केन्द्रीय भण्डारण निगम

(भारत सरकार का उपक्रम)

CENTRAL WAREHOUSING CORPORATION

(A Govt. of India Undertaking)

जन-जन के लिए भण्डारण/*Warehousing for Everyone*

No.CWC/FD-CA/Annual Closing/20-21 11.12.2020

ACCOUNTS CIRCULAR # 39

Subject: Significant Accounting Policies to be followed w.e.f. FY 2020-21.

1.0 Based on the approval given by the Audit Committee in its 74th meeting held on 11.11.2020, the significant Accounting Policies being followed by Corporation in preparation of its Annual Accounts have been revised. Accounting Policy 8(a) with respect to Cash Flow Statement, Accounting Policy 32 with respect to Provision for Bad & Doubtful Debts have been amended and a new Accounting Policy 16(e) has been introduced to Account for Rewards/ benefits received by the corporation under "Service Export from India Scheme (SEIS).

2.0 The amended Accounting Policies to be followed w.e.f. FY 2020-21 are enclosed as Annexure –I which is required to be annexed along with the Annual Accounts of the Corporation for FY 2020-21.

This is for information all the concerned.

Digitally signed by Amit Puri
Date: 2020.12.11 17:25:58 +05'30'

(Amit Puri)
General Manager (F&A)

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 DGMs/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.

SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of Accounting

The Financial Statements of the Corporation have been prepared under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles in India (Indian GAAP) and comply with the Accounting Standards notified by the Institute of Chartered Accountants of India, to the extent applicable.

(2) Use of Estimates

The preparation of the financial statements in conformity with the Indian GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Inventories:

(3) Chemicals and construction materials are valued at lower of yearly weighted average cost and net realizable value. Cost of purchase includes duties, taxes, freight and other expenses net of trade discount, rebates & other similar items.

(4) Stores in hand i.e. Printing & Stationery, Liveries, Polythene Covers and Dunnage etc. are valued at lower of cost on first in first out basis and net realizable value.

(5) Unserviceable/obsolete construction materials are valued at lower of yearly weighted average cost and net realizable value.

(6) The procurement stock is valued at lower of cost and net realisable value. Cost being worked out on first in first out basis.

(7) Prior period expenses/income

The prior period expenses / income and prepaid expenses having value of ₹ 1,00,000/- and below for each item are recognized in the current year"

(8) Cash Flow Statement

(a) Cash flows are reported at Enterprise level using the indirect method, prescribed in Accounting Standard (AS)-3 on "Cash Flow Statement", whereby profit/(loss) before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated based on the available information. Cash Flow Statement is not prepared at unit level.

(b) Cash & Cash equivalent comprises of Cash in hand, balance with bank and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(9) Property, Plant & Equipment and Depreciation

(a) The items of Property, Plant & Equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses. However, fully depreciated asset is retained at residual value.

(b) Depreciation on Fixed Assets is charged on straight line method on the basis of useful life and residual value of assets determined by the Corporation (based on Technician's report on life of assets) as detailed below:

Fixed Assets	**Useful Life (In years)**	**Residual Value (%)**
Property, Plant & Equipment / Tangible Assets		
Warehouses &Godowns and ancillaries, Container Yards, Roof (pre-coated galvalume steel sheets), Floor- Cement Concrete, Road - Cement Concrete (CC)	30	5
Convertible Plinths	30	5
Non-Convertible Plinths	5	5
Office Buildings	60	5
Residential Flats	60	5
Water & Electrical Installations	10	5
Plant & Machinery/ Railway Siding/ Lorry Weighbridge	15	5
Furniture & Fittings / Electrical Equipments	10	5
Office Equipment	5	5
Other Equipments/ Construction Equipments	6	5
Mobile Phones	3	5
HBL Sheets	4	5
Motor Vehicles/ Motor Lorries/ Motor Car	8	5
Laboratory Equipments	5	5
Disinfestation Equipments	4	5
Wooden Crates	6	5
PCC Blocks	8	5
Racks / Tin Trays	10	5
Poly Pallets	10	5
Computers	3	5
Intangible Assets		
Registration fee for Container Trains	20	NIL
Right to use of land	10	NIL
Computers Software	3	NIL
License Fees-Private Freight Terminal	10	NIL

(c) The depreciation on warehouses/building and ancillaries, container yard, Roof (pre-coated galvalume steel sheets), Floor(Cement Concrete), Road (Cement Concrete) and other assets constructed/created over the leasehold lands is charged as per their useful life stated above, irrespective of the period of lease since the lease is generally renewed on its expiry. In case the lease of the land is not renewed, the compensation received, on these assets is adjusted against the written down value and profit or loss, if any, in the transaction is accounted in the books.

(d) The assets having value upto₹ 500/- are charged to Revenue. Assets having value more than ₹ 500/- and upto₹ 5,000/- are capitalized and depreciation thereon is charged @ 100% leaving a nominal value of ₹ 1/- for each such asset.

(e) Cost of acquisition (premium) of land on lease and the cost of open area developed thereon is depreciated over the period of lease.

(f) Capital work in progress includes the items of Property, Plant & Equipment that are not yet ready for intended use.

(g) Interest on compensation for acquisition (under land acquisition proceedings) is charged to Profit & Loss account.

(h) Significant components of warehouse &godowns i.e. Roof (Pre-coated Galvalume Steel Sheets or equivalent), Roads (Cement Concrete) and Floor (Cement Concrete) are capitalized and depreciated separately.

(10) Where during the Financial year any addition has been made to any Asset, or where any asset has been sold, discarded, demolished or destroyed, the Depreciation on such assets shall be calculated based on useful life on pro-rata basis from the month the asset is available for use or as the case may be upto the month in which such asset has been sold, discarded, demolished or destroyed.

Expenditure on Land and Civil Works

(11) Capitalisation of godowns is based on completion certificate of storage-worthiness and depreciation is charged on the basis of certificate of commissioning of the godowns.

(12) Actual expenditure incurred in connection with the acquisition of land is capitalized along with the stamp duty payable at the prevailing rate. The necessary adjustment for the difference in the stamp duty paid and already capitalized is made in the year of payment/execution of title deed.

(13) Expenditure on risk and cost contracts (Civil) in excess of security deposit available is charged to capital work or repair work, as the case may be pending its recovery.

(14) 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.

(15) Pursuant to arbitration award in a civil contract, the compensation paid/payable of a revenue nature like interest, loss of profit etc. is charged to revenue and compensation paid/payable of a capital nature is to be capitalized.

(16) Revenue Recognition

Revenue is recognized when there is no significant uncertainty regarding the amount of consideration that will be derived from rendering the service.

a) Income from warehousing services rendered is recognized based on agreement/ arrangement with the customers as the service is performed using the;

(i) Completed service contract method for imported cargo on receipt/release of cargo;

(ii) Proportionate completion method for all other services rendered by the Corporation including income from consultancy fee/supervision fee charged on deposit work undertaken by the Corporation.

(iii) In respect of time barred bonds/ long standing cargo, on its realization out of the sale proceeds.

b) Income from sale of empties and waste (like old newspapers) are accounted for on realization basis.

c) Dividend income is recognized when the right to receive dividend is established during the year.

d) The interest income is recognized when no significant uncertainty as to its measurability or collectability exists. It is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

e) The rewards/ benefits from the Service Export of India Scheme (SEIS) to the corporation under Foreign Trade Policy 2015-20 is booked in the year of sale of the SEIS scrips issued by DGFT.

(17) Cost of Consumables

The cost of black polythene films, multi-layered cross laminated covers, bamboo mats, PVC floor dunnage and polythene covers and other such consumables is charged to revenue in the year of its issue for use.

(18) VRS Expenditure

The termination benefits (including expenditure on Voluntary retirement) are accounted for in the year they are incurred.

(19) Insurance Claims

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 difference, if any, on settlement of the insurance claim is accounted for at the time of receipt of survey report/actual receipt of the claim from the Insurance Company. The payment to the depositor is made after receipt of claim proceeds from the insurer.

(20) Arbitration Awards

Arbitration awards against the Corporation unless contested are accounted for. However, amounts awarded in favor of Corporation are accounted at the time of realization, owing to uncertainty of their collection.

(21) <u>Accounting of claims against contractors / parties</u>

Claims against contractors/parties are accounted when there is a reasonable certainty of recovery.

(22) <u>Unclaimed Dividend</u>

The dividend warrants which are not encashed are shown as liability under the head "Unclaimed Dividend" irrespective of the year to which they relate.

(23) <u>Foreign Currency Transactions</u>

Initial Recognition

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transactions.

Subsequent Recognition

As at the reporting date, non-monetary items(revenue items & fixed assets) which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All monetary assets and liabilities (current assets & current liabilities) in foreign currency are restated using the exchange rate at the Balance Sheet date and exchange differences are recognized in the Profit and Loss Account.

(24) <u>Government Grants</u>

Government Grants are recognized when there is a reasonable assurance that the same will be received and all conditions attached will be complied with.

(a) Capital Grants relating to specific fixed assets are reduced from the gross value of the respective assets.

(b) Revenue grants are recognised in the profit & loss account by reducing the related expenses.

(25) <u>Investments</u>

Investments are classified into current and non-current investments. Current investments are stated at lower of cost or fair value. Long Term investments are stated at cost and provision for diminution in value is made only if such decline is other than temporary in the opinion of management.

(26) <u>Employee Benefits</u>

a) All short term employee benefits are recognized at undiscounted amount in the accounting period in which they are incurred.

b) The Provident Fund, Pension Fund and Post Retirement Medical benefit Fund being defined contribution plans, amount of contribution made during the year is recognized as an expense.

c) Employees Benefits under defined benefit plans in respect of Leave Encashment, Gratuity and LTC are recognized based on the present value of defined benefit obligation and computed based on the actuarial valuation using the Projected Unit Credit Method at the year end. Actuarial liability in excess of plan assets is recognized during the year.

d) Ex-gratia payment on death of employee in service is recognised on accrual basis in profit & loss account.

(27) Leases

Operating Lease:
Where the Corporation is Lessor:

Leases in which the Corporation does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Income on an operating lease is recognized in the profit and loss account on a straight-line basis over the lease term. Costs including depreciation are recognized as an expense in the profit and loss account.

Where the Corporation is a Lessee:

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

(28) Taxes on Income

a) Income Tax Expense comprises of the current tax and deferred tax.Provision for current tax is based on the assessable profit and computed in accordance with the provisions of the Income Tax Act, 1961. The deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between the taxable and accounting income / expenditure, that originate in one period and are capable of reversal in one or more subsequent periods.

b) Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the Corporation has carry forward unabsorbed depreciation and tax losses, deferred Tax assets are recognized only to the extent there is a virtual certainty supported by convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realized.

c) Minimum Alternative Tax (‘MAT’) paid in accordance with tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the corporation will pay normal tax in future. The corporation reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that corporation will be able to utilize that credit during the specified period.

(29) Intangible Assets

a) The licence fee / registration fee paid to the Indian Railways for container rail transportation is capitalized as an 'Intangible Asset' and amortized over the period of 20 years i.e. the period for which permission given by Railways, from the year of starting the operations.

b) The consideration paid towards lands held in possession on "right to use" basis is capitalized as 'Intangible Asset' and depreciated over a period of 10 years. Keeping in view the life and also technical certification, the warehouses/buildings and other assets constructed on such land, depreciation as per normal useful life mentioned in the accounting policy no.8 (b) is charged, irrespective of the period of right to use. In case the land on "right to use" basis is taken back, compensation received on handing over of such warehouse/building and other assets constructed is adjusted against their written down value and profit or loss if any, in the transaction is accounted for in the books accordingly.

c) Software which is not an integral part of related hardware is treated as an intangible asset and amortized over a period of 3 years.

d) The cost of license for Private Freight Terminals is amortised over a period of 10 years.

(30) Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in the prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

(31) Provisions, Contingent Liabilities and Contingent Assets

(a) Provision is recognized when corporation has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made.

(b) Contingent liabilities in respect of claims against the corporation not acknowledged as debts are determined on the basis of information available and judgment of the management and are disclosed by way of notes to the accounts. However contingent assets are neither recognized nor disclosed.

(c) Liabilities/Income accruing due to decisions after the date of circulation of accounts having retrospective effect are accounted for under the relevant direct head of account.

(d) Liability on account of travelling expenditure and leave travel concession to employees where the journey commenced in current financial year but bills are awaited is provided to the extent of advance paid and necessary adjustment is made in the subsequent year when the bills are received.

(e) Property tax, unless contested, is accounted for on the basis of demand received and information available.

(32) Provision for Bad & Doubtful Debts

The provision for bad & doubtful debts is made whenever the debtors/loans& advances are considered doubtful of recovery. However, in case of Government Parties, provision is created on expiry of 5 years period and in case of other parties, provision is created on expiry of 3 years period.