



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

**By Speed Post / Email**

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

13<sup>th</sup> May, 2019

**Accounts Circular # 25**

**Subject: Accounting of Insurance Claims...reg**

Corporation takes insurance of stocks, office and godown buildings and other tangible assets. Accounting Policy No. 18 on Insurance Claims is amended to cover the insurance claims with respect to CWC properties with effect from F.Y. 2018-19. The amended accounting policy is as under:

The amount recoverable from Insurance Company towards insurance claim is recognized in the year the claim occurs based on the facts of each case. The profit or loss on account of settlement of insurance claim is accounted for at the time of receipt of survey report/actual receipt of the claim from the Insurance Company. The payment of claim to depositor is made after receipt of the same from the insurer.

Accordingly, it is advised that the accounting of damage of stock/CWC properties, insurance claims recoverable from insurance CO., payable to depositors and settlement of claims etc. be done as follows:

**A.) Damage of Stock of Depositor**

i) On lodging of claim after happening of event of loss:

Particulars	Debit	Credit
Insurance Claim Recoverable ( With the amount of value of loss)	XXX	
Insurance Claim Payable		XXX
Being insurance claim lodged with Insurance company.		

ii) On actual receipt of Claim

Particulars	Debit	Credit
Bank A/c	XXXX	
Insurance Claim Recoverable ( With the amount received from Insurance company).		XXXXX
Being claim amount paid by Insurance company in full without any deduction.		

iii) Claim settlement with depositor

Particulars	Debit	Credit
Insurance Claim Payable ( With the amount paid to Depositor)	XXXX	
Bank A/c		XXXXX
Being insurance claim paid to depositor (without any deduction)		

- iv) In case the claim settled with depositor and insurance company at amount which is less than the amount for which claim raised initially. For example claim raised for Rs.1000/- settled for Rs. 800 with both insurance company and depositors. Balance Rs. 200/- shall be removed from the books as follows:

Particulars	Debit	Credit
Insurance claim payable	XXXX	
To Insurance claim recoverable		XXXXX
Being excess insurance claim raised reversed with Rs. 200/-.		

- v) In case the claim recovered from insurance company is lower than the claim payable to depositor or claim refused by insurance company.

Particulars	Debit	Credit
49113 Compensation to depositor (With the excess of claim paid to depositor by the claim received from insurance company)	XXXX	
To Bank		XXXXX
Being compensation for loss paid to depositors.		

- vi) In case the depositor deducted the amount from storage charges bill

Particulars	Debit	Credit
Insurance Claim Payable ( With the amount deducted by Depositor but limited to the amount lying in insurance claim payable to that depositor)	XXXX	
Debtor A/c		XXXXX
Being insurance claim recovered by depositor from storage/MF Bill.		

## B.) Damage of Office and or / Godown building of CWC

### 1) Damage of a small portion of An Assets is destroyed and only repair work is required.

a) **On the date of damage:** - No Accounting Entry is required.

b) **At the time of Repair:**

Particulars	Debit	Credit
Insurance Claims Recoverable A/c	XXX	
To Bank/Cash		XXX
(Being Insurance Claim Lodged for cost of repair incurred against damage of boundary wall at.....)		

c) **On the date of receipt of the claim amount:**

Particulars	Debit	Credit
Bank A/c	XXX	
Repair & Maintenance A/C (if the amount received is less than the amount claimed)	XXX	
Insurance Claims Recoverable		XXX

**2) Where major portion of the assets gets destroyed (part of the assets is destroyed and Capital work is required for re-establishment)**

**i) At the time of Occurrence of the event:**

Particulars	Debit	Credit
Insurance Claims Recoverable A/c (Written Down Value of the Asset Destroyed)	XXX	
Asset A/c (W.D.V)		XXX
(Being Insurance Claim recoverable on Asset destroyed due to flood/fire etc. at CW, .....)		

**ii) When Expenditure incurred on the construction of the new asset:**

Particulars	Debit	Credit
WIP A/c (all expenditure incurred time to time till complete work completed)	XXX	
To Bank/Party A/c		XXX
(Being expenditure incurred on construction of Asset at CW.....)		

**iii) At the time of capitalization of the new asset:**

Particulars	Debit	Credit
Asset A/c (Maximum up to the amount of assets written off at entry 2(i) above.	XXX	
Insurance Claims Recoverable A/c ( Balancing figure if any)	XXX	
WIP A/c (With total amount of WIP Debited for the particular work)		XXX
(Being Asset Capitalized)		

Note: Depreciation on the amount capitalised in above entry shall be charged only for the balance useful life of the assets leaving the residual value. For e.g a warehouse which is 15 years old gets destroyed and written off in entry (i) above is re-capitalised. Depreciation shall be charged equally for the balance useful life i.e.15 years (30 years – 15 years) leaving the 5% residual value of amount capitalised.

**iv) At the time of receipt of survey report or actual claim whichever in earlier:**

Particulars	Debit	Credit
Bank A/c	XXX	
Insurance Compensation(Loss) (Debit Balance figure if any)	XXX	
To Insurance claim recoverable (With the amount in entry 2(i) & 2(iii) above)		XXX
To insurance Compensation(Profit) (Debit Balance figure if any)		XXX
(Being insurance claim recoverable in respect of Asset destroyed at CW..... during....)		

**3) Where the assets gets destroyed (Complete assets is destroyed and to be build up newly)**

**i) At the time of Occurrence of the event:**

Particulars	Debit	Credit
Insurance Claims Recoverable A/c (Written Down Value of the Asset Destroyed)	XXX	
Asset A/c (W.D.V) (Being Insurance Claim recoverable on Asset destroyed due to flood/fire etc. at CW, .....)		XXX

**ii) When Expenditure incurred on the construction of the new asset:**

Particulars	Debit	Credit
WIP A/c (all expenditure incurred time to time till complete work completed)	XXX	
To Bank/Party A/c (Being expenditure incurred on construction of Asset at CW.....)		XXX

**iii) At the time of capitalization of the new asset:**

Particulars	Debit	Credit
Asset A/c (With the total amount of the WIP debited at 3(ii) above.)	XXX	
WIP A/c (With total amount of WIP Debited for the particular work) (Being Asset Capitalized)		XXX

Note: Depreciation on the amount capitalised in above entry shall be charged only for the balance useful life of the assets leaving the residual value. For e.g a warehouse which is 15 years old gets destroyed and written off in entry (i) above is re-capitalised. Depreciation shall be charged equally for the balance useful life i.e.15 years (30 years - 15 years) leaving the 5% residual value of amount capitalised.

**iv) At the time of receipt of survey report or actual claim whichever in earlier:**

Particulars	Debit	Credit
Bank A/c	XXX	
Insurance Compensation(Loss) (Debit Balance figure if any)	XXX	
To Insurance claim recoverable (With the amount in entry 3(i) above)		XXX
To insurance Compensation(Profit) (Debit Balance figure if any) (Being insurance claim recoverable in respect of Assets at CW..... during....)		XXX

**C Accounting for Salvage value and salvage expense:****1. Salvage value****i. Salvage Value directly received by Insurance company**

No entry shall be passed in books

**ii. Salvage value received by CWC on sale of scrap****a) Entry for sale of scrap**

Particulars	Debit	Credit
Bank A/c / Party A/c	XXX	
To Sale of Scrap		XXX
To CGST		XXX
To SGST		XXX
(Being Sale of Scrap and salvage value received)		

**b) Entry for adjustment of Insurance claim recoverable**

Particulars	Debit	Credit
Sale of Scrap	XXX	
To Insurance claim recoverable		XXX
(Being insurance claim recoverable reduced from the value of the scrap sold)		

**2. Salvage Expense****i) Expenses incurred by CWC**

Particulars	Debit	Credit
Salvaging expense recoverable	XXX	
To Bank/party to whom the expenses are paid (Including the amount of GST if any)		XXX
To TDS on GST (if required)		XXX
(Being Salvage expenses incurred)		

Note: It must be insured that the claim of salvage expenses incurred by CWC is lodged on insurance company. Further in some cases insurance company makes some deductions from salvage expenses claim, such short receipt of salvage expenses shall be charged to miscellaneous expenses.

**ii) On receipt of claim of Salvage Expenses**

Particulars	Debit	Credit
Bank A/c	XXX	
Misc. Expenses (by short amount received) (In case only part of salvage expenses are paid by insurance co.)	XXX	
Salvaging expense recoverable		XXX
(Being Salvage expenses received from insurance co.)		

The Circular may be brought to the notice of all concerned for scrupulous compliance.

(Vijay Kumar Garg)

**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.

**Copies for information to:**

1. All HODs at CWC, Corporate Office, New Delhi.
2. All GM/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. PS 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.
7. Manager (Rajbhasha), CWC, CO, New Delhi with a request to arrange Hindi Version of this Circular.

*[Handwritten signature]*

**Annexure-1****Where major portion of the assets gets destroyed (part of the assets is destroyed and Capital work is required for re-establishment)**

An Godown of 5000MT damaged in cyclone where roof and walls are damaged to the extent of approx 60% and required major capitalization for re-establishment. As per accounts it's W.D.V was Rs.2,00,00,000/-. Total expenditure incurred on re-establishment is Rs.3,50,00,000/-. Total claim approved by insurance company is 2,50,00,000/-

- i) **At the time of Occurrence of the event: (w.d.v is Rs 2,00,00,000/- \*60% =1,20,00,000/-)**

Particulars	Debit	Credit
Insurance Claims Recoverable A/c	1,20,00,000/-	
Asset A/c (W.D.V)		1,20,00,000/-
(Being Insurance Claim recoverable on Asset destroyed due to cyclone etc. at CW, .....		

- ii) **When Expenditure incurred on the construction of the new asset:**

Particulars	Debit	Credit
WIP A/c (all expenditure incurred time to time till complete work completed)	3,50,00,000/-	
To Bank/Party A/c		3,50,00,000/-
(Being expenditure incurred on construction of Godown at CW.....)		

- iii) **At the time of capitalization of the new asset:**

Particulars	Debit	Credit
Asset A/c (Maximum up to the amount of assets written off at entry (i) above.	1,20,00,000/-	
Insurance Claims Recoverable A/c ( Balancing figure if any)	2,30,00,000/-	
WIP A/c (With total amount of WIP Debited in entry(ii))		3,50,00,000/-
(Being Asset Capitalized)		

- iv) **At the time of receipt of survey report or actual claim whichever in earlier:**

Particulars	Debit	Credit
Bank A/c	2,50,00,000/-	
Insurance Compensation(Loss) (Debit Balance figure if any)	1,00,00,000/-	
To Insurance claim recoverable (With the amount in entry 2(i) & 2(iii) above)		3,50,00,000/-
(Being insurance claim settled)		

**Annexure-2****Where the assets gets destroyed (Complete assets is destroyed and to be build up newly)**

An Godown of 5000MT damaged in cyclone. Godown required complete construction. As per accounts W.D.V was Rs.2,00,00,000/-. Total expenditure incurred on complete construction Rs.3,50,00,000/-. Total claim approved by insurance company is 2,50,00,000/-

**i) At the time of Occurrence of the event:**

Particulars	Debit	Credit
Insurance Claims Recoverable A/c (Written Down Value of the Asset Destroyed)	2,00,00,000/-	
Asset A/c (W.D.V)		2,00,00,000/-
(Being Insurance Claim recoverable on Asset destroyed due to cyclone at CW, .....)		

**ii) When Expenditure incurred on the construction of the new asset:**

Particulars	Debit	Credit
WIP A/c (all expenditure incurred time to time till complete work completed)	3,50,00,000/-	
To Bank/Party A/c		3,50,00,000/-
(Being expenditure incurred on construction of Godown at CW.....)		

**iii) At the time of capitalization of the new asset:**

Particulars	Debit	Credit
Asset A/c (With the total amount of the WIP debited at 3(ii) above.	3,50,00,000/-	
WIP A/c (With total amount of WIP Debited for the particular work)		3,50,00,000/-
(Being Asset Capitalized)		

**iv) At the time of receipt of survey report or actual claim whichever in earlier:**

Particulars	Debit	Credit
Bank A/c	2,50,00,000/-	
To Insurance claim recoverable (With the amount in entry (i) above)		2,00,00,000/-
To insurance Compensation(Profit) (Debit Balance figure if any)		50,00,000/-
(Being insurance claim settled.)		