CENTRAL WAREHOUSING CORPORATION
(A GOVT. OF INDIA UNDERTAKING)

By Speed Post / Email

No. CWC/FD-Compilation/Ann. Closing/14-15/ 25th March, 2015

Accounts Circular # 03

Subject = Introduction of New Accounting Policies/Amendment in existing accounting policies and their impact on accounts of the year 2014-15.

There were certain Observations from the Govt. & Statutory Auditors during the Audit of Accounts for 2013-2014, it was considered expedient to amend/modify certain Existing Accounting Policies and also to introduce few New Accounting Policies. The formulation of new policies/amendments to existing policies and their impacts are as discussed below:-

Part-A Formulation of New Accounting Policies

1. **New Accounting Policy No. 33:**

   "Provisions, Contingent Liabilities and Contingent Assets"

   a) *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 is neither recognized nor disclosed.*

   The Accounting policy is in accordance with accounting standard 29. Auditors had suggested to have the policy. Insertion of the above policy in the Significant Accounting Policy has no impact on the profits of the Corporation. This policy though was not adopted in the past, was being followed. Therefore the impact of the change in the accounting policy is to be shown as NIL in the notes to accounts.

2. **New Accounting Policy No. 34 :**

a) Presently corporation recognizes Income/ Expenses, which arise in the current period as a result of error or omissions in preparation of financial statements of prior period, as prior period income/expense.

b) A New Accounting Policy has been inserted to fix a celling amount of Rs.10,000/- up to which the prior period income/expenditure is to be charged to their natural head of account instead of charging to prior period and the policy is as under:

Accounting Policy No.34

"Prior period expenses/income of item of Rs.10,000/- and below are charged to their natural head of accounts"

c) Accordingly all the items of prior period income/expenses of Rs.10,000/- and below in each case during the year 2014-15 is to be identified and necessary correction entries be made to debit/credit the same to its natural head of income/expense.

d) Insertion of above policy in Significant Accounting Policy has no impact on the profit of the Corporation for the year 2014-15. Therefore impact of change in this accounting policy is to be shown an "NIL" in the notes to accounts.

e) It may also to be noted that this policy is followed scrupulously in future.

Part-B Amendments to Existing Accounting Policies

1. **Amendment in Accounting policy 2(i)**

a) The policy no. 2(i) has been modified to remove ambiguity of accounting of income as per the accounting standard AS-9.

b) The amended policy no. 2(i) is as under:-

"Income from warehousing services, for imported cargo is recognized on receipt/release of cargo on Completed Service Contract Method, and in respect of time barred bonds/long standing cargo, income from warehousing is recognized on its realization out of the sale proceeds. Income from other services rendered is recognized on Proportionate Completion Method"

c) The modification in above Accounting Policy No.2(i) has no impact on the profit of the Corporation for the year 2014-15. Therefore impact of change in this accounting policy is to be shown an "NIL" in the notes to accounts. The present system of accounting will continue in future.

2. **Amendment in Accounting policy 7(d) & 7(e) in relation to Depreciation**

a) C&AG while conducting the supplementary audit of accounts of the corporation for the year 2013-14 observed that the Accounting policy No. 7(d) and 7(e) were overlapping and require modification. Therefore the accounting policy no. 7(d) and 7(e) are merged and replaced as under (with this merger the accounting policy no 7(e) will be removed)

Accounting policy no. 7(d):-

"The assets having value up to Rs.500/- are charged to revenue. Assets having value more than Rs.500/- and up to Rs.5,000/- are capitalized and depreciation thereon is charged at the rate 100% leaving a nominal value of Re.1/- for each such assets."

b) After above amendment to this policy, all items including furniture and fixtures, wooden crates, PCC blocks and Poly-pallets costing up to Rs.500/- each will be charged to revenue.

c) Therefore, the items of furniture and fixtures, wooden crates, PCC blocks and Poly-pallets costing up to Rs.500/-, which have already been capitalized will have to identified and wiii have to be write back from the Fixed assets register. Written down Value of such assets will be charged to revenue. Similarly, the items of such assets costing up to Rs.500/- capitalized during 2014-15 also have to be charged to revenue.

d) The impact on profits on account of above will have to be shown in the notes to accounts.

Receipt of this Circular may please be acknowledged and its Contents brought to the notice of all concerned for scrupulous compliance. The Significant accounting policies with the amendments and new policy are enclosed which is to be part of Annual Accounts for the year 2014-15.

These issues with the approval of GM (F&A)

(A.S.Gopalan)
DGM(F&A)

Distribution to:

1. All Regional Managers of CWC.
2. All Executive Engineers in-charge of all the Construction Cells of CWC.
3. All AGMs/Managers/ (Sr.) Asstt. Managers in-charge of the Finance, Accounts & Internal Audit Wings of all ROs & CCs of CWC.

Copies for information to:

1. All HODs at CWC, Corporate Office, New Delhi.
2. All 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. AM to Director (Fin), CWC, CO, New Delhi.
5. PS to GM (F&A)s, 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.

SCHEDULE .... - SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

1) 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.

2) (i) Income from warehousing services, for imported cargo is recognized on receipt/release of cargo on Completed Service Contract Method, and in respect of time barred bonds/long standing cargo, income from warehousing is recognized on its realization out of the sale proceeds. Income from other services rendered is recognized on Proportionate Completion Method.

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

   (iii) The income from consultancy service includes income from supervision fee charged on deposit works undertaken by the Corporation which is recognized on proportionate completion method.

3) Liability on account of bills for Travelling Allowance and Leave Travel Concession to staff is provided to the extent of advances paid where bills are awaited and reversed in the beginning of the next year.

4) Property Tax, unless contested, is accounted for on the basis of demand received and information available.

5) (a) Cost of acquisition (premium) of lands on lease and the cost of container yard/open area developed thereon is depreciated over the period of lease.

   (b) The cost of container yard/open Area developed on the land owned by the corporation are not depreciated in the books of accounts.

6) Interest on compensation for acquisition (under land acquisition proceedings) is charged to Profit & Loss account. Interest realised on loans & advances to staff and depreciation on fixed assets of Engineering Division are not capitalized.

Fixed Assets and Depreciation

7) (a) Fixed Assets are shown at Historical Cost less Accumulated Depreciation. However, the Fully Depreciated Asset is retained at Rupee One.

   (b) Depreciation on Fixed Assets is charged on Straight Line Method at rates determined by the Corporation (based on Technician's report on life of assets) as detailed:

	Rates adopted by CWC (based on useful life) %
Warehouses & Godowns/Convertible Plinths/Buildings/Flats	1.63
Non-Convertible Plinths	20.00
Water & Electric Installations	3.50
Plant & Machinery/Railway Siding	5.15
Furniture/Electrical Equipments	6.50
Office/Construction/Other Equipments/HBL Sheet	16.00
Mobile Phones	33.33
Vehicles	12.00

Laboratory Equipments	19.00
Disinfestation Equipments	24.00
Wooden Crates/PCC Blocks	12.00
Racks & Tin Trays	10.00
Poly Pallets	5.00
Computers	16.21
Intangible Assets	
Registration fee for Container Trains	5.00
Right to use land	20.00
Computers Software	16.21

(c) Keeping in view the life and also technical certification, the warehouses/building constructed over the leasehold lands, above rate of depreciation is charged, 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 the handing over of the warehouse/building is adjusted against the written down value and profit or loss if any, in the transaction will be accounted in the books.

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

8) Depreciation/amortisation is provided on pro-rata basis from the month the assets are put to use during the financial year. For assets which are sold or disposed of during the financial year, depreciation/amortisation is provided till the month of sale or disposal of such assets.

Investments

9) Investments, being long term, are carried at cost.

Government Grants

10) As regards Govt. Grants, Capital approach method is followed where the same relate to specific Fixed Assets. In case of Govt. Grants related to Revenue, the same are reduced from related expense.

Ex-gratia to Employees

11) Employees are not covered under any Group Insurance Scheme. However, the Corporation in case of death of any employee while on duty pays ex-gratia which is accounted for on actual payment basis.

Insurance Claims

12) Where stocks are insured, in the event of loss, the compensation payable to depositors and the corresponding claim receivable from the insurer is accounted for based on the facts of each case. However, the actual payment to the depositor is made after claim is received from the insurer. The difference, if any, is accounted for on actual receipt/payment. Where stocks are not insured, the compensation to the depositors is paid out of the reserve fund created for the purpose.

Arbitration Awards

13) Arbitration awards are accounted unless contested by the parties within 90 days. However, the amounts awarded in favor of the Corporation are accounted for only at the time of realization, owing to uncertainty of their collection.

Unclaimed Dividend

14) Unclaimed dividends are reflected as such irrespective of the year to which they relate.

Employee Benefits

15) The provision for employee's benefits for Gratuity, Leave Encashment including Half Pay (Sick) Leave, Post Retirement Medical Benefit, LTC Benefit and Lump-sum compensation to the family of deceased employees is made on the basis of actuarial valuation, and the actuarial gains and losses on the above are recognized in the profit and loss account.

Inventories

16) Chemicals and Construction materials are valued at lower of weighted average cost or net realizable value.

17) 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 or net realizable value.

18) Unserviceable/Obsolete construction materials are valued at lower of weighted average cost or net realizable value.

Expenditure on Land and Civil Works

19) 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.

20) 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.

21) Expenditure on risk and cost contracts (Civil) in excess of Security Deposit available is charged to works pending its recovery.

22) The Engineering Overheads are allocated to Repairs, Deposit works and Capital Works based on the Standard Overhead Rate, which is calculated based on the ratio of Engineering Overheads to the Cost of Repair works, Deposit works and Capital Works executed during last 5 years. The unabsorbed overheads are charged to Revenue.
In case the Actual Overhead rate of any Construction Unit is less than the Standard Overhead Rate, the Actual Overheads are allocated to Repair works, Deposit works and Capital Works proportionately.
Corporate Office Engineering Overheads are allocated only to Deposit works and Capital Works proportionately.

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

VRS Expenditure

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

Cost of Consumables

25) 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.

Taxes on Income

26) Income Tax Expense comprises the Current Tax and Deferred Tax. Provision for Current Income 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. The Deferred Tax Assets are not recognised, unless there is virtual certainty that sufficient future taxable income will be available against which such Deferred Tax Assets could be realised.

Impairment of Assets

27) An asset is treated as impaired when the carrying cost of assets 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.

Intangible Assets

28) (a) The License fee/registration fee paid to the Indian Railways for Container Rail Transportation is capitalized as an 'Intangible Assets' and amortized over the period of 20 years i.e. the period for which permission given by Railways from the year of starting the operation.

(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 five years. Keeping in view the life and also technical certification, the warehouses/buildings constructed on such land, normal rate of depreciation as mentioned in the accounting policy No.7 (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 is adjusted against the written down value and profit or loss if any, in the transaction will be accounted for in the books accordingly.

Foreign Currency Transactions

29) i) Revenue transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction.

ii) The costs of tangible fixed assets are recorded at the exchange rate prevailing on the date of transaction and depreciation charged on the same.

iii) The Current assets and current liabilities are recorded at the prevailing rate on the last date of the financial year.

iv) The exchange differences on the transaction of foreign currency are recognized in the Profit & Loss account.

Accounting of claims against contractors / parties

30) Claims against contractors/parties are accounted for on its realization.

Provision for Bad & Doubtful Debts

31) The provision for bad & doubtful debts is made whenever the debtors/loan & advances are considered doubtful.

32) The procurement stock is valued at cost price (first in first out basis) or net realisable value, whichever is lower.

Provisions, Contingent Liabilities and Contingent Assets

33) (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 is neither recognized nor disclosed

Prior period expenses/income

34) Prior period expenses/income of item of ₹10,000/- and below are charged to their natural head of accounts.