

MSEDCL Specific - CPF Loan Lumpsum Repayment related Instructions dated 16-Mar-2015

The following instructions are hereby given to HR and Accounts section to follow strictly which is not followed leading to problems in CPF schedule and reconciliation with S-Form and R-Form.

- 1) Lumpsum repayment to be accepted only if 50% of CPF loan is actually recovered through salary only. 'CPF Loan Lumpsum Repayment' screen will not accept such amount.
- 2) Lumpsum repayment calculation to be checked from the option 'CPF Loan Lumpsum Repayment' under 'Employee CPF Loan Application' screen for that loan (identified by loan sanction no and/or disbursement date). This screen should be checked during the period from Previous month's 'Process CPF – Monthly Update' and current month's beginning of payroll **and not any other period because calculation may change**. The same interest calculation formula for lumpsum repayment screen can be seen by employee in 'MSEB CPF Portal' CPF Loan History screen.
- 3) The lumpsum repayment sheet to be system generated and is provided in MSEDCL - Payroll Reports and/or R-APDRP Portal's Info Portal -> MSEDCL BI Reports option. Only system generated calculation sheet to be used. This sheet also to be generated during the period given above. After generating the sheet, the principal balance amount to be checked as per Principal closing balance as per previous month end done which is also shown in screen 'Recovery/Cancellation/Rejection Screen' in 'Employee CPF Loan Application' screen. The outstanding principal balance and interest calculation also shown in 'CPF Loan Lumpsum Repayment' option in the 'Employee CPF Loan Application' screen. The sheet should be audited and sent to cash section for payment from employee.
- 4) Employee should be asked to pay the amount immediately preferably through cash to avoid cheque bouncing problem and create problems in accounting. If payment accepted through cheque, it must be verified whether it is realized by accounts section within 3 days. After confirmation of realization, the CPF lumpsum amount receipt details must be entered by cash section user in the screen 'CPF Loan Lumpsum Repayment' option. HR Users and Cash sections should ensure that the loan recovery is not made in current month paybill. **Cheque should not be accepted within last 8 days of the month to avoid loan recovery in pay-bill (depending on current month paybill status)**. For this, the location should be prompt in CPF Schedule and R-Form reconciliation and 'Process CPF –Monthly' to be done well before 10th of every month.
- 5) After the lumpsum repayment details entry in the above screen, the CPF Loan gets closed and CPF transactions get created in 'Maintain CPF Details' screen and will also appear in 'Supplementary CPF Schedule as per Maintain CPF Details' screen. If employee pays the lumpsum around the end of paybill finalization, check to see if loan recovery done. Loan recovery should not be done in regular salary. If loan recovery done, undo the paybill for that employee before audit finalization.

- 6) The lumpsum repayment should not be entered in payroll supplementary salary option else it will be shown twice in CPF schedule.
- 7) Payment should not be accepted by cash section without the lumpsum repayment sheet prepared by HR, audited and forwarded to cash section.
- 8) The lumpsum repayment must be accounted in CPF S-Form correctly with principal, interest and BOT interest separately.
- 9) If employee is active, old pending loans which are not recovered fully should be recovered through salary, if more than 50% Principal balance is remaining.
- 10) Following is the formula to calculate CPF interest for lumpsum repayment

Total Interest Due as on Date (including BOT int) = (Total Loan Amount Disbursed + Balance Principal Amount at Payroll Month End) X (No. of Principal Installments recovered + 1)
X (CPF Final Rate of Interest + 1) / 2400 **ROUNDED**

Interest Balance as on Date = (Total Loan Amount Disbursed + Balance Principal Amount at Payroll Month End) X (No. of Principal Installments recovered + 1) X (CPF Final Rate of Interest) / 2400 **ROUNDED**

BOT Interest Balance as on Date = Total Interest Due – Interest Balance as on Date

e.g. for Lumpsum Repayment - Loan sanction amt say 3,60,000, installment amt 10000, total principal installments as per sanction order 36, no of principal installments recovered 30 up to Sep-14. balance amt 60000 (10000 X 6). PF Final Rate of interest for year 2010-11 say 8.5, Loan paid in financial year 2010-11. Then Total interest payable in oct-14 (i.e. after sep-14 month closure and before Oct-14 pay-bill processing)

Total Interest Due = (360000 + 60000) X (30 + 1) X (8.5 + 1) / 2400 = 51538

Int Balance as on Date = (360000 + 60000) X (30 + 1) X (8.5) / 2400 = 46113

BOT Interest balance as on date = 51538 – 46113 = 5425

In above formula, the CPF Rate of Interest is the final rate of interest (not provisional rate) declared for the financial year in which the month of loan disbursement (payment) falls. i.e. if loan was disbursed during April-2011 to March-2012 and if final CPF Rate of interest is 8.95 then Total interest due is calculated with rate (8.95 + 1)%. CPF Trust AG Meeting is conducted around Sep, Oct, Nov every year to declare final CPF rate. During this period, the balance interest and lump-sum repayment may change due to change in CPF rate for loans disbursed during *previous financial year*. If Final rate of interest declared is greater than provisional rate of interest, interest will increase and system may not accept the amount due to change in rate of interest. To avoid this problem, it is better to feed the lumpsum repayment details at the earliest on clearing the cheque.