



No.CWC/FD-Accounts Circular/

Dated :16th April, 2019

ACCOUNTS CIRCULAR # 24

Re:Disclosure of Contingent Liabilities in the Annual Accounts and its control

1. The Contingent liability is a possible obligation that arises from the past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain events which are not within the control of the Corporation.
2. The contingent liability includes following three elements:
 - a. Claims against the Corporation not acknowledge as debts including claims of suppliers / contractors and others against the Corporation which are in arbitration / court.
 - b. Counter guarantees given for Bank Guarantees.
 - c. Custodian guarantee bonds furnished to Customs department.
3. The disputes relating to storage losses, transit losses, tariff, rent of godown, property tax, claim for compensation of land etc. which have not been resolved and the outcome of the dispute is uncertain, the claim of the party if not agreeable to the Corporation is considered as Contingent Liability and disclosed in the Notes to Accounts as claims against the Corporation not acknowledged as debts.
4. The claims against the Corporation not acknowledged as debts which includes the claims of depositors, suppliers, contractors and others which are in the arbitration or court are Rs.738 Crores as on 31.3.2018. This contingent liability has a bearing on the financial position of the Corporation. The breakup of contingent liabilities region-wise is enclosed for your reference.
5. These contingent liabilities are required to be monitored on monthly basis for action to be taken for resolution of the disputes.
6. Reduction in contingent liabilities is one of the performance target in the MoU signed by the Corporation with the Government. For reducing the contingent liabilities, the disputes are to be resolved, whether by mutual discussions or by arbitration or in court. The liability, if any, which is valid and agreeable to the Corporation should be accounted for in the books.

.....2

7. In respect of disputes where the amount has been deducted from the bills of the Corporation and the deduction made is acceptable to the Corporation, the provision for bad & doubtful debts is to be created till the amount is written off with the approval of competent authority. Where the deduction made is not acceptable to the Corporation and provision for bad & doubtful debts has thus not been created, the disputed amount is to be disclosed as Contingent Liability.
8. It has already been advised that a Contingent Liability Register be maintained by all the concerned Sections in the Regional Office stating the nature of dispute, amount of claim and latest position. The progress made by all Sections be made available to Accounts Section every month and the monthly progress report be sent by Accounts Section to the Corporate Office by 10th of each month in the enclosed format.

The above may please be brought to the notice of all concerned Sections for compliance.

Encl.: As above.

(**N.K. GROVER**)
Group General Manager(F&A)

To
The Regional Manager
CWC, All Regional Offices

Copy to: The Accounts In-charge, CWC, all Regional Offices.