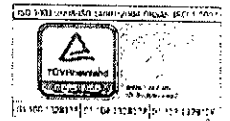




CENTRAL WAREHOUSING CORPORATION

(GOVT. OF INDIA UNDERTAKING)



By Speed Post / Email

No. CWC/FD-Compilation/An. Closing/18-19

13th February, 2019

Accounts Circular # 22

Subject: Accounting for reversal/write back of provision, writing off the debtors and creation of additional provision for bad & doubtful debts...reg

- 1) As per the accounting policy no. 31 of the corporation "The provision for bad & doubtful debts is made whenever the debtors/loans & advances are considered doubtful of recovery.

As per internal guidelines of the Corporation, the provision for bad & doubtful debts is to be created whenever the recovery of debts becomes doubtful. However, in case of public debts/Govt./Cooperative depositors, the provision for bad & doubtful debts is to be necessarily created where the debt becomes due more than 5 years and in case of private depositors, the provision is necessarily is to be created where the debt becomes due more than 3 years.

- 2) For reversal/write back of provision, writing off the debtors and creation of additional provision for bad & doubtful debts, following accounting system shall be followed:

- a) As already mentioned in Circular No. 5, "If there is any amount to be written back of earlier recognized provision and a 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 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".

Accordingly, amount credited in "31401 Excess Prov. Written Back" shall be first adjusted against 'provision for bad & doubtful debts' to be created in the current year and the net amount of provision required to be created after adjustment is to be charged to the Statement of Profit & Loss.

- b) In case provision to be created during the current year is less than the provision to be written back for the earlier years or where no provision is required to be created during the current year, the provision to be written back is to be credited to the statement of Profit & Loss Account i.e. the balance of 31401 Excess Prov. Written Back shall not be transferred to Corporate office as required earlier.

Corporate Office: Warehousing Bhawan, 4/1, Siri Institutional Area, August Kranti Marg Hauz Khas, New Delhi-110016 Telefax No. 26518675

3) The above can be understood with the help of following examples:

Case	Date	Particulars	Amount
1.	10.04.2018	Amount Received from Debtors against which provision was already made last year.	10,00,000/-
2.	10.05.2018	Bill raised in earlier year is to be reversed due to the policy decision taken in current year corresponding debtors and provision to be reversed.	5,00,000/-
3.	10.06.2018	Bill raised in earlier years with excess amount due to error or omission of past period is reversed and corresponding provision also to be reversed.	3,00,000/-
4.	10.07.2018	Actual debtor written off with the approval of competent authority and corresponding provision also to be reversed.	2,00,000/-
5.	31.03.2019	Provision required to be created for current year. Case-A Case-B Case-C	50,00,000/- 20,00,000/- 10,00,000/-

CASE-1 Reversal of provision due to payment received from debtors on 10.04.2018.

A/c Code	Ledger Name	Debit	Credit
Dr.	Bank	10,00,000/-	
Cr.	Sundry Debtors (Party wise)		10,00,000/-
Being amount received from debtors			

A/c Code	Ledger Name	Debit	Credit
10751	Bad & Doubtful Debts- Reserve Made (Party wise)	10,00,000/-	
31401	Excess Liab./Prov. Written Back		10,00,000/-
Being concerned provision reversed			

CASE-2 Income reversal due to policy decision. Entry on 10.05.2018

A/c Code	Ledger Name	Debit	Credit
Dr.	Concerned Income	5,00,000/-	
Cr	Sundry Debtors (Party wise)		5,00,000/-
Being concerned debtors reversed.			

A/c Code	Ledger Name	Debit	Credit
10751	Bad & Doubtful Debts- Reserve Made (Party wise)	5,00,000/-	
31401	Excess Liab./Prov. Written Back		5,00,000/-
Being concerned provision reversed			

CASE-3 Income reversal due to error or omission of past period. Entry on 10.6.2018

A/c Code	Ledger Name	Debit	Credit
Dr.	Prior Period Income	3,00,000/-	
Cr	Sundry Debtors (Party wise)		3,00,000/-
Being concerned debtors reversed.			

A/c Code	Ledger Name	Debit	Credit
10751	Bad & Doubtful Debts- Reserve Made (Party wise)	3,00,000/-	
31401	Excess Liab./Prov. Written Back		3,00,000/-
Being concerned provision reversed.			

CASE-4 Debtors written off. Entry on 10.07.2018

i) Following entry shall be passed for writing off the debtor.

A/c Code	Ledger Name	Debit	Credit
42000	Bad Debts Written Off	2,00,000/-	
	Sundry Debtors (Party wise)		2,00,000/-
Being debtors written off			

ii) Following entry shall be passed for reversal of the provision for bad & doubtful debts

A/c Code	Ledger Name	Debit	Credit
10751	Bad & Doubtful Debts- Reserve Made (Party wise)	2,00,000	
31401	Excess Liab./Prov. Written Back		2,00,000/-
Being concerned provision reversed.			

CASE-5 Creation of Provision:

Case-A Provision required Rs.50,00,000/-

Excess liability/provision written back

Sl. No.	Particulars	Amount
1.	Provision required	50,00,000/-
2.	Less: Excess provision written back	20,00,000/-
	10.04.2018	10,00,000/-
	10.05.2018	5,00,000/-
	10.06.2018	3,00,000/-
	10.07.2018	2,00,000/-
3.	Net additional provision required	30,00,000/-

Entry of additional provision:

A/c Code	Ledger Name	Debit	Credit
31401	Excess Liab./Prov. Written Back	20,00,000/-	
44000	Bad & doubtful debts-provision	30,00,000/-	
10751	Bad & Doubtful Debts-Provision Made (Party wise)		50,00,000/-

Case-B Provision required Rs.20,00,000/-

Excess liability/provision written back

Sl. No.	Particulars	Amount
1.	Provision required	20,00,000/-
2.	Less: Excess provision written back	20,00,000/-
	10.04.2018	10,00,000/-
	10.05.2018	5,00,000/-
	10.06.2018	3,00,000/-
	10.07.2018	2,00,000/-
3.	Net additional provision required	NIL

Entry of additional provision:

A/c Code	Ledger Name	Debit	Credit
31401	Excess Liab./Prov. Written Back	20,00,000/-	
10751	Bad & Doubtful Debts-Reserve Made (Party wise)		20,00,000/-

Case-C Provision required Rs.10,00,000/-

Excess liability/provision written back

Sl. No.	Particulars	Amount
1	Provision required	10,00,000/-
2.	Less: Excess provision written back	20,00,000/-
	10.04.2018	10,00,000/-
	10.05.2018	5,00,000/-
	10.06.2018	3,00,000/-
	10.07.2018	2,00,000/-
3.	Net additional provision required	NIL

Entry of additional provision:

A/c Code	Ledger Name	Debit	Credit
31401	Excess Liab./Prov. Written Back	10,00,000/-	
10751	Bad & Doubtful Debts- Reserve Made (Party wise)		10,00,000/-

Note: Therefore their shall be Rs.10,00,000/- balance in head "31401 Excess Prov. Written Back"(This balance is to be retained in books and shall not be transferred to CO.)

The above guidelines are effective w.e.f 01.04.2018.

The Circular may be brought to the notice of all concerned and be scrupulously followed.

This issues with the approval of GGM(F&A).


(Vijay Kumar Garg)
Manager(Corp. A/cs)

Distribution to:

1. All Regional Managers of CWC.
2. All AGMs/Managers/ (Sr.) Asstt. Managers in-charge of the Finance, Accounts & Internal Audit Wings of all ROs of CWC.

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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. SAM to Director (Fin), CWC, CO, New Delhi.
5. PPS to GGM (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.