



**GUIDELINES ON THE IMPLEMENTATION OF AN ACCOUNTING
SEPARATION FRAMEWORK**

ISSUED BY

NIGERIAN COMMUNICATIONS COMMISSION

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1. BACKGROUND, OBJECTIVE AND INTRODUCTION

The Nigerian Communications Commission (“NCC or “Commission”) is responsible for creating an enabling environment for competition among Operators in the industry as well as ensuring the provision of qualitative and efficient telecommunications services throughout the country. In exercise of its regulatory functions as provided for under the Nigerian Communication Act (NCA), 2003, the Commission is desirous of implementing an Accounting Separation Framework which outlines the key principle and guidelines required for the preparation and submission of Regulatory Financial Statements (RFS).

The Commission’s key objectives in implementing the AS framework are to:

- Provide an environment which fosters open and transparent financial reporting within the industry.
- Assist in ensuring that charges for telecommunication services are cost based, transparent and non-discriminatory
- Assist the Commission in the monitoring of Operators' compliance with regulatory obligations
- Identify and prevent any undue discrimination or practices that substantially lessens competition such as cross-subsidization, margin squeezes, etc.

It is expected that Operators will also reap strategic benefits of gaining a better understanding of unit costs, cost drivers and profitability of different licenses from the preparation of RFS.

While the Operators within the Telecommunications Industry already prepare and file financial statements as required by the law, reporting at the corporate level presents aggregate information which may not provide sufficient detail to the Regulator for analyzing the performance and competitiveness of the markets within the Industry. The Accounting Separation Framework issued by the NCC provides a comprehensive set of policies and guidelines for generating detailed Regulatory Financial Statements. The statements will assist the Regulator independently analyze revenues, costs and capital employed across different businesses, products and licenses of Operators. These in turn provide NCC with a basis for judging the success of its existing regulations such as interconnect obligations, tariff control etc. and determining the need for further intervention to promote the interests of all stakeholders.

Accounting Separation is a well-established practice followed by national telecom regulators across the world. It is considered to be an effective, least invasive and less costly solution to implement to meet regulatory objectives. Regulators across several jurisdictions have made it mandatory for one or more licensees in Fixed and/or Mobile markets to submit RFS.

The Accounting Separation Framework developed by the NCC outlines:

- A framework for the disaggregation of revenue across various businesses, products and licenses
- The costing approach to allocate various costs to different products and licenses and method to be used for asset valuation
- Reporting requirements covering the statements to be prepared and periodicity of submissions of documents

2. LEGAL BASIS AND REQUIREMENTS FOR ACCOUNTING SEPARATION

The Commission's functions and duties are set out in the Nigerian Communications Act 2003 (the "Act"). Section 4 of the Act lists the Commission's functions, which include the facilitation of investments in and entry into the Nigerian market for the provision and supply of communications licenses, equipment and facilities (section 4(a)), the protection and promotion of the interests of consumers against unfair practices including but not limited to matters relating to tariffs and charges and the availability and quality of communications licenses, equipment and facilities (section 4(b)), and the promotion of fair competition in the communications industry and protection of communications licenses and facilities providers from the misuse of market power or anticompetitive and unfair practices by other license or facilities providers (section 4(d)).

Section 90 of the Act states that the Commission shall have exclusive competence to determine, pronounce upon, administer, monitor and enforce compliance of all persons with competition laws and regulations, whether of a general or specific nature, as it relates to the Nigerian communications market.

The requirements of the Nigerian Communications Act 2003, subsidiary legislations and Licensing conditions of the various Licenses conferred on Operators within the Industry outlines a condition for maintaining and submitting separate accounts for all activities and implicitly states the Condition applies for the purpose of ensuring that a Licensee establishes as soon as reasonably practicable, not later than 12 months from the effective date, accounting and reporting arrangements sufficient to enable the Licensee's finances in relation to a Telecommunication Services provided pursuant to this License to be assessed and reported separately from its other Telecommunications Services and from the other commercial activities of the Licensee. Section 38(2) of the NCA 2003 also mandates that all licensees shall at all times comply with the terms and conditions of their license and the provisions of the Act and its subsidiary legislations.

3. REVIEW CYCLE

As the telecommunications sector grows and develops into more efficient and competitive markets with new and innovative telecom services, the need will arise for the Commission to revise and update the guidelines to be used for accounting separation. The account separation requirements for the sector may be modified in

consultation with Operators and other stakeholders, as the commission deems appropriate.

4. REPORTING REQUIREMENTS

All Licensees which fall into the category mentioned in [Section 5](#) of this document and meet the turnover requirements shall be required to prepare the following financial and non-financial reports as mentioned in [Appendix 5](#) for the purpose of Accounting Separation. The reports shall be furnished by the licensees;

- a. Every accounting year beginning from accounting year on the 31st December 2019, based on historical cost accounting for all the licenses specified in [Appendix 1](#). The report shall be submitted by the licensee as follows:
 - i. First reporting to be done by 31st July, 2020 for financial year January'19 – December'19
 - ii. For the next 2 financial years, within 3 months from the end of financial year i.e. for period January – December. For example
 - Report to be submitted by 31st March 2021 for financial year January'20 – December'20
 - Report to be submitted by 31st March 2022 for financial year January'21 – December'21
 - iii. For the following years, within 3 months of completion of half- yearly cycle. For example:
 - Reports to be submitted by 30th September for half yearly period January – June
 - Reports to be submitted by 31st March for half yearly period July – December
- b. Every licensee shall furnish along with the reports, 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.
- c. Every licensee shall reconcile the profit and loss statement prepared on the basis of historical cost with the audited financial statement and furnish the reconciliation statement in Proforma I of [Appendix 5](#).

5. LICENSES SUBJECT TO ACCOUNTING SEPARATION

NCC has determined that the following Licensees, with an annual turnover equal to or higher than **N5 billion**, be brought under the ambit of Accounting Separation:

1. Collocation & infrastructure sharing

2. Interconnect exchange
3. International / Submarine Cable Infrastructure
4. International Data Access
5. International Gateway
6. Internet Services
7. Metropolitan Fiber Cable Network
8. National Carrier
9. National Long Distance
10. PMC (Trunk Radio)
11. Sales & Installation
12. Unified Access Services
13. Value added Service [Special Number Service(SNS)]

The Commission will review the threshold of N5 billion within a year from the commencement of the framework to determine whether the threshold would be changed. Furthermore, any licensee that is willing to prepare its account in line with the framework is allowed to do that voluntarily even if the turnover is less than N5 billion.

Notwithstanding the foregoing, the Commission may exercise its discretion to demand that a licensee prepare submit separated accounts, where it is determined that the activities of such a licensee / service provider are deemed to be critical to the overall well-being of the Nigerian Telecommunication industry.

Where the license holder is engaged in business activities other than the telecom licenses referred to above, the cost, revenue and capital employed relating to those business activities should be separated and reconciliation adjustments for the same should be made between Accounting Separation accounts and audited annual accounts of the company.

The network element costs should be separated from other costs to allocate them amongst various Licenses and products. Error! Reference source not found. Highlights some main network elements and their sub-components used in different licenses.

6. BASIS OF SEPARATION

The Accounting Separation Statement shall be prepared on the basis of Telecom License-wise separation along with network element-wise cost, support function and department costs and Non-financial reports.

- a. Telecom License wise Separation:** Under this reporting, financial reports shall be prepared and submitted to the regulatory authority for different type of licenses

provided by the licensee mentioned under [section 5](#) above, so as to review the financial performance of individual telecom license.

- b. Product/component wise separation:** Under this reporting, separate accounts are prepared for different products/components in order to make cost and return involved in the provisioning of that product/component transparent.

The Licenses and Product/Component which will be subject to Accounting Separation are outlined in [Appendix 1](#)

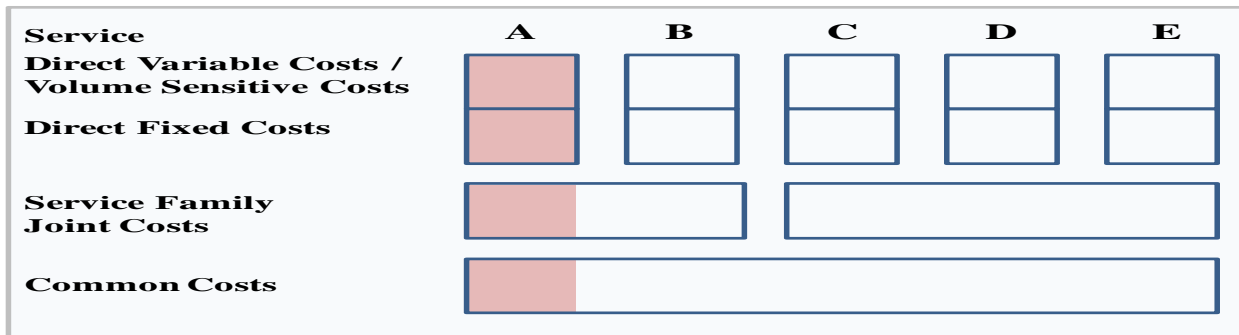
- c. Network Element wise cost:** The separation of Network Elements cost from 'other than network costs' is performed to study the costs involved in various network elements within a license /product and to provide a base for allocation of network elements costs amongst licenses/products. A list of network elements and their sub-components used in different licenses is prescribed in [Appendix 2](#)

7. COST BASE AND ALLOCATION METHOD

The NCC has adopted the Historical Cost Accounting (HCA) method for estimating the cost base of Licensee's assets. In this method, assets are valued at their historical prices and are depreciated due to their use and/or obsolescence.

The NCC has also adopted the Fully Attributed Cost Method (FAC) for cost allocation under the AS Framework. With this method, all costs are allocated to various licenses or products on the basis of suitable cost drivers as depicted in the figure below:

Figure 6.1: Illustrative on FAC Methodology (Cost Allocation to License A)



The Commission recognizes the limitations of the HCA and FAC methods and acknowledges the superiority of the Current Cost Accounting (CCA) and Long Run Average Incremental Costs (LRAIC) as a cost base and cost allocation methodology respectively. However, due to the complexity of implementing Accounting Separations itself and the burden placed on the Operators' systems and processed, the use of the HCA/FAC methods will be employed to commence AS and this may be evaluated in the medium term once the licensees have put in systems for AS and the processes have stabilized.

8. ATTRIBUTION AND ALLOCATION OF REVENUE, COST AND CAPITAL EMPLOYED

A broad framework has been outlined for allocating revenues, costs, assets and liabilities to various licenses, products, network elements, support functions, to enable the operators to produce Regulatory Financial statements.

ATTRIBUTION PRINCIPLES

Licensees should follow the principles given below for revenue and costs attribution to different products, licenses and network elements while preparing AS statements:

1. **Causation:** Revenues and costs should be allocated to those Licenses / products / network elements that cause the cost or revenue to arise.
2. **No compensation:** There should be no subsidization of any product / license by another product / license of the company.
3. **Transparency:** Methodologies should be comprehensively documented and presented in transparent manner to the users of Accounting Separation statements.
4. **Objectivity:** Allocation criteria should be objective, quantifiable and based on some statistical samples/surveys; arbitrary allocation should be limited.
5. **Consistency:** Same assumptions and methodologies should be used year on year for comparison and consistency; however there might be need to review some assumptions due to change in environment and technology.
6. **Reconciliation:** The Accounting Separation statements should reconcile with the reported financial statements or accounts.
7. **Materiality:** This principle may be followed to avoid any complex or cumbersome procedure in case the impact is not material.
8. **Practicality:** There may be cases where sampling / survey need to be done and at times some unbiased estimates have to be taken.

ALLOCATION OF REVENUE

Allocation of revenue will follow a relatively simple process, since the revenues are directly identifiable with the products which generate them as per the books or the billing system of the operator. The products should be defined as shown in [Appendix 1](#). The revenues of various products would be summed together as per [Appendix 1](#) Error! Reference source not found. to arrive at the license wise revenue.

There may be situations where products are bundled together - allocations in such a case should be done on a rational and equitable basis. Scenarios may also exist when direct allocation of revenue items may not be possible, in such cases the revenue should be allocated on the basis of causation principle as discussed above.

ALLOCATION OF COST

Operators' cost allocation process should start with allocating costs to various cost pools which are:

- **License/Products:** Costs bucketed in this pool are the ones that can be directly identified with a particular product where product refers to both retail and wholesale products (**Refer [Appendix 1](#)**). For example, license fee paid to the Government with respect to providing a particular license or a product.
- **Network Elements:** This pool contains the costs directly generated by various network components that are utilized to rendering a license. The components related to a particular license have been identified in [Appendix 2](#). These components cannot be attributed directly to a particular product but have to be apportioned to various products based on suitable cost drivers.
- **Support Functions:**
 - **Related Functions:** This pool contains common costs which are the costs of the functions necessary for the provision of licenses such as billing, maintenance, and customer licenses etc. There may not be a direct relation to any particular license or product but can be apportioned using a non-arbitrary and verifiable cause and effect relationship. For example, Billing Expenses can be apportioned by the number of bills raised by each product and Office Rent can be apportioned on the basis of number of employees in each department or space occupied by that department.**(Refer [Appendix 3](#) for list)**
 - **Other Functions:** This pool contains the costs of functions that are not related to the provision of particular licenses but are an important part of the operations of the company. These costs cannot be attributed to a particular license or product using a non-arbitrary and verifiable cause and effect relationship. Examples of such costs include Corporate Expenses and Legal Charges.**(Refer [Appendix 3](#) for list)**

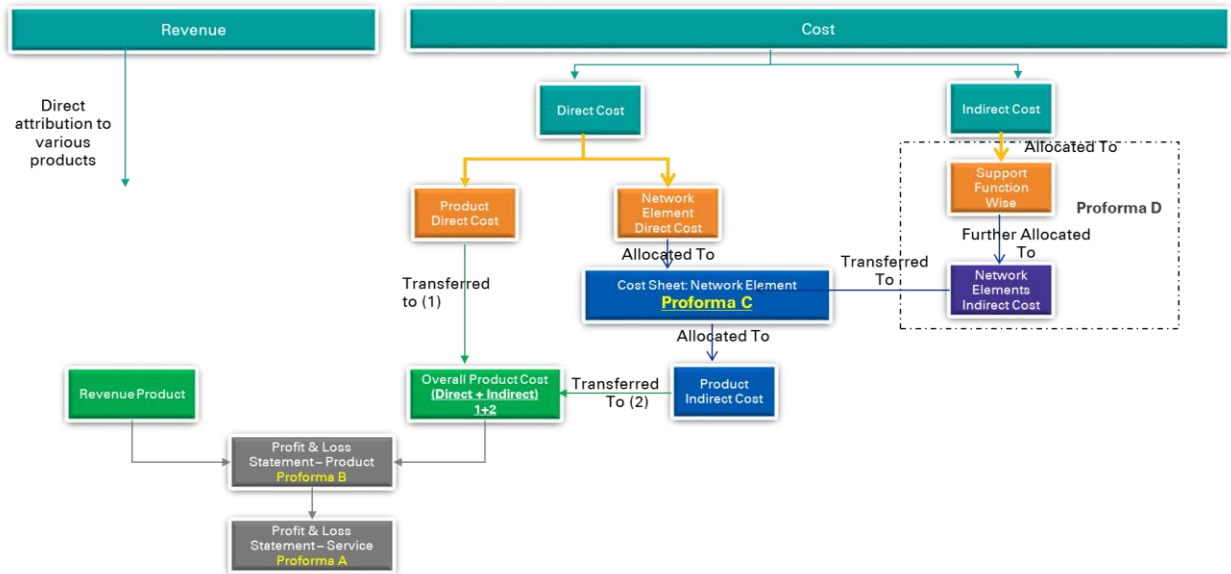
An indicative list of support functions has been provided in [Appendix 4](#)

Cost allocation as illustrated in Figure 6.1 is tiered attribution process where direct costs are identified and then indirect costs are progressively allocated on the basis of cost drivers. This would involve two broad steps:

- **Step 1:** Allocation of the 'Support Functions' costs to Products and 'Network Elements'.
- **Step 2:** Allocation of Network Components costs to Product basis causation principle discussed in [Section 8](#). For example: Cost of international gateway would be allocated directly to international calls and similarly cost of an SMS server is directly allocable to SMS charges. But there might be cases where elements may be used for more than one product. In such cases, the basis of allocation should be an

appropriate cost driver, which would primarily be a usage based such as number of subscribers, minutes of usage, bandwidth etc.

Figure 6.2: Cost Allocation Process

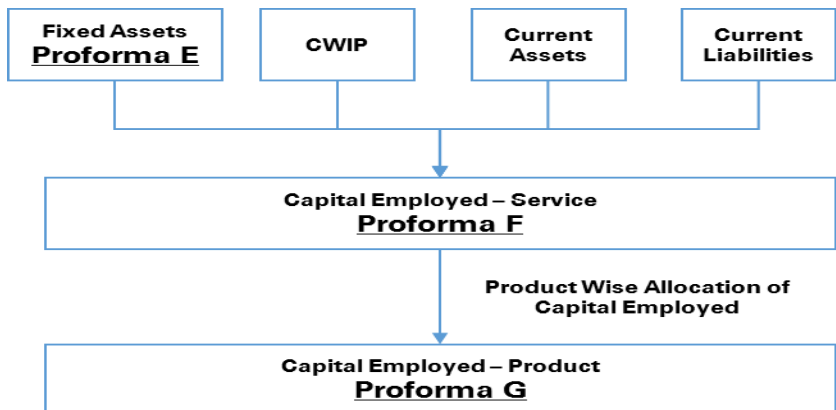


ALLOCATION / ATTRIBUTION OF CAPITAL EMPLOYED

The capital employed is required to be attributed to each product within a license for preparation of working out return on capital employed. The statement of capital employed should include fixed assets, capital work in progress, current assets and current liabilities.

The capital employed in the statement would be the closing value at the accounting year end. However, for the purpose of calculation of return on capital employed, average of opening and closing capital employed should be taken.

Figure 6.3: Allocation Process of Capital Employed



The attribution of capital employed would involve preparing a consolidated license wise statement followed by product wise attribution.

Samples of appropriate methods for allocating revenue, cost and capital employed can be found in [Appendix 3](#) of this determination

9. ADMINISTRATIVE REQUIREMENTS

BOOKS OF ACCOUNT

All licensed telecom licensees should maintain books of account for filing to the NCC. These books shall form the basis for preparation of Regulatory Financial statements (RFS). Operators may decide to keep additional records/books for furnishing these reports.

The Operators will also maintain a fixed asset register which will contain necessary information required to facilitate network element based costing and generation of the RFS. In addition to the existing information, it is also recommended that the Operators include some additional information for the purpose of Regulatory Financial statements such as:

- Mapping of each asset to network elements to help in determining the total capital cost of a particular network element
- Cost breakup of individual assets in case more than one network element is purchased / constructed together
- Identification or estimation of the proportion of assets used for more than one network element or other cost pools.

OPERATOR SPECIFIC ACCOUNTING SEPARATION MANUAL (OASM)

For smooth and transparent implementation of Accounting Separation, it is required that every Operator prepare a manual containing policies, principles, methodologies and procedures for accounting and cost allocation.

DETAILS IN OASM

Operators should ensure that OASM is detailed and transparent for NCC or the independent auditor to understand the specific policies and methodologies used in preparing the RFS. The manual should ideally include information as per the table below:

Table 8.1: Information in OASM

Particulars	Description
Organization structure	<ul style="list-style-type: none"> • Detailed organization structure of licensee

Particulars	Description
Group companies	<ul style="list-style-type: none"> List of group entities operating in telecom sector and their relationship with licensee and other group companies with regard to interconnection and sharing of common resources etc.
Financial accounting System	<ul style="list-style-type: none"> Financial accounting system adopted by the licensee including policies relating to depreciation, advance receipts of revenue, security deposits, provision for bad and doubtful debts etc.
Related party transactions	<ul style="list-style-type: none"> Description of the related party transactions, allocation of shared licenses and jointly used assets
Product / license definitions	<ul style="list-style-type: none"> Definitions of various products, licenses and network elements which shall be treated as separate segments for preparing Accounting Separation statements
Allocation principles and guidelines	<ul style="list-style-type: none"> Policies for allocation of revenue, cost, assets and liabilities Accounting system followed for recording and generation of Accounting Separation statements Description of studies, surveys and model employed in cost allocation process
Maintenance procedures	<ul style="list-style-type: none"> Procedure adopted for maintaining and updating OASM
Glossary	<ul style="list-style-type: none"> Definitions of the terms used in OASM

FILLING OF OASM

All Operators who come under the ambit of Accounting Separation as defined in this Notification shall share its OASM by March 2020*, a few months before the date of commencement of Accounting Separation Framework in July 2020*, for NCC to ensure that adequate systems are in place for timely filing of RFS.

The OASM may need to be updated from with time to reflect changes in the procedures resulting from the organizational changes, improvements in costing techniques, technological innovations etc. The changes should also be communicated to NCC along with reasons for the same.

APPENDIX 1: LIST OF LICENSES AND PRODUCT

License	Product
1. Collocation & infrastructure sharing	<p>Infrastructure Sharing</p> <ul style="list-style-type: none"> 1.1 Rights of way 1.2 Masts 1.3 Poles , Antenna mast and tower structures <ul style="list-style-type: none"> 1.3.1 Ground Base Tower 1.3.2 Ground Based Monopole 1.3.3 Roof Top Tower 1.3.4 Roof Top Pole 1.3.5 Cell on Wheels 1.3.6 Other Products (please specify) 1.4 Ducts, Trenches 1.5 Space in buildings 1.6 Electric power 1.7 Other Products (please specify) <p>Collocation Services:</p> <ul style="list-style-type: none"> 1.8 Physical collocation 1.9 Virtual collocation 1.10 Remote collocation 1.11 Other Products (please specify)
2. Interconnect exchange	<p>Interconnect Exchange Switching</p> <ul style="list-style-type: none"> 2.1 Interconnect exchange switches 2.2 Points of presence 2.3 Private network/VPN 2.4 Point to point links 2.5 Lease transmission capacity
3. International / Submarine Cable Infrastructure	<p>Point to point International Communication</p> <ul style="list-style-type: none"> 3.1 Voice Services 3.2 Data Services 3.3 Video Services <p>Point to multipoint International Communication</p> <ul style="list-style-type: none"> 3.4 Voice Services 3.5 Data Services 3.6 Video Services

License	Product
	<p>Landing Station</p> <ul style="list-style-type: none"> 3.7 Physical collocation 3.8 Virtual collocation 3.9 Remote collocation 3.10 Interconnection 3.11 Access Facilitation 3.12 Other Products (please specify)
<p>4. International Data Access</p>	<p>One-way</p> <ul style="list-style-type: none"> 4.1 Voice 4.2 Data 4.3 Messaging <p>Two-way</p> <ul style="list-style-type: none"> 4.4 Voice 4.5 Data 4.6 Messaging <p>Point-to-point</p> <ul style="list-style-type: none"> 4.7 Voice 4.8 Data 4.9 Messaging <p>Point-to-multipoint</p> <ul style="list-style-type: none"> 4.10 Voice 4.11 Data 4.12 Messaging
<p>5. International Gateway</p>	<p>International access and gateway services</p> <ul style="list-style-type: none"> 5.1 International gateway 5.2 Cable landing station 5.3 Cross-border data transmission 5.4 Terrestrial cable station 5.5 VSAT devices 5.6 Other products (please specify) <p>Point-to-point or point-to-multipoint communication</p> <ul style="list-style-type: none"> 5.7 Voice 5.8 Data

License	Product
	5.9 Video
6. Internet Services	<p>Internet Services</p> <ul style="list-style-type: none"> 6.1 Internet – Broadband 6.2 Internet – Narrowband 6.3 IPTV 6.4 PSTN/PLMN 6.5 Unified messaging Services 6.6 IP Telephony 6.7 Content Services 6.8 Other Products (please specify)
7. Metropolitan Fiber Cable Network	<p>Fiber Services</p> <ul style="list-style-type: none"> 7.1 Voice Services 7.2 Data Services 7.3 Leased Line Services 7.4 Access tandems/Fiber optic 7.5 Microwave/satellite 7.6 Inter-city traffic transmission 7.7 Interconnect private networks with access providers
8. National Carrier	<p>Retail / Enterprise Fixed Voice</p> <ul style="list-style-type: none"> 8.1 Local Voice Calls – On Net 8.2 Local Voice Calls – Off Net 8.3 International Voice Calls <p>Retail / Enterprise Fixed Internet</p> <ul style="list-style-type: none"> 8.4 Fixed Internet – Broadband 8.5 Fixed Internet – Narrowband 8.6 Other 'Retail / Enterprise Fixed Internet' Products (please specify) <p>Retail / Enterprise Other Products</p> <ul style="list-style-type: none"> 8.7 Enterprise Data Services 8.8 Value Added Services 8.9 Other 'Retail / Enterprise' Products (please specify) 8.10 Public Payphone <p>Wholesale</p>

License	Product
	8.11 Interconnection – Termination Voice Calls 8.12 Interconnection – Termination SMS / MMS 8.13 Carriage Charges – Voice 8.14 Carriage Charges – Data 8.15 Other 'Wholesale' Products (please specify) 8.16 Dark fiber 8.17 Calling Cards
9. National Long Distance	<p>Transmission facilities</p> 9.1 Voice Services 9.2 Data Services
10. PMC (Trunk Radio)	<p>Long distance traffic</p> 9.3 Voice Services 9.4 Data Services
11. Sales & Installation	<p>Interconnection</p> 9.5 Interconnect private networks with access providers
12. Unified Access Services	<p>Fixed trunk</p> 10.1 Voice Services 10.2 Messaging Services
11. Sales & Installation	<p>Mobile Trunk</p> 10.3 Voice Services 10.4 Messaging Services
12. Unified Access Services	<p>Cellular and other terminals</p> 11.1 Sale and installation of telecom equipment
	<p>Mobile</p> <p>Retail/Enterprise Voice Services</p> 12.1 Local Voice Calls – On Net 12.2 Local Voice Calls – Off Net 12.3 International Voice Calls
	<p>Retail/Enterprise Messaging Services</p> 12.4 Local Short Messaging Services – On Net 12.5 Local Short Messaging Services – Off Net

License	Product
	<p>12.6 International Short Messaging Services</p> <p>Other Retail/Enterprise Products</p> <p>12.7 Roaming 12.8 Mobile Internet 12.9 Enterprise Data Services 12.10 Value Added Services (including content services) 12.11 Other 'Retail / Enterprise' Products</p> <p>Wholesale</p> <p>12.12 Interconnection – Termination Voice Calls 12.13 Interconnection – Termination SMS / MMS 12.14 Other 'Wholesale' Products (please specify)</p> <p>Infrastructure Sharing and Collocation Services</p> <p>12.15 Rights of way 12.16 Masts 12.17 Poles , Antenna mast and tower structures</p> <ul style="list-style-type: none"> 12.17.1 Ground Base Tower 12.17.2 Ground Based Monopole 12.17.3 Roof Top Tower 12.17.4 Roof Top Pole 12.17.5 Cell on Wheels 12.17.6 Other Products (please specify) <p>12.18 Ducts, Trenches 12.19 Space in buildings 12.20 Electric power 12.21 Other Products (please specify)</p> <p>Collocation Services:</p> <p>12.22 Physical collocation 12.23 Virtual collocation 12.24 Remote collocation 12.25 Other Products (please specify)</p> <p><u>Fixed</u></p> <p>Retail / Enterprise Fixed Voice</p> <p>12.26 Local Voice Calls – On Net 12.27 Local Voice Calls – Off Net</p>

License	Product
	<p>12.28 International Voice Calls</p> <p>Retail / Enterprise Fixed Internet</p> <p>12.29 Fixed Internet – Broadband 12.30 Fixed Internet – Narrowband 12.31 Other 'Retail / Enterprise Fixed Internet' Products (please specify)</p> <p>Retail / Enterprise Other Products</p> <p>12.32 Enterprise Data Services 12.33 Value Added Services 12.34 Other Products</p> <p>Wholesale</p> <p>12.35 Interconnection – Termination Voice Calls 12.36 Interconnection – Termination SMS / MMS 12.37 Carriage Charges – Voice 12.38 Carriage Charges – Data 12.39 Other 'Wholesale' Products (please specify)</p> <p><u>Fixed Wireless</u></p> <p>Retail / Enterprise Fixed Voice</p> <p>12.40 Local Voice Calls – On Net 12.41 Local Voice Calls – Off Net 12.42 International Voice Calls</p> <p>Retail / Enterprise Fixed Internet</p> <p>12.43 Fixed Internet – Broadband 12.44 Fixed Internet – Narrowband 12.45 Other 'Retail / Enterprise Fixed Internet' Products (please specify)</p> <p>Wholesale</p> <p>12.46 Interconnection – Termination Voice Calls 12.47 Interconnection – Termination SMS / MMS 12.48 Other 'Wholesale' Products (please specify)</p> <p>Infrastructure Sharing and Collocation Services</p> <p>12.49 Rights of way</p>

License	Product
	<p>12.50 Masts</p> <p>12.51 Poles , Antenna mast and tower structures</p> <p> 12.51.1 Ground Base Tower</p> <p> 12.51.2 Ground Based Monopole</p> <p> 12.51.3 Roof Top Tower</p> <p> 12.51.4 Roof Top Pole</p> <p> 12.51.5 Cell on Wheels</p> <p> 12.51.6 Other Products (please specify)</p> <p>12.52 Ducts, Trenches</p> <p>12.53 Space in buildings</p> <p>12.54 Electric power</p> <p>12.55 Other Products (please specify)</p> <p>Collocation Services:</p> <p> 12.56 Physical collocation</p> <p> 12.57 Virtual collocation</p> <p> 12.58 Remote collocation</p> <p> 12.59 Other Products (please specify)</p> <p>Other Products</p> <p> 12.60 Enterprise Data Services</p> <p> 12.61 Value Added Services</p> <p> 12.62 Other Products (please specify)</p>
13. Value added Service. Special Number Service (SNS)	<p>Special Numbering Services</p> <p>13.1 Toll-free</p> <p>13.2 Personal 1-800 vanity</p> <p>13.3 Follow-me</p> <p>13.4 One-number dial</p> <p>13.5 Conference call bridge</p> <p>13.6 Integrated voice messaging</p> <p>13.7 Voice activated dialing</p> <p>13.8 Unified messaging</p> <p>13.9 Automated call distribution</p> <p>13.10 Agent-at-home</p>

APPENDIX 2: LIST OF NETWORK COMPONENTS

S No	Name of Telecom License	Network Elements
(I)	Access Service– Wireless	<p>(a) CORE NETWORK:</p> <p>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, Signaling gateway, Others</p> <p>(b) RADIO ACCESS NETWORK:</p> <p>Node B (RAN-Radio Access Network), BTS (Base Transceiver Station), RNC (Radio Network Controller), BSC (Base Station Controller), Others</p> <p>(c) TRANSMISSION MEDIA / EQUIPMENTS:</p> <p>Transmission Media Between the Network Element i.e. OFC/Cable/Microwave, Transmission equipment's, Others</p> <p>(d) OTHER NETWORK ELEMENTS:</p> <p>SMSC (Short Message Service Centre), MMSC</p>
(II)	Access Service - Wireline	<p>(a) Equipment at Subscriber's end – POTS, ISDN, PABX, VPT Equipment etc.</p> <p>(b) Access Media between Local Switches & Subscriber's end – Copper loop/ Optical Fiber 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 / Equipment</p> <p>(g) Other (please specify)</p>

S No	Name of Telecom License	Network Elements
(III)	Internet Service	(a) Customer Premises Equipment (CPE) (b) Access Media (Copper Loop/Optical/Fiber, Cables/Wireless network etc. (c) DSLAM (d) Router (EDGE/ PE/ CORE) (e) Mux / Switches (f) Transmission media/systems between networking elements (g) Dedicated Servers (h) Fiber (i) Other (please specify)
(IV)	National Long Distance Service	(a) Switches (including NGN and IP) (b) Media Gateway (MGW) (c) Transmission Media and Equipment (d) Fiber (e) Other (please specify)
(V)	International Long Distance Service	(a) Switches (including NGN and IP) (b) Media Gateway (MGW) (c) Transmission –Domestic (d) Transmission –International (e) Transmission line from Cable Landing Station to
(VI)	Mobile Number Portability Service (MNP)	(a) Server (b) Router/Switch (c) Transmission Media (d) Gateway (e) Other (please specify)
(VII)	Very Small Aperture Terminal Service (VSAT)	(a) Space Segment Transponder (b) Ground Segment (c) Other (please specify)

APPENDIX 3: COST DRIVERS

a) Common/shared assets (network elements)

Operating Costs on	Basis of Apportionment
Telephony Switches/Mobile Switching Center	To user licenses in the ratio of traffic handled
Leased circuit/bandwidth	To user licenses in the ratio of bandwidth used in
Router/switch	To user licenses in the ratio of data traffic handled
Copper Loops	To user licenses in the ratio of number of connections
Dark Fiber	To user licenses on the basis of fiber strands in
SMS server	To user license in the ratio of outgoing SMS
Mobile Switch Service	To user license in the ratio of subscribers
IN server	To user license in the ratio of number of prepaid
Billing Server	To user license in the ratio of number of post- paid subscribers
Home Location register	To user license in the ratio of subscribers
SGSN/GGSN	To user license in the ratio of data traffic (in MBs)

b) Common shared assets (other than network elements)

Common/shared fixed assets (other than network elements)	Basis of Apportionment
Buildings	To licenses on the basis of the space occupied
Computers	Number of employees of each license
Furniture and Fixtures	To licenses on the basis of the space occupied
Vehicles	To licenses on the basis average usage in last 3 years
Office Equipment's	To licenses on the basis of the space occupied
Debtors/Accrued Income	To licenses on the ratio of gross revenue generated
Cash and Cash Equivalents	To licenses in the ratio of total cost
Stock	To licenses in the ratio of total cost
Current Liabilities	To licenses in the ratio of total cost

c) Common/shared cost (Other than operating cost on asset in case of access license)

Common/Shared Costs on	Basis of Apportionment
Employees cost	On the basis of head counts in each license
Sales and Marketing Costs	On the basis of gross revenue of each license
Administration Costs	On the basis of head counts in each license
Finance and Accounts Department costs	On the basis of total direct identified costs of each license
IT and EDP department cost	On the basis of head counts in each license
Legal and Regulatory	In the ratio of directly allocated costs to each
Rent for Building	Attribute to licenses on the basis of the space
Insurance (other than fixed assets)	On the basis of head counts in each licenses

d) License level apportionment of common/shared costs to products and network elements of a license

List of Departments	Basis of Apportionment
Human Resource/Personnel	In the ratio of head counts in Products and Network Elements
Information Technology/EDP	
Administration	In the ratio of directly allocated costs to Products and Network Elements
Repairs and	
Legal and Regulatory	
Finance & Accounts	
Corporate/Circle Office	
Other Departments	

APPENDIX 4: INDICATE LIST OF SUPPORT FUNCTIONS/ DEPARTMENTS

S.No	Name of Department
1	Human Resource/Personnel
2	Administration
3	Repairs and Maintenance
4	Information Technology/EDP
5	Legal and Regulatory
6	Finance & Accounts
7	Corporate/Circle Office
8	Other Departments

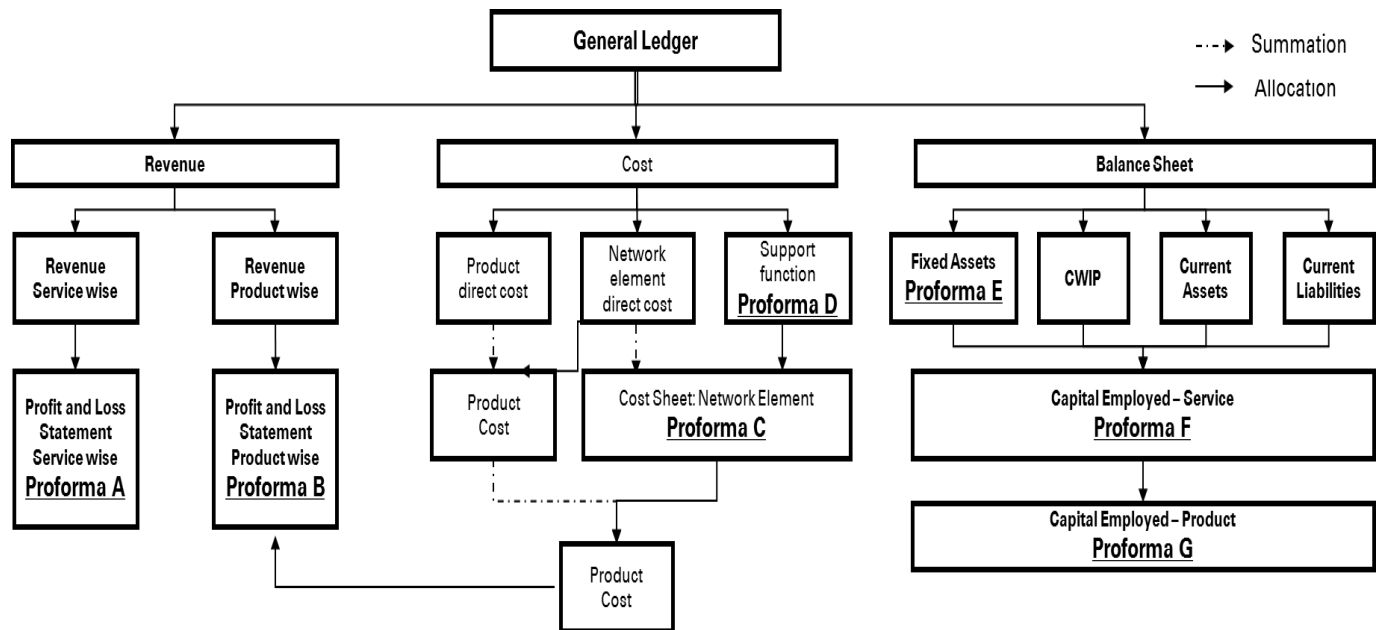
APPENDIX 5: LIST OF PROFORMAS

Statements	Pro-forma Reference	Description
Profit & Loss Statements		
Profit & Loss Statement - License	Pro-forma A	<ul style="list-style-type: none"> A statement, showing profit and loss account including revenue, cost and return on capital employed for a license. The licenses for which this statements needs to be prepared are defined in Exhibit 1.
Profit & Loss Statement - Product	Pro-forma B	<ul style="list-style-type: none"> A statement, showing product wise profit and loss account including revenue, cost and return on capital employed within each license. Products for which this statements needs to be prepared are defined in Error! Reference source not found.. This statement shall be prepared based on the product direct cost, cost of 'Network Elements' allocated as per Pro-forma C, costs of 'Support Functions' allocated as per Pro-forma D.
Cost Sheets		
Cost Sheet – Network Elements	Pro-forma C	<p>This statement provides the following:</p> <ul style="list-style-type: none"> Network element wise total cost with break up into network direct cost and cost transferred from 'Support Functions'. Computation of per unit cost of network element based on total cost and total usage. The usage (number of subscribers / minutes of usage / bandwidth etc.) would be as per the relevant cost driver. Basis of allocation of each network element cost to various products as per relevant cost driver. Allocation of network cost (network element wise) to products (Pro-forma B). This statement shall be prepared based on the network direct cost and the cost of 'Support Functions' allocated as per Pro-forma D. <p>Refer Exhibit 1</p>

Statements	Pro-forma Reference	Description
Cost Sheet – Related and Other Support Functions	Pro-forma D	<p>This statement provides the following:</p> <ul style="list-style-type: none"> • 'Support Functions' wise total cost • Basis of apportionment of each department cost to various network elements and products as per relevant cost driver (number of subscribers / number of bills / fixed asset base etc.). <p>Refer Exhibit 1</p>
Statements of Gross Block and Capital Employed		
Statement of Gross block, Depreciation and Net Block – License	Pro-forma E	<ul style="list-style-type: none"> • A statement showing assets category wise gross block, accumulated depreciation, net block and depreciation for the year for network elements, products and support functions.
Capital Employed Statement – License	Pro-forma F	<ul style="list-style-type: none"> • A statement showing capital employed for a license. The total capital employed for a license will also be reflected in Pro-forma A. <p>Refer Exhibit 1</p>
Capital Employed Statement – Allocation to Products	Pro-forma G	<ul style="list-style-type: none"> • A statement showing allocation of capital employed for a license as per Pro-forma F to the products. • The total capital employed allocated to a product will also be reflected in Pro-forma B under that product. <p>Refer Exhibit 1</p>
Others		
Statement of Related Party Transactions	Pro-forma H	<ul style="list-style-type: none"> • A statement showing related party information on revenue.
Reconciliation Statement (covering all licenses and area of operations) with Audited Financial Statements	Pro-forma I	<ul style="list-style-type: none"> • A statement showing reconciliation of profit and loss account and capital employed covering all licenses and area of operations with the company's audited annual accounts.
Non-Financial Reports		

Statements	Pro-forma Reference	Description
Statement of non-financial information for each license	Pro-forma J	<ul style="list-style-type: none"> Statement showing non-financial information relating to subscribers, network usage, network capacity etc.

Exhibit 1: Allocation Process and linkage between various Proformas:



As per the process presented for a telecom service in Exhibit 1 above:

- Each item of cost shall be attributed to a “product” or “cost centre” according to the way in which the /product or network element or support function department gave rise to that cost.
- The allocation process is a tiered attribution process beginning with the identification of direct cost and progressively attributing indirect cost on the basis of appropriate cost driver. Refer [Appendix III](#) for the list

Proforma A

Name of The Company :	
Name of License:	Refer Note 1
Period :	
Cost Base:	Historical cost accounting

(NGN in
Millions)

S No.	Particulars	Current Year	Previous Year	Remarks
1	REVENUE			
1.1	REVENUES (NET OF TAX) :			
1.2	Less: Pass through Charges:			
1.2.1	To Access Service Providers			
1.2.2	To NLD Service Providers			
1.2.3	To ILD Service Providers			
1.2.4	Others (please specify)			
1.3	Revenue(net of Pass through)			
2	COSTS:			
2.1	Employees cost:			
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)			
	Sub total			
2.2	Administration cost:			
2.2.1	Rent (Other than Network Element Equipment's and Cell sites)			
2.2.2	Rates and taxes			
2.2.3	Insurance charges (Other than Network Element Equipment's)			
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			

S No.	Particulars	Current Year	Previous Year	Remarks
2.2.12	Others (please specify)			
	Sub total			
2.3	Sales and Marketing cost:			
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)			
	Sub total			
2.4	Maintenance cost:			
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)			
	Sub total			
2.5	Government charges:			
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)			
	Sub total			
2.6	Network operating Cost:			
2.6.1	Leased Circuits and Gateway Charges			
2.6.2	Royalty for technical knowhow fees			
2.6.3	Rent (Network Element Equipment's 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)			

S No.	Particulars	Current Year	Previous Year	Remarks
2.6.6	Passive Infrastructure Charges:			
2.6.7	Insurance Charges (Network Element Equipment's)			
2.6.8	Outsourcing Charges for Network Element Equipment's			
2.6.9	Others (please specify)			
	Sub-total			
2.7	Depreciation and Amortization:			
2.7.1	Depreciation on Network Elements			
2.7.2	Amortization of One time entry fees/license fees			
2.7.3	Amortization of spectrum auction money			
2.7.4	Depreciation/amortization on Others (please specify)			
	Sub-total			
2.8	Other cost:			
2.8.1	Loss on sale of fixed assets(net)			
2.8.2	Corporate office expenses			
2.8.3	Others (please specify)			
	Sub-total			
2.9	Finance charges (Refer Note 2)			
2.9.1	Bank charges			
2.9.2	Others (please specify)			
	Sub-total			
2.1	TOTAL COST			
3	Profit & Loss Before Interest and Tax			
4	Replacement Cost Adjustment (Refer Note 2)			
4.1	Holding gain/Loss			
4.2	Supplementary Depreciation			
4.3	Change in Operating Cost due to replacement of assets			
4.4	Total adjustment			
5	Profit & Loss Before Interest and Tax			
6	Total Capital Employed			
7	Return on Capital Employed (%)			
8	Return on turnover (%)			

Note:

1. This proforma shall be prepared separately for License prescribed in Appendix 1 of the Framework
2. Excluding interest on loans/borrowed funds

Proforma B

Name of The Company :	
Name of License:	Refer Note 1
Period :	
Cost Base:	Historical cost accounting

(NGN in Millions)

S No.	Particulars	Product Type (Note 1)				Total
		Product A	Product B	Product C	Product...	
1	REVENUE					
1.1	REVENUES (NET OF TAX)					
1.2	Less: Pass through Charges					
1.2.1	To Access Service Providers					
1.2.2	To NLD Service Providers					
1.2.3	To ILD Service Providers					
1.2.4	Others (please specify)					
1.3	Revenue(net of Pass through)					
	COSTS:					
2	PRODUCT DIRECT COST					
2.1	Employee cost					
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)					
	Sub total					

S No.	Particulars	Product Type (Note 1)				Total
		Product A	Product B	Product C	Product...	
2.2	Administration cost					
2.2.1	Rent (Other than Network Element Equipment's and Cell sites)					
2.2.2	Rates and taxes					
2.2.3	Insurance charges (Other than Network Element Equipment's)					
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)					
	Sub total					
2.3	Sales and Marketing cost					
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)					
	Sub total					
2.4	Maintenance cost					
2.4.1	Annual maintenance charges					
2.4.2	Network Consumables					
2.4.3	Repairs and maintenance:					
2.4.3.1	Buildings					

S No.	Particulars	Product Type (Note 1)				Total
		Product A	Product B	Product C	Product...	
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)					
	Sub total					
2.5 Government charges						
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)					
	Sub total					
2.6 Network operating Cost:						
2.6.1	Carriage charges					
2.6.2	Leased Circuits and Gateway Charges					
2.6.3	Royalty for technical knowhow fees					
2.6.4	Rent (Network Element Equipment's and Cell sites)					
2.6.5	Power and fuel					
2.6.6	Interconnection:					
2.6.6.1	Port charges					
2.6.6.2	Others (please specify)					
2.6.7	Passive Infrastructure Charges:					
2.6.7.1	Paid within group company					
2.6.7.2	Paid outside group					
2.6.8	Insurance Charges (Network Element Equipment's)					
2.6.9	Outsourcing Charges for Network Element Equipment's					
2.6.10	Others (please specify)					
	Sub-total					

S No.	Particulars	Product Type (Note 1)				Total
		Product A	Product B	Product C	Product...	
2.7	Depreciation and Amortization:					
2.7.1	Depreciation on Network Elements					
2.7.2	Amortization of One time entry fees/license fees					
2.7.3	Amortization of spectrum auction money					
2.7.4	Depreciation/amortization on Others (please specify)					
	Sub-total					
2.8	Other cost					
2.8.1	Loss on sale of fixed assets(net)					
2.8.2	Corporate office expenses					
2.8.3	Others (please specify)					
	Sub-total					
2.9	Finance charges (Refer Note 2)					
2.9.1	Bank charges					
2.9.2	Others (please specify)					
	Sub-total					
	TOTAL DIRECT COST (I)					
3	NETWORK ELEMENT COST (Note 3)					
3.1	Network element 1	As transferred from Proforma C				
3.2	Network element 2					
3.3	Network element 3					
3.4	Network element 4					
3.5	Network Element.....					
	Total NETWORK ELEMENT COST (II)					
4	TOTAL COST (I+II+III)					

S No.	Particulars	Product Type (Note 1)				Total
		Product A	Product B	Product C	Product...	
5	Profit & Loss Before Interest and Tax					
6	Total Capital Employed	As per Proforma E				
7	Return on Capital Employed (%)					
8	Return on turnover (%)					

Note:

1. This sheet is to be prepared for each License as prescribed in Appendix 1 to Framework
2. Excluding interest on loans/borrowed funds
3. As transferred from Proforma C

Proforma C

Name of The Company :	
Name of License:	Refer Note 1
Period :	
Cost Base:	Historical cost accounting

(NGN in Millions)

S No.	Particulars	Network Element 1	Network Element 2	Network Element ...	Total
	COSTS				
1.1	Employee cost				

S No.	Particulars	Network Element 1	Network Element 2	Network Element ...	Total
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)				
	Sub total				
1.2	Administration cost				
1.2.1	Rent (Other than Network Element Equipment's and Cell sites)				
1.2.2	Rates and taxes				
1.2.3	Insurance charges (Other than Network Element Equipment's)				
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)				
	Sub total				
1.3	Sales and marketing cost				
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)				
	Sub total				
1.4	Maintenance cost				

S No.	Particulars	Network Element 1	Network Element 2	Network Element ...	Total
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)				
	Sub total				
1.5	Government charges				
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)				
	Sub total				
1.6	Network operating Cost				
1.6.1	Leased Circuits and Gateway Charges				
1.6.2	Royalty for technical knowhow fees				
1.6.3	Rent (Network Element Equipment's 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 Equipment's)				
1.6.8	Outsourcing Charges for Network Element Equipment's				
1.6.9	Others (please specify)				
	Sub-total				

S No.	Particulars	Network Element 1	Network Element 2	Network Element ...	Total
1.7	Depreciation and Amortization:				
1.7.1	Depreciation on Network Elements				
1.7.2	Amortization of One time entry fees/license fees				
1.7.3	Amortization of spectrum auction money				
1.7.4	Depreciation/amortization on Others (please specify)				
	Sub-total				
1.8	Other cost				
1.8.1	Loss on sale of fixed assets(net)				
1.8.3	Others (please specify)				
	Sub-total				
1.9	Finance charges (Refer Note 2)				
1.9.1	Bank charges				
1.9.2	Others (please specify)				
	Sub-total				
	TOTAL NETWORK DIRECT COST (I)				
2	COST TRANSFERRED FROM SUPPORT FUNCTION / DEPARTMENT (PROFORMA D)				
2.1	Dept. 1				
2.2	Dept. 2				
2.3	Dept. 3				
2.4	Dept.....				
	TOTAL SUPPORT FUNCTIONS/DEPARTMENT COST (II)				
	TOTAL NETWORK COST (I) + (II)	-	-	-	

Allocation of Network Elements Cost to Products (Refer Note 3)

Particulars	Product A	Product B	Product...	Total
Network Element 1				
Network Element 2				
Network Element 2				
Network Element 4				
Network Element....				
Total				

Note:

1. This sheet is to be prepared for each License as prescribed in Appendix 1 to Framework
2. Excluding interest on loans/borrowed funds
3. The list of network elements is provided in Appendix 2 to Framework. The service provider should use this list. In case any network element is not relevant, the same may be shown as nil.

Proforma D

Name of The Company :	
Name of License:	Refer Note 1
Period :	
Cost Base:	Historical cost accounting

(NGN in Millions)

S No.	Particulars	Dept. 1 (Refer Note 4)	Dept. 2	Dept....	Total
	COSTS				
1.1	Employee cost				
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)				
	Sub total				
1.2	Administration cost				
1.2.1	Rent (Other than Network Element Equipment's and Cell sites)				
1.2.2	Rates and taxes				
1.2.3	Insurance charges (Other than Network Element Equipment's)				
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)				
	Sub total				
1.3	Sales and marketing cost				

S No.	Particulars	Dept. 1 (Refer Note 4)	Dept. 2	Dept....	Total
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)				
	Sub total				
1.4	Maintenance cost				
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)				
	Sub total				
1.5	Government charges				
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)				
	Sub total				
1.6	Network operating Cost				
1.6.1	Leased Circuits and Gateway Charges				
1.6.2	Royalty for technical knowhow fees				
1.6.3	Rent (Network Element Equipment's and Cell sites)				
1.6.4	Power and fuel				

S No.	Particulars	Dept. 1 (Refer Note 4)	Dept. 2	Dept....	Total
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 Equipment's)				
1.6.8	Outsourcing Charges for Network Element Equipment's				
1.6.9	Others (please specify)				
	Sub-total				
1.7	Depreciation and Amortization:				
1.7.1	Depreciation on Network Elements				
1.7.2	Amortization of One time entry fees/license fees				
1.7.3	Amortization of spectrum auction money				
1.7.4	Depreciation/amortization on Others (please specify)				
	Sub-total				
1.8	Other cost				
1.8.1	Loss on sale of fixed assets(net)				
1.8.2	Others (please specify)				
	Sub-total				
1.9	Finance charges (Refer Note 2)				
1.9.1	Bank charges				
1.9.2	Others (please specify)				
	Sub-total				
	TOTAL COST				

Allocation to Network Elements (Refer Note 3)

Particulars	Dept. 1	Dept. 2	Dept. ...	Total
Network Element 1				
Network Element 2				
Network Element 3				
Network Element....				
Total				

Note:

1. This sheet is to be prepared for each License as prescribed in Appendix 1 to Framework
2. Excluding interest on loans/borrowed funds
3. The list of network elements is provided in Appendix 2 to Framework. The service provider should use this list. In case any network element is not relevant, the same may be shown as nil.
4. Indicative List of Department is provided in Appendix 5 of the Framework

Proforma E

Name of The Company :	
Name of License:	Refer Note 1
Period :	
Cost Base:	Historical cost accounting

(NGN in Millions)

Particulars	Gross Block/ Depreciation/Net Block											
	Tangible Assets						Intangible Assets					
	L&B	LH. Imp	IS, Furniture and OE	Motor Vehicles	NI	Others	Goodwill	License	Patent	Spec trum	Band Width	Ot
Network Elements (Refer Note 2)												
Network Element 1												
Network Element 2												
Network Element 3												
Network Element 4												
Network Element...												
Sub Total (A)												
Support Function/ Departments/ Others (Refer Note 2)												
Sub Total (B)												
Total (A+B)												

Note:

1. This sheet is to be prepared for each License as prescribed in Appendix 1 to Framework
2. Excluding interest on loans/borrowed funds
3. A statement indicating rate of depreciation charged during the reporting period on various fixed assets will be annexed to Proforma E.
4. Information in above format under each category should be inclusive of value of impaired assets
5. L&B = Land & Building; LH = Leasehold Improvement; IS = Information System; OE = Office Equipment; NI = Network Infrastructure

Proforma F

Name of The Company :	
Name of License:	Refer Note 1
Period :	
Cost Base:	Historical cost accounting

(NGN in Millions)

Components of Capital Employed	Current Year	Previous Year
	Amount	Amount
Tangible Assets		
Land & Building		
Leasehold Improvement		
Information System, Furniture and Office Equipment		
Motor Vehicles		
Network Infrastructure		
Others (if any)		
Intangible assets		
Goodwill		
License		
Patent		
Spectrum		
Bandwidth		
Others(if any)		
Fixed Assets (Gross Book Value)		
Less: Accumulated Depreciation/ Amortization		
(A) NET BOOK VALUE OF FIXED ASSETS		
(B) CAPITAL WORK IN PROGRESS:		

Components of Capital Employed	Current Year	Previous Year
	Amount	Amount
CURRENT ASSETS:		
Current investments		
Trade Receivables		
Inventories		
Cash and cash equivalents		
Short Term Loans and advances		
Others (please specify)		
Sub total		
CURRENT LIABILITIES:		
Short term borrowings		
Trade Payables		
Security Deposits		
Advance Rentals		
Provisions		
Other (please specify)		
Sub total		
(C)NET WORKING CAPITAL i.e. Current Assets Less Current Liabilities		
TOTAL CAPITAL EMPLOYED (A+B+C)		
Weighted Average Cost of Capital i.e. WACC (in %) (Refer Note 2)		

Note:

1. This sheet is to be prepared for each License as prescribed in Appendix 1 to Framework
2. WACC is pre-tax Weighted Average Cost of Capital. Statement of computation of pre-tax WACC should be attached.
3. Capital Employed is the closing capital employed at the end of the Accounting period.

Proforma G

Name of The Company :	
Name of License:	Refer Note 1
Period :	
Cost Base:	Historical cost accounting

(NGN in Millions)

Particulars	Current Year	Previous year
	Allocation of capital employed (As per Proforma F) to different products	Allocation of capital employed (As per Proforma F) to different products
Product A		
Product B		
Product C		
Product D		
Product		
TOTAL		

Note:

1. This sheet is to be prepared for each License as prescribed in Appendix 1 to Framework
2. Capital Employed is the closing capital employed at the end of the Accounting period

Proforma H

Name of The Company :	
Name of License:	Refer Note 5
Period :	
Cost Base:	Historical cost accounting

(NGN in Millions)

Particulars		Sale (Gross Revenue) - within Group/Company (Refer Note 1)								
		Product A			Product B			Product...		
		Related party 1 (Refer Note 2)	Related party 2	Related party...	Related party 1	Related party 2	Related party...	Related party 1	Related party 2	Related party...
At maximum rate per unit charged	Rate Per Unit									
	Unit (Refer Note 3)									
	Gross revenue									
At lowest rate per unit charged	Rate Per Unit									
	Unit									
	Gross revenue									
Total Gross Revenue (sum of revenue at all rates)	Volume (Refer Note 4)									
	Gross revenue									
	Average gross revenue per unit									

Note:

1. Group means the parties defined as "Related Party" in the Framework. Separate information to be provided for each company separately covered under the definition of related party and also includes inter telecom service transactions with in a company
2. Please mention name of related party (in case of other entity) or name of telecom license in case of inter service transaction
3. Minutes of Usage, number of messages, number of towers etc.
4. Total unit transacted with related party
5. This proforma shall be prepared separately for each License prescribed in Appendix 1 of the Framework

Proforma I

Name of The Company :	
Name of License:	Refer Note 5
Period :	
Cost Base:	Historical cost accounting

(NGN in Millions)

S No.	Particulars	Licenses (Refer Note 2)												Total as per Audited Annual Financial Statements	Diff		
		Collocation services and Infrastructure sharing	Inter connect exchange	International/ Submarine Cable infrastructure	International Data Access	International Gateway	Internet services	Metropolitan Fiber Cable Network	National Carrier	National Long Distance	PMC (Trunk Radio)	Sales & Installation	Unified Access Services			Value added service [Special Number service (SNS)]	
1	Revenue:																
1.1	Revenue (net of tax)																
1.2	Less: pass through charges																
1.3	Revenue (net of Pass through)																
2	Costs:																
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 Amortization																
2.8	Others Cost (please specify)																
2.9	Finance Charges (Refer Note 3)																
	TOTAL COST																
3	Profit before Interest and Tax (PBIT)																

4	Profit After Tax																			
5	Capital Employed																			

Note:

1. This proforma shall be consolidated for all the telecom licenses
2. For Telecom services, revenues, costs and capital employed should be in agreement with Proforma A of that particular service.
3. Excluding interest on loans /borrowed funds

Proforma J

A) STATEMENT OF NON-FINANCIAL INFORMATION FOR COLLOCATION AND INFRASTRUCTURE SHARING

1. 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			
2. Number of Towers			
Particulars	GBT (Ground based tower)	RTT (Roof top tower)	RTP (Roof top pole)
2.1 Number of Towers			
2.2 Average tenancy Ratio			

B) STATEMENT OF NON-FINANCIAL INFORMATION FOR INTERCONNECT EXCHANGE

1. 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		
2. Interconnect Details	Utilized	Provided
Voice minutes		
Number of SMS		
Data (in kb)		

C) STATEMENT OF NON-FINANCIAL INFORMATION FOR SUBMARINE CABLE INFRASTRUCTURE & LANDING CABLE SERVICES

1. 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				
2. Traffic Details: International Long Distance				
2.1 Details of Transmission Capacity (in Mbps) available	Capacity Utilization			
	Capacity Sold-Retail	Capacity Sold-Leased Out	Captive Consumption	Total
(a) Capacity Owned				
(b) Capacity leased in				
Total Capacity				
2.2 Voice Usage Minutes:	Transit Minutes	Inbound Minutes	Outbound Minutes	
ILD Voice minutes carried including carried minutes of Calling Cards (in million):				
2.3 Calling Cards Minutes:	Minutes generated from Access Subscribers			
	Wireless	Wireline		
Voice Minutes (calling card) (in million)				
2.4 Managed Data Service (VPN/ CUG) (total bandwidth)				
2.5 Total bandwidth (Mbps) sold through leased circuits				
3. Cable Landing Station Capacity Details				
3.1 Number of Cable Landing Stations:				
3.2 Number of submarine cables landing at the Cable Landing Stations:				
3.3 Capacity Utilization (in Mbps)	Capacity Sold-Retail	Capacity Sold-Leased Out	Captive Consumption	Total
(a) Capacity Owned				
(b) Capacity Leased in				
Total Capacity				
3.4 Number of players to whom landing facility provided:				
3.5 Number of players to whom access facility provided:				
3.6 Number of players to whom co-location provided:				

D) STATEMENT OF NON-FINANCIAL INFORMATION FOR INTERNATIONAL DATA ACCESS

1. 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	
2. Subscriber Details	
2.1 Number of subscribers (in million)	
a) Internet – Broadband	
(b) Internet – Narrowband	
(c) IP TV	
(d) Others	
3. 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:	
3.3 Data Usage (in MB):	
(a) Internet – Broadband	
(b) Internet – Narrowband	
4. Details of Spectrum Allotted	
Spectrum Band (frequency)	Spectrum Allotted (in MHz)
(a)	
(B)	

E). STATEMENT OF NON-FINANCIAL INFORMATION FOR INTERNATIONAL GATEWAY

1. 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	
2. Cable Landing Station Capacity Details	
2.1 Number of Cable Landing Stations:	
2.2 Number of submarine cables landing at the Cable Landing Stations:	

F) STATEMENT OF NON-FINANCIAL INFORMATION FOR INTERNET SERVICES

1. 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	
2. Subscriber Details	
2.1 Number of subscribers:	
a) Internet – Broadband	
(b) Internet – Narrowband	
(c) IP TV	
(d) Others	
3. 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:	
3.3 Data Usage (in MB):	
(a) Internet – Broadband	
(b) Internet – Narrowband	
4. Details of Spectrum Allotted	
Spectrum Band (frequency)	Spectrum Allotted (in MHz)
(a)	
(B)	
5. Dark Fiber Transmission Media Details	
(a) Total Number of Route Kilometers of OFC	
(b) Number of Route Kilometers sold/leased out	

G) STATEMENT OF NON-FINANCIAL INFORMATION FOR METROPOLITAN FIBER CABLE NETWORK

1. 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	
2. 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 NATIONAL CARRIER

1. 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					
2. Subscriber Details					
2.1 Direct Exchange Lines	Total Capacity	Number of subscribers			
Urban					
Rural					
Total					
2.1 Details of Direct Exchange Lines (Subscribers) (in million)	Opening	Closing			
(a) Urban					
(b) Rural					
Total					
2.2 Number of Internet subscribers (in million):					
(a) Internet – Broadband					
(b) Internet – Narrowband					
3. Traffic Details					
3.1 Transmission Capacity Details:	Length in Route Kilometers				
(A) OFC:					
Owned					
Lased In					
(B) Microwave:					
Owned					
Lased In					
(C) Satellite					
3.2 Usage (Minutes/No's/ MB)	On Net		Off Net		Total
	Originating	Terminating	Originating	Terminating	
(a) Voice Minutes of Usage					
3.3 Data Usage (in MB):					
(a) Internet – Broadband					
(b) Internet – Narrowband					
3.4 Total bandwidth (Mbps) sold to enterprise					
3.5 Total length (Km): -					
(a) Local Loop Copper					
(b) Fiber					

I) STATEMENT OF NON-FINANCIAL INFORMATION FOR NATIONAL LONG DISTANCE SERVICE

1. 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		
2. Traffic Details		
2.1 Details of Transmission Capacity available	Length in Route Kilometers	
(A) OFC:		
(a) Owned		
(b) Leased In		
(B) Microwave:		
(a) Owned		
(b) Leased In		
(C) Satellite		
2.2 Voice Usage Minutes:	Minutes collected	Minutes handed over
NLD Voice minutes carried including carried minutes of Calling Cards (in million):		
2.3 Calling Cards Minutes:	Minutes generated from Access Subscribers	
	Wireless	Wireline
Voice Minutes (calling card) (in million)		
2.4 Managed Data Service (VPN/ CUG) (total bandwidth)		
2.5 Total bandwidth (Mbps) sold through leased circuits		
3. Dark Fiber Transmission Media Details		
3.1 Total Number of Route Kilometers of OFC		
3.2 Number of Route Kilometers sold/leased out		

J) STATEMENT OF NON-FINANCIAL INFORMATION FOR PMC (TRUNK RADIO)

1. 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		
2. Number of subscribers (in million)		
2.1 Fixed trunk	Current year	Previous year
2.2 Mobile trunk		

K) STATEMENT OF NON-FINANCIAL INFORMATION FOR SALES & INSTALLATION

1. 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		
2. Number of equipment:	Current year	Previous year
2.1 Sold		
2.2 Installed		

L) STATEMENT OF NON-FINANCIAL INFORMATION FOR UNIFIED ACCESS SERVICE

1. Basic Information (License/Operations 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					
2. Subscriber Details					
2.1 Number of Subscribers (in million)	Opening			Closing	
(a) Urban					
(b) Rural					
Total					
2.2 Number of subscribers					
(a) Prepaid					
(b) Postpaid					
2.3 Number of Internet Subscribers					
3. Traffic Details					
3.1 Usage (Minutes/No's/MB)	On Net		Off Net		Total
	Originating	Terminating	Originating	Terminating	
(a) Voice Minutes of Usage					
(b) Non-voice Messages-SMS/MMS					
3.2 Data Usage (in MB)					
3.3 Total bandwidth (Mbps) sold to enterprises:					
3.4 Transmission Capacity Details	Length in Route Kilometer				
(A) OFC:					
Owned					
Leases In					
(B) Microwave:					
Owned					
Leases In					
(C) Satellite					
IV. Towers Details					
Particulars	Number of Towers			Average Tenancy Ratio	
	Owned	Leased			
		Exclusive	Shared		
Ground Base Tower (GBT)					
Roof Top Tower (RTT)					

Roof Top Pole (RTP)				
V. Details of Spectrum Allotted				
Spectrum Band (frequency)		Spectrum Allotted (in MHz)		
(A)				
(B)				

M) STATEMENT OF NON-FINANCIAL INFORMATION FOR VALUE ADDED SERVICE, SPECIAL NUMBER SERVICE (SNS)

1. Basic Information	Current year	Previous year
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		
2. Subscriber details		
2.1 Number of subscribers (in million)		
(a) Toll-free		
(b) Personal 1-800 vanity		
(c) Follow-me		
(d) One-number dial		
(e) Conference call bridge		
(f) Integrated voice messaging		
(g) Voice activated dialing		
(h) Unified messaging		
(i) Automated call distribution		
(j) Agent-at-home		

APPENDIX 6: DEFINITIONS

#	Particulars	Definition
1	Accounting Separation Statement	Means report furnished in Proforma specified in Appendix 5 to these regulations
2	Accounting Year	Means financial year
3	Authority	Means the Nigerian Communication Commission of Nigeria
4	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 or acquisition
5	Framework	Means the Reporting System on Accounting Separation Framework, 2019
6	Related Party	“Related party” has the meaning assigned to it in the International Financial Reporting Standards on Related Party Disclosures (IAS 24) and also includes transactions within a company involving separate licensed activities
7	Licensee	Means telecom service provider
8	License	Telecom Service provided by the license
9	Fully Allocated Cost (FAC)	An accounting method to distribute all costs among a firm's various products and services; hence, the FAC may include costs not directly associated with a particular product or service.
10	Direct Cost	Cost, which are solely on account of a particular telecom service or product or network element and are recorded in the accounts against the relevant telecom service or product or network element e.g. license fees for a service can be directly allocated to that telecom service, cost incurred exclusively for providing value added services can be directly allocated to VAS product.

11	Indirect Cost	Costs, which are part of a pool of common cost but which can be attributed to a particular product or network element through a non-arbitrary and verifiable cause and effect relationship.
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APPENDIX 7: ABBREVIATION USED IN THIS DOCUMENT

#	Abbreviation	Definition	#	Abbreviation	Definition
1	ASF	Accounting Separation Framework	27	MMR	Meet Me Room
2	AS	Accounting Separation	28	MMSC	Multimedia Messaging License Centre
3	BSC	Base Station Controller	29	MNP	Mobile Number Portability
4	BTS	Base Transceiver Station	30	MSC	Mobile licenses Switching Centre
5	CCA	Current Cost Accounting	31	MWCA	Monetary Working Capital Adjustment
6	COSA	Cost of Sales Adjustment	32	NCC	Nigerian Communication Commission
7	CPE	Customer Premises Equipment	33	NGN	Next Generation Network
8	EIR	Equipment Identity Register	34	NLD	National Long Distance License
9	FAC	Fixed Attribution Cost	35	NLD	National Long Distance
10	FCM	Financial Capital Maintenance	36	NMS	Network Management System
11	GBT	Ground Base Tower	37	OFC	Optical Fiber Cable
12	GGSN	Gateway GPRS Support Node	38	RAN	Radio Access Network
13	GMG	Gateway Media Gateway	39	RCA	Replacement Cost Accounting
14	GMSC	Gateway Mobile licenses Switching Centre	40	RFS	Regulatory Financial Statement
15	HCA	Historical Cost Accounting	41	RNC	Radio Network Controller
16	HCA	Historical Cost Accounting	42	RTP	Roof Top Pole
17	HLR	Home Location Register	43	RTT	Roof Top Tower
18	HSS	Home Subscriber server	44	SGSN	Serving GPRS Support Node
19	ILD	International Long Distance	45	SMSC	Short Message License Centre
20	ILD	International Long Distance License	46	TAX	Trunk Automatic Exchange
21	IN	Intelligent Network	47	VAS	Value Added Licenses
22	IP	Internet Protocol	48	VLR	Visitor Location Register

23	IPLC	International Private Leased Circuit	49	VSAT	Very Small Aperture Terminal License
24	LIS	Lawful Interception Server	50	WACC	Weighted Average Cost of Capital
25	MEA	Modern Equivalent Asset	51	VLR	Visitor Location Register
26	MGW	Media Gateway			

CONSIDERATION OF SUBMISSIONS MADE BY OPERATORS

The purpose of this section is to provide an overview of the comments received as well as the responses of the Commission to these comments. Comments not directly relevant to Accounting Separation have not been included in this notification.

The comments received for last draft have been summarised and grouped by subject area. The names of the operators making the individual comments have been excluded.

Area	Operator's Comments	NCC Response
Timeframe for Implementing Accounting Separation	<p>The timeframe within which operators will be required to implement accounting separation was a recurring theme in the comments obtained from Operators.</p> <p>Operators were largely of the opinion that significant time will be required for the definition and implementation of a new chart of accounts, upgrade/ of their financial accounting systems and sourcing and training of personnel required to comply with accounting separation.</p> <p>One of the Operators suggested a timeline of twenty four (24) months while other Operators requested the NCC's definition of specific timelines.</p>	<p>The NCC understands that the Operators will require time to set up the necessary systems and processes for preparing Accounting Separation Statements and will take this into consideration in developing a transition/implementation plan for the Industry</p> <p>The transition/implementation plan will be developed in liaison with Operators and will be driven by a review of Operators' internal readiness to implement Accounting Separation. It is envisaged that the transition/implementation plan will be developed no later than three (3) months after the publication of this Notification</p>
Applicability of the Accounting	A number of Operators suggested that the N1 billion turnover qualifying	The NCC has considered Operators' comments and now

Area	Operator's Comments	NCC Response
Separation Framework	<p>criteria for determining operators who will be placed under the ambit of Accounting Separation is low and will place undue burden on operators who can still be classified as small and medium enterprises</p> <p>One of the Operators was of the opinion that all operators, regardless of size, should be required to comply with the NCC's Accounting Separation Framework. It suggested that, in consideration of the complexity and costs involved in the implementation of Accounting Separation, the Commission may consider a less onerous framework and/or different levels of disaggregation for smaller licensees than that provided for licensees with turnover below N1 billion.</p> <p>Another Operator suggested that only firms which had been classified as dominant in the NCC's Dominance Determination should be required to comply with the directive on Accounting Separation</p>	<p>stipulates that only firms with an annual turnover of N5bn and above will be required to comply with the Accounting Separation Framework.</p> <p>The prescription of a separate framework and different levels of disaggregation for smaller licensees will be cumbersome to operate. The NCC considers that the smaller licenses are not likely to be in a position where their activities can significantly disrupt the market, therefore it does not consider it necessary to burden them with AS at this point</p>
Appropriateness of the Selected Cost Base	<p>Some of the Operators expressed concerns about the effectiveness of the selected cost base - Historical Cost Accounting (HCA) – as a basis for determining asset valuation</p>	<p>As stated in the AS Framework and at the Forum held with Operators on 25 March, 2015, HCA does not provide the most effective basis for valuing assets, however, due to the inherent challenges of implementing an AS framework, it has been considered that implementation should be incremental in order to enable the industry build capacity and develop the appropriate systems.</p> <p>This is in line with tested practices employed by Regulators in</p>

Area	Operator's Comments	NCC Response
		Australia, Malaysia, India and Italy.
Capacity Building	A number of Operators recommended that the NCC champions a number of capacity building workshops to ensure that affected operators understand how it should be implemented and are aligned with the Commission on the outputs of the AS framework prior to its implementation	The NCC will take this under advisement
Reporting Requirements	<p>Operators noted that the preparation and audit of Accounting Records are subject to global Standards such as the International Financial Reporting Standards (IFRS) and required clarity on how the proposed framework will interplay with those standards.</p> <p>One of the Operators suggested that the audit of Regulatory Financial Statements should not be made compulsory as long as operators are required to prepare statements reconciling regulatory financial statements with Company's audited annual accounts.</p> <p>One of the Operators also requested for clarification on if the specifications and reporting requirements outlined in the AS framework will take precedence over the Operator Specific AS Guideline (OASM) required to be developed by each operator and whether the cost accounting provisions will take wholesale and retail markets into consideration</p>	<p>Operators can continue to prepare their Financial Statements in line with IFRS or any other prescribed financial reporting standard and still fulfil the requirements of the Accounting Separation Statements which are to be submitted to the Regulator alone. Accounting Separation Statements are subject only to the principles outlined in the draft guideline and there is no conflict envisaged between IFRS and Accounting Separation principles.</p> <p>Proforma-I / Reconciliation statements would be prepared at license level and are part of the Accounting Separation guidelines. Operators would submit it only when it is made mandatory by NCC.</p> <p>The AS reporting requirements will always take precedence. The OASM is expected to outline the Operator's methods and systems for complying with the AS reporting requirements and not expected to supersede or replace them</p>

Area	Operator's Comments	NCC Response
		Both wholesale and retail products have been covered under Accounting Separation Guidelines and statements have to be prepared according to the type of license and products covered by the license as per the table of "List of Licenses and Sub-Licenses"
Preparation of Operator Specific Accounting Separation Manual (OASM)	One of the Operators concluded that affected operators will be required to prepare their OASMs by September 2015 and requested for an extension of the implementation of the Accounting Separation Framework and the production of the OASM by at least one year from the conclusion of the Guidelines	The NCC has not prescribed a specific time for the submission of OASMs. A comprehensive implementation/transition plan will be developed following the finalization of the Framework and will incorporate input from the Operators