.
Above 50,000/-	General Manager	Incidental expenses	M. D.

For any other on-account cash payments upto Rs. 10,000/- authorization must be obtained from G. Kanaka Rao / Gaurang Mody / Ramana Murthy / Managing Director. And beyond 10,000/- authorization must be obtained from Managing Director.

Accountants must ensure that accounts are submitted before the end of the week. Accountants will not issue further on-account payments to staff whose accounts are pending beyond a period of 2 weeks.

In absence Ramana Murthy, Sambasiva Rao is authorized to sign on his behalf. When the M.D is out of town, Guarang Mody is authorized to sign on his behalf. In other cases accountants shall take permission from the M.D. by phone before issue of payments.

Managing Director.

Circular No. 208(b) – Accounts Division

Date: 19.06.2007

Subject: payment of on-account cash

Details of authorization for On-account cash payments have been clearly stated in Circular 208(a). The authorization procedure must be strictly followed.

Accountants not following the procedure shall be fined Rs. 500/- or more and may also be suspended for any violation.

The same circular i.e., 208(a) clearly states that accountants will not issue further on-account cash payments to staff members who have account pending for more than 2 weeks.

All pending on-accounts upto 1st June, 2007 shall be treated as loan in the hands of the employees if accounts are not produced before 30.6.2007. The loan shall be recovered from the employees salary.

Managing Director.

Circular No. 210 (a) – Accounts Division

Date: 16.07.2007

Subject: Maintenance of movement register

Accountants shall maintain a movement register for files along with inward and outward register. Movement of customer files, title document files, plans files, etc., should be entered in the file movement register. File movement register shall contain the following columns:

S. No.	Date	Flat No.	Customer name	File given to	Sign	Returned date

If required the inward and outward register can be clubbed together in a single 200 pages ruled long register. Ensure the register is correctly labeled.

Managing Director.

Ps: Shankar Reddy is advised to get the registers pre-printed

Sub.: Payment of P.F.

1. Accounts, Engineering and Admin must be aware that it is the liability of our Company to ensure that contractors pay P.F. for the labour employed by them. Penalties for default are very high. Similarly we must ensure compliance of service tax payment by the contractors.
2. We are ensuring payment of income tax by suppliers and contractors by deducting TDS from their payments. It is mandatory to deduct TDS and the penalty for default is to be borne by us. We have to file TDS returns in the Income tax dept., every year showing compliance and proof of payment of TDS. The TDS is to be deducted for labour payment, hire charges, job work charges, etc., @ 2.06% and for brokerage and consultancy @ 5.15%.
3. In order to minimize the incidents of payments of Provident Fund(P.F.) & Service Tax (S.T.) the standard policy from hereon shall be as follows:
 - a) All contractors whose annual payment exceeds Rs. 8,00,000/- shall open multiple current accounts in different names to ensure that the amount received in each account is less than Rs. 8,00,000/- per year. To encourage contractors to open multiple accounts we shall provide a loan of Rs. 10,000/- for opening a new account and the same can be deducted @ Rs. 1,000/- per week. In this way the contractors can avoid paying Service Tax. All contractors shall comply with this before end of September 2007 or else no further payments shall be issued.
 - b) For payment of P.F. each contractor shall have atleast two separate bank accounts in different names. Loans will be provided as above for the same. All labour payments will be issued by way of atleast two separate cheques as follows:

30% towards labor payment & 70% towards hire charges & consumables. Engineers are not requires to change any vouchers and they may continue to send vouchers as usual. Accountants shall ensure the two separate cheques are issued in 30:70 ratio. Accountants shall consult Ramana Murthy and Sambasiva Rao for details of implementing the same.
 - c) Labour payments have been bifurcated in 30:70 ratio as above so that P.F. is payable only on 30% of the labour payment. Assuming the average gross minimum salary of a labour is Rs. 3,500/- per month and the basic being Rs. 2,000/- the approximate P.F. payable per labour is Rs. 500/- . Therefore, the P.F. payable on the gross labour payment is about 4.25%.

- d) Shaker Reddy and Ramana Murthy shall make a quarterly review of contractors for whom P.F. registration is required and P.F. is payable. The criteria for payment of P.F. shall be as follows:
- i. Contractors whose weekly payment averaged over one quarter exceeds Rs. 25,000/- per week per site.
 - ii. Contractors whose payment for all sites combined exceeds Rs. 25,000/- per week.
- e) Admin and account must ensure that P.F. must be paid @ 4.25% of gross labour payment made from each site/company. The entire P.F. is being paid by the company and nothing is being deducted from the contractor.
- f) Contractor shall provide names and other details for their permanent labourers and P.F. will be paid in their names directly by our company. No. of labourers to be registered for payment of P.F. shall be calculated at the rate of one labour for every Rs. 3,000/- of weekly payment. All records required for the P.F. department shall be maintained at the Head Office by the Admin Division

Managing Director

Sub.: Standard procedures – master circular.

The following standard procedures were discussed and shall be implemented henceforth.

1. Receipt books issued to sales and CR team must be called for verification every week. Each receipt (pink copy) must be signed on the backside by the accountant. (see Circular 215(a)).
2. All cash receipts (pink colour copy) must be counter signed by Sambasiva Rao or Ramana Murthy. Sambasiva Rao and Ramana Murthy will ensure that appropriate entry is made in the cash book.
3. Cancelled receipts: In case if a receipt is cancelled, the original cancelled receipt must be stapled to the duplicate copy (pink copy).
4. Bank reconciliation statement should be prepared twice a month i.e., BRS should be completed for the month by the 15th of the succeeding month and for the period from 1st to 15th of the month, must be completed by end of month. This shall be applicable to all running projects like GWE, GMG, MFH, SOA, M&M, SOB, PMR,VSC, KNM, MPIPL, MHPL & Soham Modi. For other accounts BRS should be done once a month and before 15th of the succeeding month.
5. Printout of detailed receipts from the database must be taken out every fortnight at the time of reconciliation (BRS) and verified with EX accounts. Customer account should be reconciled on a fortnightly basis i.e., reconcile statements of EX and Database.
6. Hand written cash book should be tallied with cash book on EX once every fortnight along with BRS. Do not enter incidental expenses in EX.
7. Print a copy of the reconciled copy of bank book, cash book and details of receipts from database every fortnight. The same is to be certified by accountant, Samabasiva Rao and filed with Ramana Murthy. Ramana Murthy to maintain those files under lock and key.
8. Cash reconciliation should be done within one week from the end of each quarter.
9. Security and janitorial services bills to be paid along with salary by 5th of every month.
10. Salary statements every month shall be certified by the accountant issuing the salary to ensure that proper deduction of loans and advance salary paid. Salary statements

should also be certified by Ramana Murthy or Kanaka Rao or Sambasiva Rao. Do not issue salaries for staff who have not given their petty cash accounts.

11. Database must be up to date at all times. System Administrator is making a copy of database in Server B. Encourage customer relations team to take a copy of buyer info sheet from the database copy. Asst. accountants can interact with the CR team on a daily basis. Accounts in-charge of the projects need to certify customer accounts at 3 points i.e., Sale agreement authorization form, sale deed authorization form and possession letter authorization form.
12. Payment of utility bills: A draft format for utility bills and due dates has been prepared by Admin officer at site. A copy of the same must be kept in pending bills file of each site. Accountants must ensure timely payments as per procedure mentioned in Circular 535(a).
13. For cash withdrawals and deposits (any amount) the entry in the cash book and passbook must be certified by Ramana Murthy or Kanaka Rao or Sambasiva Rao. Procedure mentioned in circular 213(a) must be followed.
14. Suppliers accounts must be verified on a monthly basis. Normally all suppliers balances should be nil or credit balances. In case of debit balance or other mistakes the same should be brought to Sambasiva Rao or Ramana Murthy's notice.
15. Payment of Bills: Bills received for items ordered by the Purchase Division or bills received from site must be stamped as 'Paid' with cheque no. and date of payment appropriately written. This will avoid duplicate payments. Similarly all payments made by voucher must also contain the cheque no. and date. In short any payment must be accompanied with a bill or a voucher with details of payment clearly written on it.
16. Site payments and bills are cleared on Saturday. Due to the volume of transactions mistakes are likely to creep in. Therefore from hereon on Saturdays vouchers must be approved by Ramana Murthy or Sambasiva Rao after preparing the cheque and before presenting it to the M.D.
17. Salary advances must be deducted in full from the next months salary.
18. TDS payments should be made before the 7th of every month. Service tax, FBT & ETDS must be paid every quarter within the first 15 days of the month. For private limited companies, service tax must be paid before the 5th of the succeeding month.
19. A statement of temporary blocked flats or booking received where booking form is pending should be made weekly and send to the M.D. by Wednesday evening. Details required are Unit No., date of booking, amount received.

20. Inward and outward register must be maintained as per Circular 200(a) and 206(a).The registers should be produced for verification to Sambasiva Rao or Ramana Murthy once in a week.
21. Scanning of documents must be carried out as per Circular 204(a).
22. Bank charges must be reversed as given in Circular 205(a).
23. Interest payment must be made to bank before 5th of every month. Interest can be paid on a estimate which can be obtained from EX.
24. Booking amounts shall not be deposited without obtaining booking form and procedure laid out in Circular 207(a) must be strictly followed.
25. On account cash payments limits as specified in Circular 208(a) must be strictly followed.
26. Movement register as per circular 210(a) must be strictly followed.
27. Procedure for maintaining accounts of owners association shall be defined by way of separate circular and must be followed.
28. Quarterly review of payments to PF as given in circular 211(a) must be undertaken.
29. Petty cash should be issued only after obtaining accounts for petty cash earlier issued. Balance cash (if more than Rs. 5,000/-) should also be produced along with accounts. Petty cash account should be given atleast once a week.

It shall be the responsibility of the accountants that these procedures are to be followed. It shall be their responsibility to get their books/ reports certified. Any default or deviation in any procedures must be brought to the notice of Accounts Manager / Kanaka Rao / M.D. appropriately.

Managing Director

Sub.: Cash Receipts and cash withdrawals

Accountants shall enter the receipt no. and flat/bungalow no. for cash receipt from customers in their cash book. The receipt books shall be audited by Sambasiva Rao at the end of every month. Accountants shall certify the receipt books with the Sales & Customer Relation Division once every week (on Thursday) and they shall sign at the back of every receipt in the receipt books as confirmation of having received the amount.

No receipt shall be given on the letter head for cash receipts. In case where receipts books are not available cash receipt on letter head must be signed by Kanaka Rao or M.D.

Cheque no. must be entered for all cash withdrawals in the cash book.

Cash books must be maintained on a daily basis and cash reconciliation with physical cash at the end of each day must be done.

Managing Director

Sub.: Payment for electric power connection.

For clarity in issuing of payments to contractors like Mr. Kamal Singh, payments shall be made in the manner given below. The electric power connection involves the following major works:

- a. Liaisoning: The amount determined towards liaisoning can be released in advance.
- b. HT works: 60% on delivery of materials and 20% on erection.
- c. LT Works like panel boards: 80% on delivery of materials.
- d. Transformer: 50% advance and balance 50% on delivery.
- e. Cables: Cables are being purchased directly by our office and payment can be made as determined by Purchase Division. Generally 100% payment may be made on delivery.
- f. Commissioning works: For commissioning works like cable laying, earthing, erection of panel boards, etc., 50% amount can be released on completion of work. On completing the entire works including DYCEIG inspection and on charging, balance amount like 20% of HT works, 20% of LT works and all other balance amounts can be paid.

The contractors should ensure that bills for liaisoning charges (on letter head), HT works, LT works, transformer and other works are produced at the time of collecting payments. Purchase Division and accountants shall ensure that payment for above are released along with labour and material payments on Saturday or Monday without any delay. No advance shall be paid apart from item 'a' at the time of issuing the work order.

Managing Director

Sub.: Cash and receipt books and petty cash.

Receipt books issued to Customer Relations, Sales Executives and Sales Managers have to be checked by accountants once every week without fail. In case of failure of executive/manager to produce the receipt book for the week, it must be reported to Ramana Murthy or Sambasiva Rao. In case of failure to report for 2 weeks the matter is to be brought to the notice of M.D. Executives/ Managers can send the cash / cheque along with the receipt book for inspection and certification to the HO through responsible staff member. They shall not be required to produce the receipt book in person.

Details of issue of receipt books shall be maintained in the outward register. On receipt of receipt book for inspection, each receipt shall be certified by the accountant on the back side of the receipt.

Same procedure is to be adopted for Owners Association receipt books. However, they need to be certified once in a fortnight.

Petty cash outstanding should be checked before issue of salary every month. As advised earlier petty cash accounts along with balance cash should be produced once in a week before issue of any further petty cash.

Owners Association accounts are also to be maintained as regular accounts in EX.

Managing Director

Internal Memos

Memo No.	Date	Description
904/1	08.12.08	Cash payment by accountants
904/2	18.04.09	Brief note on computation of Service Tax liability
904/3	16.04.09	Tax planning
904/4	19.03.09	Note on service tax for customers of Modi Properties & Investments Pvt. Ltd., and its associated firms
904/5	29.04.09	Payment for joint promotional activities
904/6	16.07.09	Notes on service tax
904/7	09.07.09	Corrections to booking forms and receipts
904/8	03.08.09	Weekly/monthly schedule of work
904/10	3.11.09	Booking details declaration form
904/11	14.11.09	Regarding Account server
901/12	04.12.09	Nomenclature for making fixed deposit
904/13	05.12.09	On A/c / petty cash – details required
904/14	03.03.10	Submission of accounts against petty cash and on a/c payments

Internal Memo no. 904/1 – Accounts Division

Date: 08.12.2008

To,
All concerned,

Sub.: Cash payment by accountants

Cash is being paid to accountants for repayment of personal loans or from sale of scrap for reversal of petty cash payments, etc., for which there is no proof of payment. Therefore, to correct the situation hereafter a credit voucher shall be made in duplicate and the respective accountant shall handover a signed copy of the credit voucher as proof of payment to the staff. This is to be strictly followed from 10.11.2008.

Soham Modi.

Sub.: Brief note on computation of Service Tax liability.

1. Compute service tax liability from beginning of the project upto 31.3.08 (upto date).
2. Adopt the turnover as declared in the service tax returns filed for those periods, i.e., upto Sep' 08.
3. Calculate service tax liability at different rates as declared in the returns.
4. Make a fresh statement from the beginning only considering flats or bungalows where flats /bungalows has been registered in favour of the customer. From that deduct sale deed value, registration charges paid, VAT paid, service tax paid, refund, and electricity charges. Deduct the turnover declared. That will give the liability of the service tax as on date.
5. In future after April 09 service tax can be paid on a monthly basis for all flats that have been registered.
6. Service tax is to be paid for KNM, PMR, GMG –II, GWE, MNM, MFH, SOB – II & III & VSC.
7. In case of construction contract with land owners, compute service tax for payments received on a monthly basis.
8. Make a statement of total service tax paid till date for each project as declared in the half yearly returns along with payments not reflected in the service tax returns.

Satyanarayana:

Phase I – Compute service tax liability @ 4% only on construction contract value and compare payments made in Phase I.

Phase II – Compute payment only on development agreement both registered and un-registered @ 2%.

Internal Memo no. 904/3 – Accounts Division

Date:16.04.2009

To,
Staff Members,

Sub.: Tax planning

Those staff members who have not given details of investments are advised to send the same by this Saturday failing which TDS shall paid now and the same will be deducted from your next months salary.

Soham Modi.

PS: In particular details are required from Ranjith, Hari Swaroop, P. Ramesh, A. Ramesh, Subba Reddy, Kanaka Rao, Shankar Reddy, and Ramana Murthy.

Sub.: Note on service tax for customers of Modi Properties & Investments Pvt. Ltd., and its associated firms.

Service tax for 'construction of residential complexes' is payable u/s. 65(105)(zzzh) from 16.06.05. Service tax can also be paid for construction of residential complexes under provision for works contract which became effective from 1.06.07.

There is a great deal of ambiguity regarding payment of service tax and several clarifications were issued by the department regarding applicability of service tax. The latest was issued on 21.9.09. However, all these clarifications are in respect to section 65(105)(zzzh) and so far no clarification has been issued for payment of service tax under works contract.

As per our legal advice, we have registered under works contract and are paying service tax for the value mentioned in the agreement of construction, exempting the value mentioned in the sale deed for service tax. However, this payment may be subject to change as and when matters are further clarified.

Even after the clarification issued in January 2009, the officials of the service tax department have conducted a search operation (service tax raid) at our head office on 16.3.09. Having satisfied themselves that service tax has been paid upto December 2008, they have collected another Rs. 10 Lakhs for 6 ongoing projects as advance service tax payment for the period January to March 2009.

Under the circumstances we have left with no option but to collect service tax from our customers and pay it to the government. It is highly unlikely that this ambiguity in payment of service tax will be resolved in the coming few months. Further, there is almost no likelihood of getting a refund for service tax for amounts that have been paid.

Internal Memo No. 904/5 – Clarification on accounts

Date: 29.04.2009

Sub.: Payment for joint promotional activities.

For joint promotions where cost is share across 8 projects, payment is being divided into 8 parts and paid through respective projects. This procedure shall be continued whenever the promotion cost or material cost for promotions that can directly be attributed to each project exceeds Rs.10,000/-

However, for activities where costs are below Rs. 10,000/- and is shared by 4 to 8 projects, the payment will be made through GWE and bill is also to be raised in favour of GWE. Nagamani will maintain a list showing date of payment, cheque no /cash, amount and list of projects sharing the cost.

However, whenever cost can be directly attributed to certain project (for example: Flyer for paper inserts of 2 projects), payment should be made through those projects irrespective of value.

For bills where cheques are to be made for 4 or more projects please collect cheques form accountants of all the projects, club them together and then send it for M.D.s signature.

Soham Modi

Sub.: Notes on service tax.

1. Silver Oak Bungalows Phase I – Service tax paid has been and proportionately divided to all customer and accounts have been finalized. Some refunds may be due. Some of the refunds can be adjusted towards interest after due approval. Balance refunds will be made by 31.3.09.
2. Silver Oak Bungalows Phase II – Service tax partially paid upto Dec 2008 (approximate date). We have stopped paying service tax thereafter. Do not collect any service tax from customers where possession has not been handed over. Instead collect an undertaking along with PDCs for payment of service tax. Debit service tax amount to customers who have taken possession. Do not debit any service tax to the accounts of customer who have not been given possession and are giving an undertaking for service tax. No refund of service to be made to the customer as tax is already remitted to the government.
3. Silver Oak Bungalows Phase III – Do not debit any service tax to any customer. Collect undertaking and PDC for payment of service tax. If part service tax is paid give an undertaking to refund it subject to clarity in service tax by 31.3.2010.
4. Modi & Modi Constructions – Debit the service tax paid proportionately to all bookings made before December 2008 in proportion to sale consideration except for couple of bookings which have been cancelled or likely to be cancelled. Do not debit service tax to any customer. Collect undertakings & PDC from all customer for part or full payment of service tax.
5. Kadakia & Modi – Same policy to be followed as MNM.
6. VSC – Do not debit service tax, only take undertakings & PDC.
7. PMR – Debit service tax is proportion to payments made on construction contract upto 30th September 2008 (approximate date). Collect undertaking & PDC from customers for payment of balance service tax. No refund shall be made.
8. GMG I – Service tax paid is apportioned to all the flats. Service tax shall be refunded after clarity by 31.3.2010.
9. SOA - same as GMG I
10. GMG II – Do not debit service tax, only take undertakings & PDC.

11. GWE - Debit service tax is proportion to payments made on construction contract upto 31st December 2008 (approximate date). Collect undertakings & PDC from customers for payment of balance service tax. No refund shall be made.

12. MFH - Debit service tax is proportion to payments made on construction contract upto 31st December 2008 (approximate date). Collect undertakings & PDC from customers for payment of balance service tax. No refund shall be made.

Some customers who have taken possession of their respective units, service tax has been debited to their account and the same has been remitted to the government. Therefore, in such cases no refund can be made.

Some customers have been debited service tax upto last quarter of 2008 as per payments made by them. They are liable to pay balance service tax. Such customers an undertaking for balance service tax along with PDC can be collected. In most cases service tax collected is remitted to the government (except SOB III) and therefore no refund shall be made.

In case of SOB III where part amounts are paid, we shall retain the amount with us as deposit and shall be refunded to the customer as and when the issue is resolved. Here too undertaking and PDCs will be required for the balance amounts.

Customers who do not wish to give PDCs shall deposit the entire liability of service tax with us as security deposit that shall not be remitted to the government and refunded when the matter is resolved.

Collect an undertaking as per prescribed format from the customer along with 3 undated PDCs. The PDCs shall be account payee is favour of builder. Each PDC should be clearly marked as not to exceed Rs. <60% of service tax liability>. 3 PDCs are collected, 2 for payment of service tax in installment and 3rd for interest and penalty if any.

Our understanding of the issue is that litigation of service tax is most likely to end in favour of the customer. However, GST in lieu of VAT & service tax will almost certainly become payable from April 2010. It is very likely that GST will be in the range of 4 to 8%.

Sambasiva Rao to recommend exact date and amounts to be debited by 15.07.09 to finalize accounts.

Soham Modi.

Internal Memo No. 904/7 – Accounts

Date: 09.07.2009

To,
Accountants & Sales Managers,

Sub.: Corrections to booking forms and receipts

Do not make any corrections to booking forms or receipt. Make a fresh booking form or receipt in case of corrections and collect the old booking form and receipt. The cancelled booking form/receipt must be stapled to the duplicate copy of the booking form/receipt.

Soham Modi.

The tasks of accountants shall be split into two parts. Routine weekly tasks are to be handled on Monday, Friday and Saturday. Routine weekly tasks must be attended to only on these 3 days. Monthly tasks should be taken up on Tuesdays, Wednesdays and Thursdays. There are about 15 monthly tasks and the deadlines have been given under. Ensure that monthly tasks are taken up about a week before the deadline.

Accountants shall be required to make weekly reports and monthly reports and schedule for work with target dates is given below. Weekly reports and monthly reports after approval from Ramana Murthy must be sent to the M.D. on Mondays and 1st of each month respectively.

Weekly schedule of work.

Day	Task assigned to senior accountant	Task assigned to asst. accountant.
Monday	Verify vouchers entry in EX and update of database. Update/verify bills of suppliers and contractors in EX. Check for debit balances, if any, of suppliers.	Feed vouchers on EX and update database
Tuesday	Morning 10 am to 11 am: Desk cleanup and filing. Attend to monthly tasks.	Morning 10 am to 11 am: Desk cleanup and filing. Feed vouchers on EX.
Wednesday	Attend to monthly tasks. Post lunch suppliers dispute resolution, if any.	Attend to monthly tasks
Thursday	Morning 10 am to 11 am verify receipt books. Attend to monthly tasks.	Attend to monthly tasks
Friday	Cash book verification. Registers verification. Prepare cheques for supplier bills. Prepare statement for weekly payments for presentation to M.D.	Cash book verification. Prepare cheques for supplier bills.
Saturday	Prepare cheques for labour and supplier payments, update bank book and vouchers filing.	Prepare cheques for labour and supplier payments, update bank book and vouchers filing.

Monthly schedule of work.

Task	Due date every month
BRS, CRS, Database printouts- for first half of last month	1
FBT, CRS & ETDS (quarterly)	2
Salary statement	4
TDS statement + Service tax	5
Customer accounts reconciliation - for second half of last month.	12
CRS - for second half of last month	13
BRS - for second half of last month	14
BRS, CRS, Database printouts- for second half of last month.	15
Billing database reconciliation. Contractors (for site) statement – upto date	20
Customer accounts reconciliation – for first half of current month	24
CRS – for first half of current month	25
BRS – for first half of current month	26
Suppliers account reconciliation	27
Petty cash statement	29
Salary advances statement	29
Staff loan statement	29

Notes:

1. Accountants need to interact with customer relations only 3 times for every booking.
Accountants need to only verify and sign
 - a. Sale agreement authorization form
 - b. Sale deed authorization form
 - c. Possession authorization form.
 Rest of tasks and liaison with CR must be done by asst. accountant.
2. Customer authorization forms & interest statements to be prepared by CR. Vineela and Srilatha shall be responsible for it and accountants shall not prepare these documents any longer.
3. Interest statements shall be prepared by CR as per data available on the database.
4. Asst. accountants to handle files and inward & outward registers. Senior accountants are advised to check the files every Tuesday morning.
5. For the above to be implemented, senior accountants must concentrate on core accounting and delegate other tasks to the assistant accountant. Further the buyer info database must be upto date and reconciled fortnightly so that the CR team does not have to disturb the accountants for routine information.
6. Monthly tasks like CRS, BRS and Customer accounts reconciliation must be completed signed and handed over to Ramana Murthy as per deadlines given. A soft copy in PDF format must be handed over to Kanaka Rao on the 1st and 15th of each month.
7. A Statement of credit or debit balances of labour contractors and turnkey contractors at site must be prepared by 20th of each month. A copy to be send to M.D. and site. Separate out labour contractors and turnkey contractors in the statement. The credit

balances of each contractor across several years must match the contractor wise bills in the billing database.

8. No loans, petty cash, salary advances, etc., will be paid from 29th to 5th of the month. In case of emergency these amount may be paid and accounted for in the following month.
9. Formats for weekly and monthly reports are enclosed.

Soham Modi.

Internal Memo No. 904/10 – Accounts

Date: 3.11.2009

Sub.: Booking details declaration form.

Booking details declaration form as per prescribed format attached herein should be filed at the time of taking booking. It may or may not be accompanied by booking form or payment for the booking. However, no flat/villa shall be blocked without this form.

Accountants shall send the details of booking form not received where flats/villas have been blocked without payment received as per the prescribed format enclosed herein.

Soham Modi

On the accounts server within my documents create a folder named 'Books of accounts – PDF'. Within that folder open a folder for each company or individual where tax returns are being filed (about 35 folders). Label them as name of company/individual. Example – Alpine Heights, Modi Ventures, Soham Modi, Satish Modi HUF, etc. Within each company/ individual folder make PDF copy of the books of accounts suitably labeled, example – Alpine Heights FY08-09.

Books of accounts should contain cash book, bank book, ledgers and journal book – in that order.

Make the first page in MS Word with name of company, address and year. Page should be labeled as 'Books of Accounts'.

Making of folders and books of accounts for FY 08-09 must be completed today. Books of accounts for previous Financial year at the rate of one year per week for the previous 8 years to be presented to M.D. every Monday at 11.30 a.m.

Soham Modi

Sub.: Nomenclature for making fixed deposit.

All accountants must make a fixed deposit account, bank wise in their books of accounts. Narration in the voucher should be as follows:

- a. “Being cheque issued towards FD, HDFC bank, FDR No. ____, Term ____, maturity date ____, interest rate____.”
- b. Whenever an FD is cancelled, the narration should be as follows “Being FD cancelled no. __’.
- c. When FD is matured ‘being FD matured, FD No. ____”.

Interest and TDS on fixed deposit must go to separate account heads. In that manner the FD statement can be reconciled with BRS every fortnight. Further a printout of FDs ledger will give details of existing and matured FDs.

Soham Modi

Sub.: On A/c / petty cash – details required.

The limits for payment of petty cash/on a/c. cash is clearly specified in Circular 208(a). the limits are to be strictly adhered. Meher / Sambasiva Rao may recommend changes and a revised circular shall be issued.

On a/c. payments or petty cash taken for any purpose shall be paid only if the voucher contains adequate details about the use of the cash. Examples of details to be provided are as follows:

- a. For incidental expenses – name of personal, organization and purpose of payments must be clearly mentioned.
- b. For site expenses upto Rs. 5,000/- - no details shall be required. However, for on a/c. payments of above Rs. 5,000/- details of use of cash must be mentioned.
- c. For payment to valuers / consultants / lawyers – Name, organization and purpose must be clearly mentioned.
- d. Payment of fees / charges to housing finance companies – mention customer name, unit no. and purpose.
- e. Similarly for all other payments details of use cash must be provided in the petty cash or on a/c. voucher.

Accountant shall be responsible for obtaining the details. Accountants shall not issue any on a/c. payments without obtaining the said details. In case of any default, accountant shall be fined Rs. 500/- per voucher.

Soham Modi

Sub.: Submission of accounts against petty cash and on a/c payments.

Details for issue of petty cash and on a/c. payments are given in internal memo 904/13. Details of expenses for sales/ promotions like exhibitions, outstation trips are specified in circular no.411(a) and Minutes of the Sales & CR meeting dated 7.1.2010. Details of limits for on a/c. cash payments is specified in circular no. 208 (a). Accountants shall strictly adhere to the policy /limits given in these circulars.

Sambasiva Rao and Meher shall be authorized to approve the expenses for sales and promotion activities. However, a consolidated statement for every exhibition or outstation trip shall be sent to the M.D. for approval on Wednesday or Saturday.

Sales and CR staff shall submit details of expenditure to the respective accountants within 2 days of the exhibition or outstation trip. Failure to do so will attract a penalty of 5% of total on a/c. taken per day of delay. This amount shall be deducted from the executives or managers salary.

Freedom has been given to managers and senior sales executives with respect to expenditure for such exhibitions/outstation trips. However, the said freedom comes with responsibility. Therefore, delay in submission of accounts shall be penalized.

Kanaka Rao/ Meher/ Sambasiva Rao may recommend a penalty at the rate of Rs. 100/- per day for delay in submission of on a/c. payments by staff of Modi Properties, in case of unreasonable delay which warrants such a penalty.

Soham Modi.