



केन्द्रीय भण्डारण निगम  
(भारत सरकार का उपक्रम)



No. CWC/FD- CA/Annual Closing/2019-20

12<sup>th</sup> February, 2020

### ACCOUNTING CIRCULAR:27

**Sub: Allocation/absorption of Construction overheads to capital works.**

#### **A. Allocation of Construction overheads @ 7% of the cost of work**

- 1.0 As per the existing accounting policy no 13, the construction overheads incurred on the capital and deposit works executed departmentally are allocated @ 7% (seven percent) of the cost of work or at actual overhead rate whichever is less. For capital works executed through outside agency, the fee/charges payable to the agency shall be capitalized at actual amount payable.
- 2.0 The above accounting policy has now been amended w.e.f 01.04.2019 as under:  
  
***“The construction overheads incurred on the capital works executed departmentally are allocated @ 7% (seven percent) of the cost of work. For capital works executed through outside agency, the fee/charges payable to the agency shall be capitalized at actual amount payable”.***
- 3.0 Accordingly based on above revised accounting policy, all are advised to charge the construction overhead w.e.f 01.04.2019 in the following manner:
  - 1) Construction overheads shall be charged at the flat rate of 7% of the Cost of work. Practice of charging the construction overheads at 7% or actual whichever is lower is discontinued w.e.f 01.04.2019. Even in case when actual overheads are lower than 7%, construction overheads shall be charged at flat 7% of cost of work.
  - 2) Construction overheads shall not be charged on Deposit works w.e.f 01.04.2019.

## B. Accounting of Construction overheads

1.0 As per the practice followed till financial year 2018-19, regions after computing the value of works executed and after computing the construction overheads to be charged, capitalize the amount of overheads by debiting the Respective work and crediting the head wise employee benefits i.e. Basic Pay, HRA, DA, PF, PENSION etc. in their proportion to total expenditure of employee benefits. With effect from 2019-20, accounting of Construction Overhead is now to be done as under:

- i) Construction overheads shall be computed @ 7% of the Cost of work as per the amended policy in Part-A.
- ii) Under the group "Pay and allowances" one ledger has been opened named "50000 Administrative Overheads" and following Journal entry shall be passed for absorption of overheads to capital work:

Particulars		Debit	Credit
Work in progress/Asset(if work completed)	Dr.	xxx	
To 50000 Administrative overheads	Cr.		xxx

2.0 No credit is to be given to individual head of expense such as Basic Pay, HRA, DA, PF, PENSION etc. The credit shall be done only to "50000 Administrative overheads". In final accounts of 2019-20, Administrative overheads shall be shown as reduction in Pay & allowances and is to be presented as below:

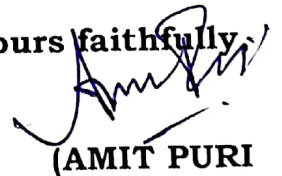
	<b>SCHEDULE-__ : Pay and Allowances (with provisions)</b>	CURRENT YEAR	PREVIOUS YEAR
1	Chairman	xxx	xxx
2	Managing Director	xxx	xxx
3	Functional Directors	xxx	xxx
4	Officers & other Employees	xxx	xxx
5	Contribution to Provident Fund	xxx	xxx
6	Contribution to Pension Fund	xxx	xxx
7	Contribution to Post Retirement Medical Benefit Fund	xxx	xxx
8	Amortization of Expenses (PRMB Benefit)	xxx	xxx
9	Death Compensation	xxx	xxx

	Provisions:	xxx	xxx
10	Gratuity	xxx	xxx
11	Performance Related Pay/Productivity Linked Incentive	xxx	xxx
12	Leave Benefits	xxx	xxx
13	LTC	xxx	xxx
14	Pay Revision Provision	xxx	xxx
15	Compensation for Special Voluntary Retirement Scheme (SVRS)	xxx	xxx
	Total pay & allowances	xxx	xxx
	<b>Less: Administrative Overheads</b> (computed as per B(1.0)(i))	<b>xxx</b>	<b>xxx</b>
	<b>TOTAL</b>	<b>xxx</b>	<b>xxx</b>

3.0 Effect of change in accounting policy no.13 is to be computed and be disclosed in notes forming part of accounts for the F/Y 2019-20.

All concerns are advised to follow the above instructions during finalisation of accounts of Financial Year 2019-20.

Yours faithfully,



(AMIT PURI

General Manager(Tax & Accounts)

**Distribution to:**

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

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2. SAM to Director (Fin), CWC, CO, New Delhi.
3. PPS to GGM (F&A), CWC, Corp. Office, New Delhi.
4. PPS to GGM (Systems), CWC, CO, New Delhi with a request to place this Circular on CWC's Website.
5. Manager(Rajbhasha), CWC, CO, New Delhi with a request to arrange HindiVersion of this Circular.

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