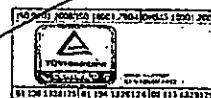




O/C



**CENTRAL WAREHOUSING CORPORATION
(GOVT. OF INDIA UNDERTAKING)**

By Speed Post / Email

No. CWC/FD-Compilation/An. Closing/14-15

01st May, 2015

Accounts Circular # 05

Subject: Accounting for writing back of Provisions for Expenses / Liabilities created in earlier years

As per the existing accounting procedure, any liability / provision created in the earlier year(s) and not required to be carried forward in the current year, is written back as "Excess Liabilities / Provisions Written Back".

In view of the recent opinion published by the Institute of Chartered Accountants of India, the following accounting procedure is advised w.e.f. financial year 2014-15.

1. The Liability / Provision recognized in earlier years be first adjusted against the actual expenses incurred during the year.
2. If there is any amount to be written back of earlier recognized liability / provision and a liability / provision for the same item is also being recognized in the current financial year, the write back should be first adjusted in arriving at the amount of liability / provision to be created in the current year i.e. the net amount after adjustment of write back should be charged to the Statement of Profit & Loss.
3. In case liability / provision to be created during the current year is less than the liability / provision to be written back for the earlier years or where no liability / provision is required to be created during the current year, the liability / provision to be written back should be transferred to Corporate Office Account (COA) giving complete details and also stating the relevant head of expenses for which the liability / provision being written back was created in earlier years.

For example - Reversal on account of provision for doubtful debts created during the earlier years is Rs 20/- and provision of Rs 100/- is required to be created in respect of debtors in the current year. In such a case write back of Rs 20/- should be adjusted to Rs 100/- and Rs 80/- should be recognised as provision for bad & doubtful debts in the statement of profit & loss for the current year. Where no liability / provision is recognized for

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the current year on account of provision for bad & doubtful debts, write back of Rs.20/- should be transferred to Corporate Office. While sending the advice for the amount transferred to CO, full details about the nature of expense against which liability / provision was created, should be stated therein. For any difficulty, the illustrations given in Annexure may also be referred.

5.0 In respect of CC, the excess amount of liability/provision (after adjusting with the liability/provision to be made for the current year) relating to earlier years is to be written back as under instead of transferring to Corporate Office directly

- a. Excess liability to be written back in respect of Repairs & Maintenance be shown in Part-1 of Trial Balance.
- b. Excess Liability to be written back in respect of Capital Works (WIP) be continued to be credited to WIP.
- c. Excess Liability written back in respect of Other Overheads continued to be shown on credit side of schedule 'C'

The receipt of this Circular may please be acknowledged. The Accounts for the financial year 2014-15 may please be prepared as per the Circular and there should not be any balance in Excess Liabilities / Provisions Written Back at CO as on 31.3.2015.

This issues with the approval of GM(F&A)

(Vijay Kumar Garg)
SAM(Compilation)

Distribution to:

1. All Regional Managers of CWC
2. All Executive Engineers in charge of all the Construction Cells of CWC
3. All AGMs/Managers/ (Sr) Asstt. Managers in charge of the Finance, Accounts & Internal Audit Wings of all ROs & CCs of CWC

Copies for information to:

1. All HODs at CWC Corporate Office, New Delhi
2. All DGM/AGMs/Managers/ (Sr) Asstt. Managers/Accountants in Finance, Accounts & Internal Audit Cadre at CWC Corporate Office, New Delhi
3. PPS to Managing Director, CWC CO, New Delhi
4. AM to Director (Fin), CWC CO, New Delhi
5. PS to GM (F&A), CWC Corp Office, New Delhi
6. PS to GM (Systems), CWC CO, New Delhi with a request to place this Circular on CWC's Website
7. Manager (Rajbhasha), CWC CO, New Delhi with a request to arrange Hindi Version of this Circular

ANNEXURE

Illustration: 1

Liability for expense created up to the year 2013-14 was Rs.80,000/-. During the year 2014-15, bill amounting to Rs.40,000/- are paid against this liability pertaining to earlier years and no further unpaid liability is required or the period up to 2013-14. Liability for expense to be provided for the year 2014-15 are Rs.50,000/-.

Opening Liability for expense	80,000
Less: Adjusted against the bills pertaining to earlier period	(40,000)
Balance Unpaid Liability not required	40,000
Net Liability required as on 31.03.2015	<u>50,000</u>
Additional Liability to be recognised	<u>10,000</u>

Illustration: 2

Assume in above Illustration, Unpaid Liability to be provided for the year 2014-15 are Rs.30,000/-.

Opening Liability for expense	80,000
Less: Adjusted against the bills pertaining to earlier period	(40,000)
Balance Unpaid Liability not required	40,000
Net Liability required as on 31.03.2015	<u>30,000</u>
Transfer To CO (excess liability no longer required)	<u>10,000</u>

Illustration: 3

Assume in above Illustration 1 No Unpaid Liability to be provided for the year 2014-15.

Opening Liability for expense	80,000
Less: Adjusted against the bills pertaining to earlier period	(40,000)
Balance Unpaid Liability no longer required will be	
Transferred to Corporate office.	<u>40,000</u>