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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-CA/Accounts Circular/21-22/

Dated: 10-08-2023

ACCOUNTING CIRCULAR # 79

Subject: Disclosure of Contingent Liabilities...reg

Ref: i) Accounts circular 24 dated 16.04.2019

ii) Accounts circular 54 dated 02.02.2022

As per significant accounting policy 28(b) of the Corporation, “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”.

Further following sub notes are disclosed in the Note on Contingent Liability in Notes forming part of Annual Accounts:

Sub Note-1	Liability, if any, that may arise due to disputed claims of some of the employee(s) / ex-employee(s), arbitration cases with depositors/ contractors / godown owners and interest / penalty / legal costs is not disclosed in contingent liabilities in respect of which amounts are unascertainable.
Sub Note-2	Any further interest demand on the basic claim is not considered where legal cases are pending, as the claim itself is not certain.
Sub Note-3	Show cause notices issued by various Government Authorities are not considered as contingent liabilities, since show cause notice itself is not a demand notice

2) Contingent liabilities are classified by the corporation in following three classes:

- a) Claims against the corporation not acknowledged as debts
 - i. Central Govt. Departments
 - ii. State Govt./local authorities/SPSEs
 - iii. CPSEs
 - iv. Others
- b) Counter guarantees given for bank guarantees,
- c) Custodian guarantee bonds furnished to custom department.

3) Claims against the Corporation not acknowledged in para 2(a) above shall consist of :-

- i. Storage losses - which remains to be regularized as on the balance sheet date.
- ii. Claim from godown owner for hike in Rent.
- iii. Claim for Property Tax.

- iv. Claim under Arbitration or under any court of law.
- v. Transit losses.
- vi. Claims of Employees
- vii. Claim for compensation for land acquired.
- viii. Other claims

4) Following instructions be followed while disclosing the contingent liabilities:

- i) As per Accounting Standard 29 “Unless the possibility of any outflow in settlement is remote, corporation should disclose for each class of contingent liability.
- ii) To the extent the claims are acceptable to the Corporation, same is to be recognized as liability and not to be disclosed as Contingent Liability.
- iii) The claim raised by the depositor, which has not been accepted by insurance company for settlement and also disputed by the corporation shall be disclosed as contingent liability.
- iv) Show cause notices issued by various Government Authorities are not considered as contingent liabilities, since show cause notice itself is not a demand notice.
- v) Arbitration award/Court award against the Corporation contested by the corporation in upper level to the extent not acceptable to the corporation shall be disclosed by as contingent liability. Arbitration award accepted by the corporation shall be provided as firm liability.
- vi) Any further interest demand on the basic claim is not considered where legal cases are pending, as the claim itself is not certain. However, initial interest amount claimed along with principal claim amount or any interest amount awarded against the corporation (up to the date of award) contested by corporation shall be disclosed as contingent liabilities.
- vii) Liability, if any, that may arise due to disputed claims of some of the employee(s) / ex-employee(s), arbitration cases with depositors/ contractors / godown owners and interest / penalty / legal costs thereon are not disclosed in contingent liabilities in respect of which amounts are unascertainable. If the amount is ascertainable, Contingent liability shall be provided Unless the possibility of any outflow in settlement is remote.
- viii) Court Attachment: All payments/deposits made in the court on account of court order pending settlement of the case including attachment of any amount by the court be shown under the head of account ‘Court Attachment/Deposit made with Court’- (Code No.29408) under current assets. In addition, contingent liability/firm liability against the claims as per possibility of occurrence of claim shall be provided in books.

5) E-Litigation portal: E-litigation portal be updated on regular basis for all closed claims or newly raised claims stating the brief of litigation, amount of contingent liability and its

latest position. This should be updated by all sections and made available to accounts department.

- 6) Corporation is getting number of audit observations on non-disclosure or excess/short disclosure of contingent liability. Therefore, all the legal cases be reviewed scrupulously to ascertain the amount of liability/contingent liability correctly and be checked with concerned records/ files.

(RR Aggarwal)
GGM(Fin.)

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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.

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