



# केन्द्रीय भण्डारण निगम

(भारत सरकार का उपक्रम)

CENTRAL WAREHOUSING CORPORATION

(A Govt. of India Undertaking)

जन-जनकेलिएभण्डारण/ Warehousing for Everyone



No. CWC-FD/CA-Accounts Circular/20-21

27<sup>th</sup> July, 2020

## ACCOUNTING CIRCULAR No-31

### Subject :Accounting of Work in progress(WIP) and absorption of construction overheads.

While reviewing the accounts of regional offices, it is noticed that units are accounting the civil works directly under respective "Asset Head" instead of routing the same through "Work in progress" account head. Many such transactions were rectified last year. Therefore, in order to have uniform treatment of accounting of Work in progress and absorption of construction overhead, following guidelines are advised to be followed:

#### 1. Work In progress: Group Code 25000.

Work in progress is to be accounted under following ledgers:

- Work In Progress-Roof (Pre-Coated Galvalume Steel Sheet): Ledger Code 25010
- Work In Progress- Floor (Cement Concrete): Ledger Code 25020
- Work In Progress- Road (Cement Concrete): Ledger Code 25030
- Work In Progress- Others(Residual Head): Ledger Code 25040\*
- Work In Progress- Software (Such As WMS/Tally/E-Office/HRMS Etc.): Ledger Code 25050
- Lorry Weigh Bridge (Under Installation): Ledger Code 21700

**Note(\*): Running works which are not completed and do not fall in a,b,c.e& f shall be accounted under d)Work In Progress- Others (Residual Head): Ledger Code 25040 by way of Bill wise reference to identify the type of work.**

#### 2. Absorption of Construction overhead

As per significant accounting policy no 14 of the corporation, "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".

Construction overheads are to be allocated on following works only:

- Work In Progress-Roof (Pre-Coated Galvalume Steel Sheet): Ledger Code 25010.
- Work In Progress- Floor (Cement Concrete): Ledger Code 25020
- Work In Progress- Road (Cement Concrete): Ledger Code 25030
- Work In Progress- Others(Residual Head): Ledger Code 25040\*\*

**Note(\*\*): Construction overheads to be allocated on civil works only.**

### 3. Accounting of Absorption of overheads

Overheads are to be charged/debited to works immediately while debiting the Work in progress instead of debiting at year end. Practice of charging overheads to all works at year end or periodically shall not be followed w.e.f 01.04.2020. Instead following practice shall be followed:

- a) **On Payment of Running Account(RA) Bill:** During Payment of each RA bill of the contractor, Work in progress will be debited every time with both the amount of works and 7% overheads on amount of works and credit in relation to 7% overhead shall be given to ledger "50000 Administrative overheads".
- b) **On Payment of final bill:** While payment of final bill also of the contractor, Work in progress will be debited with both the amount of works and 7% overheads on amount of work and credit in relation to 7% overhead shall be given to ledger "50000 Administrative overheads". Even if the work completion certificate/handing over is received along with final bill, the accounting entry should not be passed directly to Asset A/c. Same is to be routed through WIP account only.
- c) **On capitalization of works:** Capitalization under Respective Asset head is to be done only on receipt of the work completion certificate from the Engineer concerned. While capitalising the works, work in progress shall be credited and asset shall be debited. Since overheads are already allocated at the time of debiting the work in progress, no further overhead shall be charged.
- d) **Carry forward of Work in Progress:** Generally Civil works does not get completed within the same financial year and continues to next financial year. In such cases, Work in progress shall be carried forward to next year and no overhead shall be charged on that amount of carried forward work in progress as overheads would already have been charged in the year in which that work was debited to WIP.

Compliance of above be strictly ensured.

**Vijay Kumar Garg**  
**Manager A/cs**

#### **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.

#### **Copies for information to:**

1. All DGM/AGMs/Managers/(Sr.) Asstt. Managers/Accountants in Finance, Accounts & Internal Audit Cadre at CWC, Corporate Office, New Delhi.
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 Hindi Version of this Circular.

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