

## Best Accounting Practices in Public Sector Transport

*Discipline: Commerce*

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**Abstract** - The transportation business is crucial in connecting people, commodities and services across regions, and it is a driving force behind economic activity and globalization. This industry includes various types of transportation, each providing a distinct purpose. The Kerala State Road Transport Corporation (KSRTC) is a major player in India's transportation business. KSRTC is a state-owned public transportation business in Kerala. This study identifies the best accounting methods in transportation business, with a particular emphasis on the example of the Kerala State Road Transport Corporation. Timely and accurate financial reporting is critical for determining the economic health of transportation companies. By adopting efficient cost management, technology-driven solutions, companies can chart a course toward financial excellence, bolstering their competitive edge and long-term success in the ever-evolving world of transportation. The future benefits of implementing sound accounting practices in KSRTC extend beyond financial management to encompass strategic decision-making, transparency, sustainability, and operational efficiency. By adhering to these practices, KSRTC can position itself for long-term success and contribute to the transportation needs of the people of Kerala.

**Keywords:** Accounting practices, financial excellence, Transportation industry

### Introduction

Transportation is an integral part of modern society, enabling the movement of people and goods. The transportation industry encompasses a wide array of modes and services, contributing to economic development and global connectivity. The Kerala State Road Transport Corporation (KSRTC) is a prominent entity with the border transportation industry in India. KSRTC operates as the state-owned public transport corporation in Kerala, a state in southern India. Accounting practices in the transportation industry are vital for managing finance, complying with regulations, and optimising operational efficiency. These practices help transportation companies to track revenue and expenses accurately, make informed decisions, and maintain transparency with stakeholders. Timely and accurate financial reporting is crucial for assessing the financial health of transportation companies. By adopting efficient cost management, comprehensive budgeting, transparent financial reporting, stringent compliance measures,

and technology-driven solutions, these companies can chart a course toward financial excellence, bolstering their competitive edge and long-term success in the ever-evolving world of transportation. By adhering to these practices, KSRTC can position itself for long-term success and contribute to the transportation needs of the people of Kerala.

### Review of Literature

- **Dr. E. Vanajakshi, Dr. Pralhad. P. Rathod (2021)**, conducted a Performance evaluation of KSRTC with a focus on the Tumkur Division. The study aimed to enhance public transport services by highlighting the need for employees to adapt to the evolving environment. Key recommendations include adopting new technologies, developing relevant skills, implementing modern performance measures, fostering professionalism and encouraging innovation in business practices. The study also emphasized the importance of flexible working hours, variable compensation, customer centric approaches and delivering quality service to improve organizational performance and efficiency.
- **Leejiya Jose (2019)** conducted a study on Performance evaluation of Kerala State Road Transport Corporation using Data Envelopment Analysis (DEA) to measure the technical and scale efficiency of KSRTC depots. The findings revealed that Trivandrum city and Trivandrum Central depots consistently operated efficiently, achieving average efficiency score of 1. In contrast, Ernakulam depot was identified the most inefficient with an average efficiency score of 0.741
- **Dr. Indu Vijayan (2018)** conducted a comparative study on the pricing policy of KSRTC between Kerala and Karnataka. The study highlighted that Kerala follows a fare revision through PISCO with government approval while Karnataka has a dedicated fare revision committee that operates independently. The Managing director of Karnataka RTC recommended an automatic fare revision system to prevent losses. The research also revealed that only Karnataka, Bangalore and Maharashtra RTCs are profitable, while other RTC's are faced with significant challenges. In Kerala irregular fare, hikes have driven short distance passengers to personal vehicles and long-distance passengers to trains, weakening KSRTC's market position.
- **Vini M.S., Sree Krishnan. P (2017)** conducted a study titled "An evaluation on the performance of Kerala State Road Transport Corporation – a case study". The researchers analyzed KSRTC's financial performance from 2012 to 2016 using variables such as scheduled operated, number of buses, average daily collection, earnings per kilometer and earnings per bus. The study found that KSRTC's performance show a declining trend due to rising operational cost.

- **Dr. K. Saravana (2016)** conducted a study on the satisfaction levels of KSRTC Passengers and identified several factors affecting passenger satisfaction including bus fare, timeliness, travel comfort, concessional rate, employee behavior and additional service during festivals. The study highlighted the need for improvements in rural services and services outside Kerala while noting that employee behavior toward passenger was generally favorable. The researcher suggested innovative solutions to enhance customer satisfaction such as wifi, bus tracking system, online reservations and improved bus maintenance services.

### **Statement of the Problem**

Accounting practices are crucial for the transport industry to maintain financial control, make informed decisions, and ensure compliance with regulations. It provides a foundation for efficient financial management, cost control and overall business success in the highly competitive transport sector. Accounting practices are integral to the Kerala Road Transport Corporation's efficient operation, financial management and compliance with regulatory requirements. They provide foundation for making informed decisions, controlling costs, optimizing revenue, and ensuring the responsible and accountable use of resources, which is especially important for a government entity like KSRTC. This study is concentrated to the best accounting practices in transportation industry with specific focus on Kerala State Road Transport Corporation.

### **Need and Significance of the Study**

Best accounting practices ensure transparency and accountability in financial reporting. This is essential for government-run organisation like KSRTC, as it deals with public funds and has responsibility to provide reliable financial information. Through the related literature there was no study related to the accounting practices followed by KSRTC. Therefore, this study Best Accounting Practices in Public Sector Transport is Considered Significant.

### **Objective of the Study**

1. To assess the accounting practices followed by Kerala State Road Transport Corporation.

### **Methodology**

The research study utilizes both primary data and secondary data. Primary data was collected through a structured interview schedule with the administrative officer and General Manager. Secondary data was collected from the official website of Kerala State Road Transport Corporation, articles and KSRTC's account manuals.

## **Discussion**

### **Background of Accounting Practices**

Accounting Practice involves recording the daily financial activities of a business. It is necessary to prepare a company's annual financial statements as required by law. Companies can use different accounting methods but must follow certain standards. The Financial Accounting Standard Board (FASB) provides a set of standardized principles and procedures called Generally Accepted Accounting Principles (GAAP). Public companies in the United States must follow GAAP when preparing financial statements. The two most common accounting methods used by companies are cash accounting and accrual accounting.

### **Accounting Principles**

Accounting Principles are the rules and concept that guide accounting activities. The Financial Accounting Standard Board creates a standardized set of principles, standards and procedures called GAAP. Public companies in the United States must follow GAAP when preparing financial statements. GAAP include official rules set by policy making bodies and widely accepted methods for recording and reporting accounting information. The goal of GAAP is to improve the clarity, consistency and comparability of financial information.

### **Importance of Accounting methods**

- **Financial management:** Accounting assists transportation businesses in understanding their financial position, tracking income and expenses, and managing cash flow. This is especially significant in an industry where companies frequently deal with large amounts of invoices, accounts receivable, and freight bills.
- **Efficient operations:** Using best accounting practices, such as current accounting software and integrated systems can assist streamline processes and decrease manual interventions, resulting in higher efficiency and lower costs.
- **Informed decision-making:** Accurate and current financial records allow transportation companies to make evidence-based, timely financial choices such as financial forecasting, budgeting, and profitability analysis. This is critical in an industry where unpredictable expenses like shipping costs and oil prices can have a big influence on profitability.
- **Regulation compliance:** The transportation business is subject to a variety of standards and laws that necessitate proper financial management and reporting. Adherence to these standards is critical for transportation firms' long-term success and competitiveness.

- **Knowledge and assistance:** As transportation companies expand, maintaining proper accounting records can become too complex and time-consuming to handle internally. Accounting specialists can be hired, or accounting services can be outsourced to provide the essential skills and support for duties such as preparing financial statements, performing audits, and maintaining compliance with industry rules.
- Transportation firms may efficiently manage their finances, make informed decisions, and maintain a competitive edge in an ever-changing sector by implementing and adhering to basic accounting procedures.

### **Accounting issues that transportation companies face.**

Transportation companies encounter several accounting issues that are specific to their industry. These difficulties can influence their financial management, operational efficiency, and overall success. Here are some of the most prevalent accounting issues that transportation companies face:

- Managing massive amounts of invoices, accounts receivable, and freight bills
- Cash flow management
- Complicated finance and capital requirements
- Tax and regulatory compliance
- Labor and driver issues
- Financial forecasting and budgeting
- Using the most recent accounting software and connected systems

### **Best practices for accounting in the transport industry**

Accounting methods are critical in the transportation industry for controlling cash flow, liquidity, and financial health. Here are some excellent practices for transportation accounting:

- **Open separate company credit card accounts:** This allows for more efficient spending tracking and management.
- **Make use of up-to-date accounting software:** Many accounting-related procedures can now be automated, reducing the need for user involvement while providing exact and error-free data.
- **Review accounting transactions daily:** Reviewing and reconciling transactions on a regular basis aid in spotting problems and maintaining accurate financial records.

- **Only record earnings when control is handed to the customer:** This practice ensures that revenue is recognized when the service or product is provided.
- **Create cash flow statements, forecasts, and income statements:** These financial reports should be generated at regular intervals, ideally monthly, to aid in decision-making and successful financial management.
- **Hire accounting experts:** As a transportation company grows, it may become necessary to hire an in-house accountant or outsource accounting services to manage sophisticated financial activities such as financial statement preparation, auditing, and making evidence-based financial choices.
- **Adhere to local accounting and tax requirements:** Because transportation businesses frequently deal with fluctuating variable expenses, according to local accounting and tax regulations is critical.

Transportation firms may maintain accurate financial records, make educated financial decisions, and ensure the smooth operation of their business operations by using these best practices.

## **Kerala State Road Transport Corporation**

### **Corporate Information**

The Kerala State Road Transport Corporation was established in 1965 under the Road Transport corporation Act 1950. KSRTC is the state -run public transport corporation in Kerala and is one of the oldest in India. The corporation's financial statements are prepared according to the Indian Generally Accepted Accounting Principles (IndianGAAP). These statements comply with the accounting standard's issued by Institute of Chartered Accountants in India and the provisions of the Road Transport Corporation Act, 1950. The financial statements are prepared on an accrual basis and follow the historical cost convention, unless stated otherwise.

### **Accounting Practices followed by KSRTC.**

- **Commercial Accounts**

The accounts of Kerala State Road Transport Corporation are kept on the principles of commercial accounting suitably adapted to meet the needs of the corporation and the special nature of its transactions.

- **Remittance and withdrawals**

The revenue collected by the units are remitted to the treasury to the credit of the KSRTC fund and the amounts required for expenses are drawn by the units from

the treasury by cheques, subject to the limits fixed by the Accountant General from time to time.

- **Books of Accounts**

The principal book of account is the ledger, and the subsidiary books are the cashbook and the journal. These books are kept by each independent accounting unit including the Chief Office in respect of the transaction which originates there. In addition, the Chief Office keeps a purchase daybook in respect of the purchases and made on credit and a bills payable book for the bills of exchange drawn or accepted by the Chief Office. Transactions are entered in Cashbook, journal, purchase daybook and bills payable book as and when they occur, and the entries are posted in the ledger daily.

- **Monthly closing of unit accounts**

At the end of each month the ledger accounts are closed, and the debit and the credit balances are extracted in the form of trial balance to test the arithmetical accuracy of the accounts. The units then forward to the Chief Office (Booking Section) a monthly statement of the balances showing the opening balances, the month's transaction and the closing balances in the accounts operated by them. The monthly statement of the balances relating to the transaction of the Chief Office is also similarly prepared and render to the Booking Section of the office.

- **Fund Accounting**

Fund accounting is a specialised accounting system that is designed to track and report on the use of funds, ensuring that they are used for their intended purposes and that the organization remains in compliance with any legal or regulatory requirements.

- **Accrual Accounting**

Accrual accounting provides a real-time view of how much money is coming in and going out of the business. This can help the Kerala RTC to monitor its financial activities and manage its finances more effectively.

- **Double Entry System of Accounting**

The double-entry system is a fundamental and widely adopted bookkeeping system in the accounting world. This helps to minimize errors and discrepancies in the Kerala RTC's financial records.

- **Consolidation of Accounts**

Apart from the books of accounts kept by it in respect of its own transactions the Chief Office (Booking section) keeps a journal and a consolidated ledger for consolidating the accounts of the corporation. The consolidated ledger is posted by the Booking Section with reference to the summary of monthly transactions prepared by it based on the statement of balances received from the units. After the posting are completed the consolidated ledger accounts are closed and a trail balance is drawn up. Based on these balances a monthly profit and loss account is prepared and submitted to the General Manager. The annual accounts of the corporation are similarly prepared after effecting the necessary adjustments in respect of outstanding liabilities, expenses, and depreciation.

**Conclusion**

Using integrated systems and current accounting software can assist simplify processes, decrease manual interventions, and improve accuracy and efficiency in accounting duties, all of which are necessary for the proper management of finance and its operations. The Corporation uses double entry system of accounting although the organization has accounting software. They are going to implement completely computerized accounting software named ERP software, in the upcoming financial year 2024. There is no effective costing system in the Corporation. In the coming financial year 2024, they are going to implement an effective costing system for the corporation that should be able to support the management to understand, monitor and evaluate the cost of operations and the cost of maintenance. They are collecting monthly cashflow statements, which will be sent to the government. All activities are carried out with the assistance of the government. The plan will be announced in the budget, and financial performance will be measured through meetings. By adopting and maintaining sound accounting practices, transportations companies can effectively manage their finances, make informed decisions, and maintain a competitive edge in an ever-evolving industry.

**Suggestions**

- An internal control system is necessary for the proper management of finance
- Implement cost control methods to reduce expenses and increase profitability.
- Hire a firm of cost accountants to provide cost accounting services. This will help the management to understand and evaluate the cost of operations, cost of administrative and overhead expenses, etc... on an activity/department level.



- Efficiently utilize the asset of the corporation, including land, to generate additional revenue.
- Establish a well organised training division and research wing to pursue innovation. This will help to improve the skill of the workforce and promote innovation in the corporation.
- Work with international bus manufactures to come out with new models suited for Kerala. This will help to improve the quality of the buses and make them more efficient.

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