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Azadi Ka  
Amrit Mahotsav



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-Taxation/WA/2021-22

17<sup>th</sup> February, 2022

**Works Accounts (CO) –Advisory 3**

**Sub:** De-recognition of old road, roof and floor @ 11.06%, 5%, 5.06% of the cost of warehouse and godown respectively and Accounting & capitalization of significant components i.e. Roof (Pre-coated Galvalume Steel Sheets or equivalent), Road (Cement concrete) and Floor (cement concrete) separately

**Ref:** (i) Accounting Policy no. 9(h) on Property, Plant and Equipment and depreciation  
(ii) Instructions issued vide letter No. CWC/FD-Comp./2018-29 dt. 14.02.2019  
(iii) Note no. 2(b) of Schedule II (Fixed Assets) of Annual Accounts

Sir,

1. As per Accounting Policy No. 9(h) of the Corporation “Significant components of warehouse and godowns i.e. Significant components of warehouse & godowns i.e. Roof (Pre-coated Galvalume Steel Sheets or equivalent), Road (Cement concrete) and Floor (cement concrete) are capitalized and depreciated separately”. Further, Corporation is also giving disclosure of the WDV of the assets de-recognized in financial accounts in note 2(b) – schedule II of financial Accounts.
2. As per the above instructions in place, as and when new road, roof and floor are constructed, the WDV of old road, roof and floor is to be removed from the books. This is applicable for the assets of the Corporation prior to 1<sup>st</sup> April, 2018 i.e. the date from which the road, roof and floor are made separate components.
3. While reviewing the books of Accounts of Regional Offices of current year, it has been noticed as under:
  - (a) Some ROs are not following the above instructions and are not de-recognizing old road, roof and floor as and when they are replaced.
  - (b) Some ROs are passing the accounting entry for all the components of road, roof and floor (even if only one component is getting replaced), instead of decapitalizing the component which is getting replaced. For example, if only roof is replaced, Regions are passing de-recognition entry for all the components i.e. road, roof and floor, which is incorrect.
4. Based on above, it is advised as under;
  - (i) For the decapitalization of old road, roof and floor, procedures/instructions as informed vide our letter dated 14/02/2019 referred above (copy again enclosed) are to be followed.

निगमित कार्यालय: 4/1, सीरी इंस्टीट्यूशनल एरिया, अगस्त क्रांति मार्ग, हौज़ खास, नई दिल्ली-110016.

CO: 4/1, Siri Institutional Area, August Kranti Marg, Hauz Khas, New Delhi-110016.

टेलिफोन/Landline:011-40810544, ई-मेल/Email: puri.amit@cewacor.nic.in



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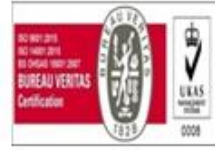


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(ii) It needs to be ensured that only the component which is getting replaced is de-capitalized from the books of Accounts and the other remaining components be only decapitalized as and when they are replaced at a later date.

5. In case the decapitalization is not done in time, the Fixed Assets shall be overstated, the depreciation shall be understated and profit of the Corporation shall also be over stated which may invite audit comment.

Compliance of above be ensured.

(Amit Puri)  
General Manager (Tax & A/cs)

**Enc: As above.**

**Distribution to:**

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

**Copy 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. Director(Fin.), CWC, CO, New Delhi
3. GGM(F&A), CWC, Corporate 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.



  
**केन्द्रीय भण्डारण निगम**  
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**CENTRAL WAREHOUSING CORPORATION**  
(A GOVT. OF INDIA UNDERTAKING)



जन जन के लिए भण्डारण - WAREHOUSING FOR EVERY ONE

No. CWC/FD-Comp./2018-19

Dated: 14.02.2019

The Regional Manager  
Central Warehousing Corporation  
Regional Offices  
Ahmedabad, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Delhi,  
Guwahati, Hyderabad, Jaipur, Kochi, Kolkata, Lucknow, Mumbai, Patna

Ref: Letter no. CWC/FD-Comp/2018-19/361E dated 11.09.2018

- Sub: (A) Guidelines for Capitalization of expenditure on upgradation of warehouses by accounting of significant components separately—reg.**
- ~~(B) Bifurcation of Value of existing Warehouse & Godowns into Road, Roof, Floor & Other Warehouse Godown in Asset Register.~~

Sir,

(A) Guidelines for Capitalization of expenditure on upgradation of warehouses

1. In line with the Accounting Policy No. 8(i), significant components of warehouse & godowns i.e. Roof (pre-coated Galvalume steel sheets or equivalent), Road (Cement Concrete) and Floor (Cement Concrete) are to be capitalized and depreciated separately.
2. As the above components i.e. replacement of road, roof and floor are capitalized, the cost of original road, roof and floor will have to be decapitalized/derecognized from the books. The original cost, accumulated depreciation and WDV of assets being replaced as per books need to be deleted from the books.

Old asset should be derecognized in the same month when the new asset is capitalized. The Depreciation on the old asset shall be charged up to the month prior to the month of capitalization and depreciation on the new assets shall be charged from the month of capitalization.

**For eg.** Road was capitalized in January so depreciation on old road will be calculated upto December and on new road from January onwards.

3. Following mechanism is to be followed for derecognition of old bituminous road, old AC roof and old floor:-

Case-I Where separate Original Cost, Accumulated Depreciation and WDV is available for particular godown/godowns whose road, roof and floor is being replaced, following is the formula for calculation of value to be derecognized:

- (a) Derecognition of Road 11.06% of WDV of warehouse
- (b) Derecognition of Roof 5% of WDV of warehouse
- (c) Derecognition of Floor 5.06% of WDV of warehouse

Case-2 Where separate Original Cost, Accumulated Depreciation and WDV is not available for the godown whose road, roof and floor is being replaced.

- (a) The Original Cost, Accumulated Depreciation and WDV of all the godowns in the books shall be apportioned on the basis of capacity of warehouses so as to arrive at the Original Cost, Accumulated Depreciation and WDV of those particular warehouses in which construction work has been executed.
- (b) The Original Cost, Accumulated Depreciation and WDV of Road, Roof & Floor will be calculated by applying the percentage of 11.06%, 5% & 5.06% respectively.
- (c) The Gross Cost, Accumulated Depreciation & WDV as calculated in Step (b) shall be removed from the books of accounts.

The calculations are explained by way of an example attached at Annexure 1.

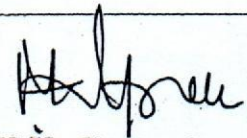
4. The WDV minus salvage value if any, is to be charged to Profit & loss A/c as 41902-Loss on Asset Written Off. In case Salvage Value is in excess of WDV, same shall be booked as 31500-Profit on sale of Assets.
5. You are advised to follow the above mechanism while charging depreciation and capitalizing the replacement of road, roof and floor of warehouses and derecognition of old road, roof and floor in 2018-19.

(B) Bifurcation of value of existing Warehouse & Godown

1. The existing Original Cost, Accumulated Depreciation & WDV needs to be bifurcated into Road, Roof, Floor & Other Warehouse Godown based upon the percentage informed in point no. 3 above.
2. This exercise needs to be done for all the Warehouse & Godown available in the Asset Register so that if any Asset is upgraded for its Roof, Road & Floor then the separate values will be readily available.
3. This exercise will help at the time of second/further upgradation of same asset as existing value available in books after first upgradation will not be the original value while percentage shall be applied on the original Cost, Depreciation and WDV only.

The Format is enclosed as Annexure- II. This exercise needs to be completed by 28.02.2019 and duly filled format may please be sent to corporate office as ATR for further action by this office.

Encl.: As above.



(N.K. Grover)  
Group General Manager(F&A)

**Example 1:**

**Annexure-I**

When separate Original Cost, Accumulated Depreciation and WDV is not available for particular godown whose Road is being replaced:

**Road replaced from bituminous to CC road**

- a) Gross Cost of all Godown of particular center: Rs. 130000
- b) Accumulated Depreciation of all Godown: Rs. 80000
- c) Available WDV of the all the Godowns: Rs. 50000
- d) Total Number of Godowns: 5
- e) Capacity of all 5 godowns: 50000 MTs
- f) Capacity of godwon whose road is being replaced: 5000 MTs

**Calculation of WDV which is to be derecognized:**

- a) Gross Cost of godown:  $\text{Rs. } 130000 \times \frac{5000 \text{ MTs}}{50000 \text{ MTs}} = \text{Rs. } 13,000/-$
- b) Accumulated Depreciation of godown:  $\text{Rs. } 80000 \times \frac{5000 \text{ MTs}}{50000 \text{ MTs}} = \text{Rs. } 8000/-$
- c) WDV of godown: total cost - accumulated depreciation =  $13000 - 8000 = \text{Rs. } 5000/-$
- d) Gross cost of Road =  $\text{Rs. } 13000 \times 11.06\% = \text{Rs. } 1438/-$
- e) Accumulated Depreciation = Gross cost - WDV =  $1438 - 553 = 885/-$
- f) WDV of Road =  $\text{Rs. } 5000 \times 11.06\% = \text{Rs. } 553/-$

WDV will be written off from books of accounts i.e. Rs. 553 by debiting 41902 - Loss on Assets written off.

**Entry of Decapitalization**

41902- Loss on Assets Written Off	Dr.	553	
14300- Provision for Depreciation (Warehouse and Godown)	Dr.	885	
20300- Warehouse and Godown	Cr.		1438

(Being entry made for decapitalization of Road of one godown)

**Example 2:**

- When separate Original Cost, Accumulated Depreciation and WDV is available for particular godown whose Road is being replaced:

Road replaced from bituminous to CC road

- a) Total Cost of Godown= Rs. 10000
- b) Accumulated Depreciation of Godown= Rs. 8000
- c) WDV of Godown= Rs. 2000
- d) Gross Cost of Road of Godown= Rs.  $10000 \times 11.06\%$  = Rs. 1106
- e) Accumulated Depreciation of Road of godown= Rs.  $8000 \times 11.06\%$  = Rs. 885
- f) WDV of Road of Godown= Rs.  $2000 \times 11.06\%$  = Rs. 221

WDV will be written off from books of accounts i.e. Rs. 221 by debiting 41902 - Loss on Assets written off

**Entry of Decapitalization**

41902- Loss on Assets Written Off	Dr.	221
14300- Provision for Depreciation (Warehouse and Godown)	Dr.	885
20300- Warehouse and Godown	Cr.	1106

(Being entry made for decapitalization of Road of one godown)

### Bifurcation of Warehouse & Godown into Road, Roof, Floor & other warehouse

Name of The Centre	Description of Assets	Capacity of Warehouse (In MT)	Year of Purchase	Date of Purchase	Warehouse & Godown			5% value of Roof			11.06% of Road	
					Actual cost as on 01.04.18	Accumulated Depreciation as on 01.04.18	WDV as on 01.04.2018	Actual cost as on 01.04.18	Accumulated Depreciation as on 01.04.18	WDV as on 01.04.2018	Actual cost as on 01.04.18	Accumulated Depreciation as on 01.04.18
A	Godown 1	5000	XXXX	XXXX	5000000	3000000	2000000	250000	150000	100000	553000	333800
A	Godown 2	5000	XXXX	XXXX	6000000	4000000	2000000	300000	200000	100000	663600	442400
A	Godown 3	5000	XXXX	XXXX	7000000	5000000	2000000	350000	250000	100000	774200	530000
A	Godown 4	5000	XXXX	XXXX	8000000	6000000	2000000	400000	300000	100000	884800	665600
B	Godown 1,2,3,4	20000	XXXX	XXXX	26000000	18000000	8000000	1300000	900000	400000	2875600	1998800

Name of The Centre	Description of Assets	Capacity of Warehouse (In MT)	Year of Purchase	Date of Purchase	5.06% of Floor			Other Warehouse & Godown		
					Actual cost as on 01.04.18	Accumulated Depreciation as on 01.04.18	WDV as on 01.04.2018	Actual cost as on 01.04.18	Accumulated Depreciation as on 01.04.18	WDV as on 01.04.2018
A	Godown 1	5000	XXXX	XXXX	253000	151800	101200	3944000	2366400	1577600
A	Godown 2	5000	XXXX	XXXX	303600	202400	101200	4732800	3153200	1577600
A	Godown 3	5000	XXXX	XXXX	354200	253000	101200	5521600	3944000	1577600
A	Godown 4	5000	XXXX	XXXX	404800	303600	101200	6310400	4732800	1577600
B	Godown 1,2,3,4	20000	XXXX	XXXX	1315600	910800	404800	20508800	14198400	6310400

**Note:** Assets such as Jali Gate, Labour Shed, Scooter Stand, Security Cabin, Office Block etc. if separately entered into the Fixed Asset Register, shall not be covered in value of warehouse & godown for bifurcation of Road, Roof, Floor & other Warehouse Godown.