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/Accounts Circular/21-22/ **Date: 24.02.2023**

ACCOUNTING CIRCULAR NO. # 75

Sub: Significant Accounting Policies to be followed for F.Y. 2022-23

1. The Board of Directors in its 379th meeting held on 17th Feb, 2023 vide agenda item no. 379.04 has revised the Significant Accounting Policies to be followed by the Corporation for FY 2022-23 and the same are attached as Annexure – I.

2. A Comparative chart of policies amended/deleted and newly created is attached at Annexure-II.

3. All Regional Managers and Accounts in charges should ensure the accounting as per the revised Significant Accounting Policies.

Ratti Ram Aggarwal
Digitally signed by Ratti Ram Aggarwal
Date: 2023.02.24 17:13:52 +05'30'

(RR Aggarwal)
GGM (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.

Copy 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. GM (Fin.), CWC, Corp. Office, New Delhi.
3. Dir.(Fin.), CWC, CO, New Delhi.
4. Supdt.(Systems), CWC, CO, New Delhi 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.

Annexure-I

SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

(1) 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.

Use of Estimates

(2) 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) Inventory consisting Chemicals and Stores in hand i.e., Polythene Covers and Dunnage etc. are valued at lower of cost on first in first out basis and net realizable value. Cost comprises of all cost of purchase, duties and taxes (Other than those subsequently recoverable by the enterprise from the taxing authorities), freight inward and other expenditure directly attributable to the acquisition net of trade discount, rebates, duty drawbacks & other similar items.

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

Prior period expenses/income

(5) 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.

Cash Flow Statement

(6) 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.

Property, Plant & Equipment and Depreciation/Amortization

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

(b) Depreciation/amortization on Fixed Assets (Tangible/Intangible) is charged on straight line method on the basis of useful life and residual value of assets determined by the Corporation (based on technical assessment 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
Warehouses &Godowns and ancillaries, Container Yards, Roof (pre-coated galvalume steel sheets), Floor- Cement Concrete, Road - Cement Concrete (CC) at Railside Warehouse Complex (RWC)	30	NIL
Convertible Plinths	30	5
Non-Convertible Plinths	5	5
Office Buildings	60	5
Residential Flats	60	5
Water & Electrical Installations	10	5
Water & Electrical Installations at Railside Warehouse Complex (RWC)	10	NIL
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

The residual value, useful life/amortization period and amortization method are reviewed at each financial year end and significant changes, if any, from previous estimates are accounted for.

(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 amortized/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.

(8) 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/Amortization 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. In case of transfer of any asset from one unit to another, depreciation/amortization is charged in the books of the transferor unit upto the month of transfer. The transferee unit shall charge depreciation/amortization from the subsequent month.

<u>Expenditure on Land and Civil Works</u>

(9) 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.

(10) 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.

(11) 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.

(12) The construction overheads on the capital works executed are allocated and capitalized as under:

(i) Works supervised by CWC@7% (seven percent) of the cost of work.

(ii) Works supervised through outside agency-Fee/charges payable to the agency.

(13) 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.

Revenue Recognition

(14) 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) Financial impact of the retrospective revision of rate of storage charges which is fixed by the administrative ministry are accounted for in the year in which the decision of administrative ministry is received by the Corporation.

Cost of Consumables

(15) 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.

VRS Expenditure

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

Insurance Claims

(17) 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 insurance claim is accounted for at the time of receipt of survey report/actual receipt of the claim from the Insurance Company.
On receipt of the claim proceeds from the insurer, the amount is paid to the depositor or credited to the account of depositor, as the case may be.

Arbitration Awards

(18) 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.

Accounting of claims against contractors / parties

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

Unclaimed Dividend

(20) The dividend warrants which are not encashed are shown as liability under the head "Unclaimed Divided" irrespective of the year to which they relate. "Unclaimed Divided" remains unclaimed for a period of 7 years from the date they became due for payment is transferred to the 'Reserve Fund maintained Under Section 30(1) of the Warehousing Corporations Act,1962'.

Foreign Currency Transactions

(21) 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.

Government Grants

(22) 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.

Investments

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

Employee Benefits

(24) 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 recognized on accrual basis in profit & loss account.

Taxes on Income

(25) 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 recognized, 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 liabilities are recognized for all taxable timing differences.

c) 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.

d) Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off assets against liabilities representing current tax and he deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

e) 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.

Intangible Assets

(26) (a) The license 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 amortized 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, amortization as per normal useful life mentioned in the accounting policy no.9(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 amortized over a period of 10 years.

Impairment of Assets

(27) 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.

Provisions, Contingent Liabilities and Contingent Assets

(28) (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.

Provision for Bad & Doubtful Debts

(29) 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.

Write-back of Liabilities/Payable

(30) The liabilities are carried in the books of accounts of the Corporation for consecutive 5 Years (For Govt parties) and 3 years (For other parties) from the date the same becomes payable. In the 6th year or 4th year, as the case may be, these liabilities/trade payables are written back in the books of accounts and credited to Income (operating/non-operating) after following the due procedure.

Claim/ Actual payment (if any) arising against above liabilities in future date are booked as expenditure in the year of payment/settlement.

(31) Security deposits paid for connection/load enhancement of Water & Electricity as well as Telephone is accounted as Water & Electricity expenses and Telephone expense respectively in the year of deposit. In case any refund of amount deposited is received, the same would be credited to respective expense account in the year of refund.

Annexure-II

AMENDMENT IN SIGNIFICANT ACCOUNTING POLICIES

<table>
<tr><th>Old Policy No.</th><th>New Policy No.</th><th>Accounting Policy applicable for FY 2021-22</th><th colspan="3">Accounting Policy applicable for FY 2022-23 (Revised)</th></tr>
<tr><td>3</td><td>3</td><td>“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”.</td><td colspan="3">Inventory consisting Chemicals and Stores in hand i.e., Polythene Covers and Dunnage etc. are valued at lower of cost on first in first out basis and net realizable value. Cost comprises of all cost of purchase, duties and taxes (Other than those subsequently recoverable by the enterprise from the taxing authorities), freight inward and other expenditure directly attributable to the acquisition net of trade discount, rebates, duty drawbacks & other similar items.</td></tr>
<tr><td>4</td><td>Deleted</td><td>“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.”</td><td colspan="3">Deleted (Covered in Amended policy 3 itself)</td></tr>
<tr><td>5</td><td>Deleted</td><td>“Unserviceable/obsolete construction materials are valued at lower of yearly weighted average cost and net realizable value”.</td><td colspan="3">Deleted</td></tr>
<tr><td rowspan="3">9(b)</td><td rowspan="3">7(b)</td><td rowspan="3">Two new rows are added in the existing table of useful life and residual value. These two new items are related to Railside warehouse complex only.</td><td>Fixed Assets</td><td>Useful Life (In years)</td><td>Residual Value (%)</td></tr>
<tr><td>Warehouses &Godowns and ancillaries, Container Yards, Roof (pre-coated galvalume steel sheets), Floor- Cement Concrete, Road - Cement Concrete (CC) at Railside Warehouse Complex (RWC)</td><td>30</td><td>NIL</td></tr>
<tr><td>Water & Electrical Installations at Railside Warehouse Complex (RWC)</td><td>10</td><td>NIL</td></tr>
<tr><td>16(e)</td><td>Deleted</td><td>“The reward/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.</td><td colspan="3">Deleted</td></tr>
<tr><td>22</td><td>20</td><td>The dividend warrants which are not uncashed are shown as liability under the head “Unclaimed Divided” irrespective of the year to which they relate.</td><td colspan="3">The dividend warrants which are not encashed are shown as liability under the head “Unclaimed Divided” irrespective of the year to which they relate. “Unclaimed Divided” remains unclaimed for a period of 7 years from the date they became due for payment is transferred to the ‘Reserve Fund maintained Under Section 30(1)’ of the warehousing corporation act,1962’.</td></tr>
</table>

27	Deleted	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.	Deleted
28 (b)	25	(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. ***(In place of existing policy 28(b), para 28(b,c &d) has been inserted in revised policy and para 28(c) is renumbered as 28(e)***	b) Deferred tax liabilities are recognized for all taxable timing differences. c) 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. d) Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off assets against liabilities representing current tax and he deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.
New Policy	31		"Security deposits paid for connection/load enhancement of Water & Electricity as well as Telephone is accounted as Water & Electricity expenses and Telephone expense respectively in the year of deposit. In case any refund of amount deposited is received, the same would be credited to respective expense account in the year of refund."