



SECTION A- INTRODUCTION

1. PERSPECTIVE

1.1 INTRODUCTION

The Tea Board was constituted on 1st April, 1954. It was set up under an act of the parliament, i.e. The Tea Act, 1953 [Section 4]. Earlier, there were two acts, The Indian Tea Control Act, 1938 and The Central Tea Board, 1949. These enactments had created two bodies namely, The Indian Tea Licensing Committee and The Central Tea Board. Both these bodies were succeeded by the newly formed Tea Board and these acts were repealed.

The Tea Board is responsible for overall development of Tea industry in India. The present day Tea Board has a broader and larger role than its predecessor bodies, which were mainly responsible for acts like regulation of tea cultivation, export of tea as required by international agreements then in place

1.1.1 STRUCTURE AND COMPOSITION

The head office of the Board is located in Kolkata, West Bengal. The Board has sixteen (16) offices in India and three (3) situated abroad in London, Dubai and Moscow.

The present Board consists of 31 members including the Chairman. The Chairman and the members are appointed by the government of India representing the different sections related to the tea industry. The ceiling for the Board strength is restricted to 40 by dint of the Tea Act, 1953 [Section 4 (3)]. The members of the Board will be representing the different sections of the tea industry. The reconstitution of the Board takes place every three years.

The present composition of Tea Board is as follows:-

- 3 members representing the Parliament
- 8 members representing the owners of tea estates
- 6 members representing governments of principal tea growing states
- 2 members representing dealers including exporters and internal traders of tea

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- 5 members representing labour unions
- 2 members representing manufacturers of tea
- 2 members representing consumers
- 2 members representing people having other interests

Section 4(8) of the Tea Act, 1953 empowers Tea Board to form an Executive Committee and that many Standing Committees as it may feel necessary for carrying out its functions. The members of these committees shall be exclusively from the members of the Board

At present, The Tea Board is assisted by the following standing committees:-

- Executive Committee
- Export Promotion Committee
- Labour Welfare Committee
- Development Committee
- Licensing Committee

1.1.2 FUNCTIONS

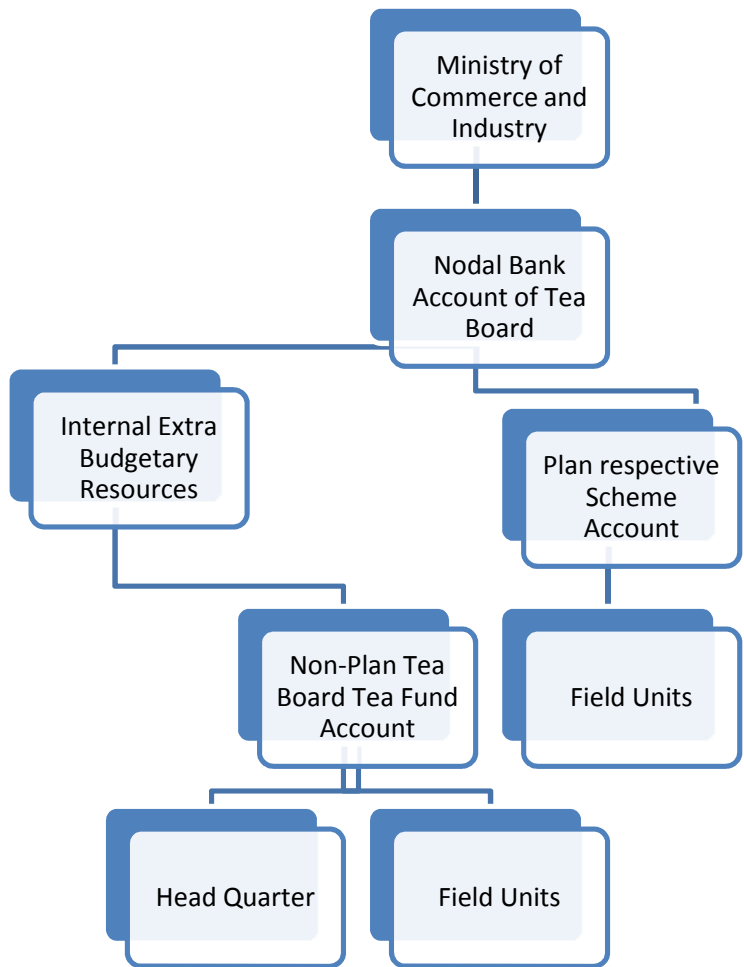
Section 10(1) of the Tea Act, 1953 empowers the Board to take such steps as it thinks fit for the development of the tea industry. The following are primary functions of the Tea Board

- Rendering financial and technical assistance for cultivation, manufacture and marketing of Tea.
- Export Promotion.
- Aiding Research and Development activities for augmentation of tea production and improvement of tea quality.
- Extend financial assistance to the plantation workers and their wards through labour welfare schemes.
- To encourage and assist both financially and technically the unorganised small growers sector.
- Collection and maintenance of Statistical data and publication.
- Such other activities as are assigned from time to time by the Central Government.



1.1.3 SOURCE OF FUNDS

Funds are provided to the Tea Board through the budget by allocating for Plan and Non-Plan activities of the Board.





1.1.4 PROFILE OF VARIOUS DIVISIONS AND THEIR FUNCTIONS

FINANCE WING

This wing is headed by the Financial Advisor and Chief Accounts Officer and is responsible for the maintenance of accounts, release of financial assistance to tea gardens and conducting of internal audit. As per Sec 25 and 26, the proceeds of Tea Board are credited to the Consolidated Fund of India and the non planned funds are provided to the finance wing as the Central Government may deem it to be necessary under Annual Budget of Ministry of Finance. The other major sources of revenue of Board are grants, subsidy and loan released by the Government of India. There are other minor sources of revenue in the form of fees on licenses, interest on loans and advances. Thus all funds received by the Board under Section 26A is in accordance to the Annual Union Budget. Such funds are utilized for the functions of the Board as prescribed by Sec 10 of the Tea Act. However the financial powers of the Government have to be taken into consideration.

LICENSING DEPARTMENT

This department is headed by the Controller of Licensing and is mostly responsible for issue of licenses to tea producers, manufacturers, exporters, brokers etc. It is a vital wing of the Board for the purpose of carrying out the statutory or legal orders issued by the Government from time to time. It also provides necessary guidance to the tea industry for trade related matters at Tea Board. The tea related issues under bi-lateral and regional agreements are being examined by this wing from time to time. The various types of License issued by this department are as follows:-

- **Exporter's License:** In accordance to the provisions of the Tea Control Order 2005 any person who wants to carry out trade with respect to tea will require this license provided by the wing. The validity of this license is for 3 years from the date of issue and needs to be renewed in order to make it effective otherwise it will be suspended or cancelled.
- **Distributor's License:** Under the Tea Control Order 2005 the distributor's license is generally issued to all tea exporters who have a valid license for re-export or internal sale. Fees collected for this license amounts to Rs 17500.
- **Tea Waste License:** The granting of this license and its renewal is in accordance to the provisions of the Tea Control Order 1959 and its main objective is to keep a check on the misuse of tea waste and regulating the disposal of it. Thus the licenses are granted only to bonafide persons including buyers and sellers. This license ensures

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that no person shall purchase, hold or sell any tea waste unless it is in accordance to the terms and conditions of licenses granted by Tea Board.

LABOUR WELFARE DEPARTMENT

The Welfare Branch of the Tea Board undertakes some welfare programmes for the benefit of tea plantation workers. The activities related to labour welfare are supplemental and cover all the areas as mentioned in the Plantation

As of today, the schemes related to labour welfare that are running are Health, Education and Training

STATISTIC DEPARTMENT

Statistics branch of Tea Board deals with the designing and developing of Management Information System (MIS) thereby helps in providing the required information relating to production, export, import, prices, labour etc. It thus provides inputs required for decision making process of all the policies adopted by the Board. All the relevant matters like Central Excise, State Sales Tax, FDI and Export-Import Policy are examined and scrutinized by the Statistical Branch. The Branch also monitors and provides the information on the prices of weekly auction on a regular basis. The work related to the monitoring of the retail prices of tea at various cities or towns are carried out by the Statistical Branch of Tea Board to monitor the auction price of tea. This is done on a regular basis in connection to the construction of wholesale price indices of crops.

HINDI CELL

With the enforcement of the constitution of India Hindi became the official language of India and since then this wing was entrusted with the duty of propagation and development of official language i.e. Hindi so that it becomes a common form of expression of all the elements of Indian culture. From the inception of the Hindi Cell the wing has been only focused on the implementation of constitutional provision with regard to Official Language Act 1963 and rules 1976 made under. Their activities are as follows:-

- Purchase of Hindi Books
- Correspondence in Hindi
- Organizing Hindi Workshop
- Hindi Training
- Organizing Hindi Week
- Publication of in house journal

1.1.5 DIRECTORATES

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➤ THE DEVELOPMENT DIRECTORATE

Headed by the Director of Tea Development this directorate is responsible for formulation and implementation of various developmental schemes and rendering assistance to the industry in the procurement, distribution and movement of essential inputs. The major function of this directorate as is operational under the 11th plan is to bring about improvement in tea production, productivity, quality, product mix etc. To give an idea of the various schemes undertaken by this directorate, we list below the ones approved by the 11th plan:-

- Tea Plantation Development Scheme
- Special Purpose Tea Fund Scheme
- Human Resource Development Scheme
- Developmental assistance to small growers
- Quality Up gradation and Product Diversification Scheme

➤ THE PROMOTIONAL DIRECTORATE

It is headed by the Director of Tea Promotion and looks after the works relating to Promotion of tea in India and abroad. The Tea Board has organized several promotional activities for domestic consumption of tea mainly aimed at the youth thus projecting the benefits of tea. Regular promotional activities are always carried out by the promotional directorate in the form of trade fairs. Various levels at which tea promotion is carried out are like generic promotion, Promotion programs, Market development activities, Popularizing of the logo of Tea Board and enhancing the quality of Tea and its various sub-brands. The schemes undertaken by this directorate are as follows:-

- Market Promotion Scheme
- Market Access Initiative Scheme

➤ THE RESEARCH DIRECTORATE

- It is headed by the Director of Research and is responsible for co-ordination of tea research carried out by the different tea research institutions in the country and monitoring the functions of the Tea Board's own Research Station. As per the provisions of The Tea Act 1953 the Tea Board along with the support of its research directorate has continued to provide support for tea research. The Board has its own research institute at Kurseong. TRA and UPASI are funded by Tea Board to work on various research projects. The various schemes undertaken by this directorate are Research & Development Scheme, Special Grant (AED), Research & Development TRA Centenary and Research & Development ASIDE Scheme

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1.2 STATUS OF TEA BOARD

Section 4(2) of the Tea Act, 1953 defines The Tea Board as a body corporate by the name aforesaid (Tea Board), having perpetual succession and a common seal, with power to acquire, hold and dispose of property, both movable and immovable, and to contract, and shall by the said name sue and be sued.

1.3 OBJECTIVE

Accounting manual is a document which serves as an operative guidance to finance and accounts personnel and it is used as a documented handbook by executives of other disciplines for reference.

Efforts have been made to further streamline, standardize and update the policies, systems and procedures so that the Board can cope with changing dimensions from time to time. The purpose of this manual is also to give the work environment a structure of harmony, flexibility, responsiveness and efficiency. While doing this, controls necessary for accomplishment of desired organizational goals have also been taken into consideration.

2. BASIS OF FINANCIAL STATEMENTS

2.1 OBJECTIVE AND UNDERLYING ASSUMPTIONS

- a. **Accrual-** The financial statement of Tea Board is to be prepared on accrual basis as stated in the New Format of Accounts for Central Autonomous Bodies. Accrual basis implies that events should be recorded as and when they occur. Moreover, events should be recorded periodically i.e. whichever period they relate to.
- b. **Going Concern-** The Tea Board is assumed to continue its operations for an infinite period of time. If it is proved that there is no concept of going concern then the financial statements need to be reviewed and prepared on a different basis.
- c. **Consistency-** Accounting policies should be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the

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current period or which is reasonably expected to have a material effect in later periods, should be disclosed.

FUNDAMENTAL ACCOUNTING CONCEPTS AND CONVENTIONS:-

CONCEPTS/CONVENTIONS	EXPLANATORY NOTES	IMPLICATIONS
1. Business Entity	The owners of business and the business are separate entities	In the situation of government owned or such distinction needs to be demarcated particularly from propriety perspective
2. Materiality	In determining the accounting treatment and manner of disclosure of an item in the Balance Sheet and/or the Income and Expenditure Account, due consideration is to be given to materiality	In the case of Tea Board, needs to view the overall revenue of the entity, accordingly set the benchmarks for materiality
3. Consistency	Accounting Policies shall be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods, shall be disclosed. In case of a change in accounting policies which has a material effect in the current period, the amount by which any item in the financial statement is affected by such change, shall also be disclosed. To the extent ascertainable. where such amount is not ascertainable, wholly or in part, the fact shall be disclosed.	This accounting manual is designed to minimize possibilities of deviation from consistency.
4. Substance over form	The accounting treatment and	The spirit of a transaction

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	presentation in the Balance Sheet and the Income and Expenditure Account, of transactions and events shall be governed by their substance and not merely by the legal form.	needs to be given weight age before final its accounting treatment reporting of its compliance. According to such implications are to be taken into account in Accounting Manual
5.Accrual Basis	The financial statements of non profit and other similar organization (viz., Balance Sheet and Income and Expenditure Account) shall be prepared on accrual basis and shall be in the form suggested, or as near thereto as possible. Accrual basis of accounting means transactions are recorded as and when they occur irrespective of whether actual cash has been received / paid for it.	For example in the case of Tea Board, any expenditure which becomes due on a particular date then entry should be passed on that date irrespective of actual date of payment.
6.Prudence/Conservatism	It refers to the concept of anticipating all losses but not profits.	This concept helps to avoid any kind of overstatement in the financial statements
7.Dual Aspect	This is basically the double entry concept of book keeping that needs to be adhered to by all entities.	Financial Statements of Tea Board has to comply with double entry concept as per the Accounting Manual reinstates this.
8.Matching	The financial statements should be prepared in such a manner as to ensure the revenue relating to the current period is charged against the expenditure incurred to that period only.	The Accounting manual ensures that at year end balances and provisions in a manner so as to adhere to this concept
9.Periodicity	The financial statements prepared must always pertain to a	This concept allows preparers of financial



	particular financial period generally one year.	statements to divide entire life of the business into segments called years
10.Going Concern	All enterprises will have to continue for an indefinite period of time.	The most important implication of such concept is that the assets are valued at historical cost replacement cost.
11.Provisions	Provision shall be made for all known liabilities and losses even though the amount cannot be determined with substantial accuracy (and the amount of provision represents only a best estimate in the light of available information). 'Provision' means any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, or retained by way of providing for any known liability, the amount of which cannot be determined with substantial accuracy. Provision shall be made for contingent loss if: a) it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability has been incurred at the balance sheet date, and b) A reasonable estimate of the amount of the resulting loss can be made. If either of the above conditions is	This concept has been incorporated in the Companies Act, 2013.



	not met, the existence of the contingent loss shall be disclosed by way of a note to the Income and Expenditure account, unless the possibility of the loss is remote.	
12.Disclosures	Separate disclosure shall be made in the income and expenditure Account in respect of: a) “prior period” items, which comprise material items of Income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. b) “Extra-ordinary” items, which are material items of income, or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the entity and, therefore, are not expected or recur frequently or regularly. c) Any item under the head “Miscellaneous Income” which exceeds 1 per cent of the total turnover/gross income of entity or Rs. 50,000/- whichever is higher. This shall be shown against an appropriate account head in the income and expenditure Account. d) Any item under the head “Miscellaneous Expenses” which exceeds 1 per cent of the total turnover/gross income of entity or Rs. 50,000/- whichever is higher.	At the time of passing entries it should be noted that these disclosures are made at appropriate places.



	This shall be shown as a separate and distinct item against an appropriate account head in the Income and Expenditure Account.	
13. Revenue Recognition	Revenue shall not be recognized unless: a) The related performance has been achieved ; b) No significant uncertainty exists regarding the amount of consideration; and c) It is not unreasonable to expect realization and ultimate collection.	The revenue model of Board will accordingly be analyzed to plan necessary requirements for this concept.

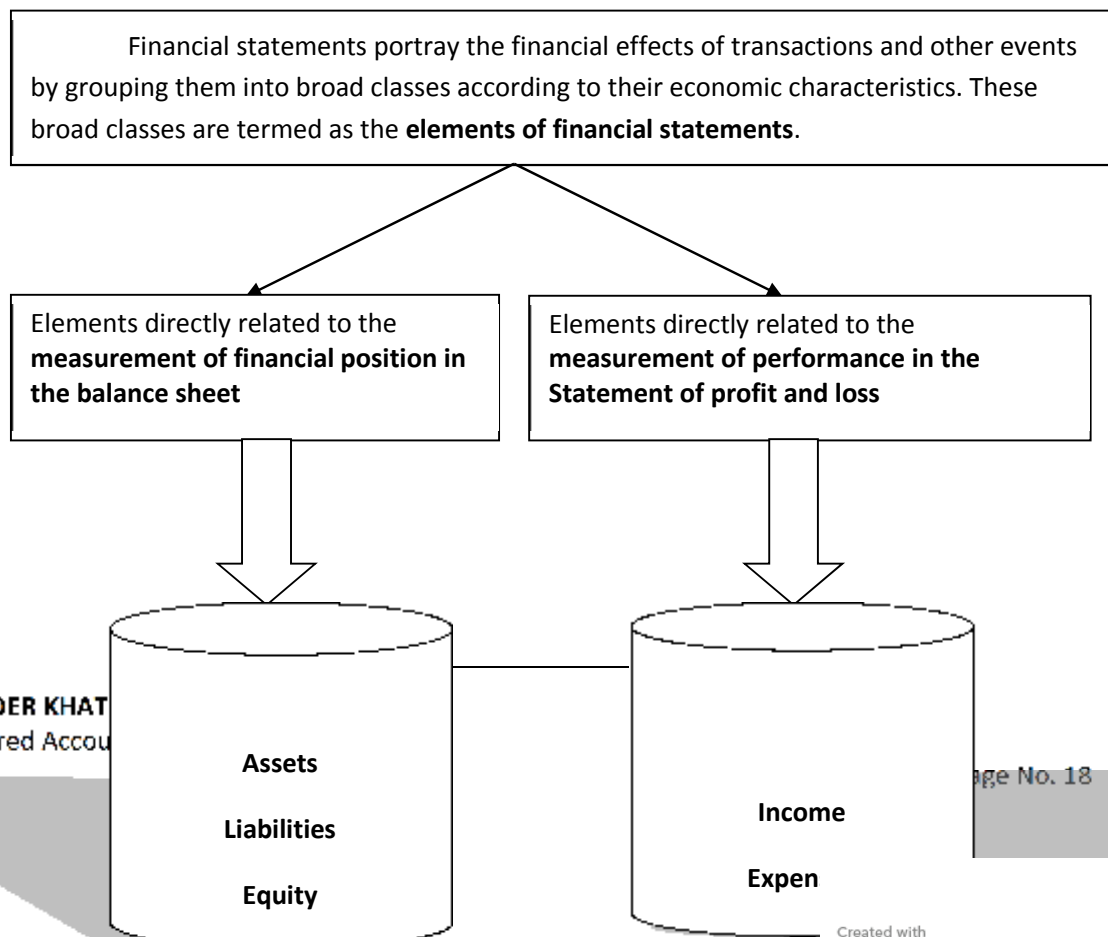
2.2 QUALITATIVE CHARACTERISTICS

- a. **Understandability**- the Financial Statement of Tea Board should be understandable to the users. To implement this characteristic it is assumed that the users or the readers of such statements have reasonable and adequate knowledge about the nature of business, the activities undertaken and their accounting point of view.
- b. **Relevance**- the relevant information should be disclosed in the financial statement. Information is said to be useful and reliable if the information is such that it can affect the decision of users of financial statements while making any kind of investment.
- c. **Materiality**-the most important qualitative characteristic is materiality which emphasizes on any information which can persuade the economic decisions of the users. It depends on the size and nature of the item of the misstatement or error.
- d. **Comparability**- The financial statements should be prepared in such a manner so as to facilitate the users of the financial statements in making a prudent and economic decision. This is done through the comparison of the enterprise in terms of trends, cash flows and other methods of performance analysis. One of the needs of having a well



developed Accounting Manual is that we should be in a position to compare Tea Board's performance against similar bodies across the globe and a few more such bodies in India.

2.3 CRITERIA FOR RECOGNITION OF ELEMENTS





RECOGNITION OF THE ELEMENTS OF FINANCIAL STATEMENTS

Elements	Definition	Recognition	Tests
Asset	Resource controlled by the enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise	As asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the enterprise and the asset has a cost or value that can be measured reliably .	Recognition is the process of incorporating in the balance sheet or profit and loss account an item that [1]meets the definition of an element and [2] Satisfies the



Elements	Definition	Recognition	Tests
Liability	Present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits	A liability is recognized in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably .	criteria for recognition. Qualifying criteria: - It is probable that any future economic benefit associated with the item will flow to or from the enterprise; and - the item has a cost or value
Equity	Residual interest in the assets of the enterprise after deducting all its liabilities		



Elements	Definition	Recognition	Tests
Income	Increase in economic benefits during the accounting period in the form of – • Inflows or • Enhancements of assets or • Decrease of liabilities That result in increases in equity (except those relating to contribution by equity participants)	Income is recognized in the profit and loss account when increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. This means, in effect, that recognition of income occurs simultaneously with the recognition of increases in assets or decreases in liabilities.	that can be measured with reliability.
Expenses	Decreases in the economic benefits during the accounting period in the form of – • Outflows or • Depletion of assets or • Incurrence of liabilities That result in decreases in equity (except those relating to distribution to equity participants)	Expenses are recognized in the profit and loss account when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a	An item that possesses the essential characteristics of an element but fails to meet the criteria for recognition may nonetheless warrant disclosure in the notes, explanatory material or in supplementary



Elements	Definition	Recognition	Tests
		decrease in asset. Many expenses are recognized through matching process involving simultaneous or combined recognition of revenue or expenses that result directly or jointly from the same transactions or other events. When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognized on the basis of systematic and rational allocation procedures. An expense is also recognized in the cases when a liability is incurred without the recognition of an asset, as when a liability under a product warranty arises.	schedules.

2.4 INDIAN GAAP AND RECOGNITION OF ELEMENTS

Indian GAAP

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Transparency in financial disclosures has always been the demand of users. But the urge and the need for better disclosure practices intensified only in the recent past, so far as India is concerned, with globalization.

GAAP is the basis for preparing and reporting information that is included in the financial statements an entity distributes to its stakeholders. Simply put, GAAP is the acronym for Generally Accepted Accounting Principles. A country must have some basic norms of accounting, which all entities must follow; such generally accepted norms are called GAAP. In India all entities must adhere to the various Indian Accounting Standards as published by the ICAI. These collectively could be referred to as Indian GAAP. For Tea Board also GAAP is very important as the users of the financial statements will have a better understanding about the working of the Board.

3.0 CHART OF ACCOUNTS

Chart of Accounts together with grouping methodology forms the structural base for analysis & synthesis of transactions to help preparation of Financial Statements in a manner that accounting serves inter alia the score keeping function i.e. provides information about the financial position, performance and cash flows of an enterprise that is useful to a wide range of users in making economic decisions.

Structural framework for codification in accounting system involves consideration of the following:

- Business activities of the entity
- Extent of details intended to be required by the entity for General Ledger
- Software package in use – its own requirement, coding pattern, available field structure
- Statutory requirements with regard to information availability in the Financial Statements
- Nature of needs of architecture for cost pooling, management information needs for Nominal and Real accounts (including fixed assets), details required for Personal accounts, etc

A decision on codification depends upon the method in which accounts are being maintained. A manual system of recording of accounting entries does not require any codification to be

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followed. Each ledger head is depicted by the name of the general ledger account or subsidiary ledger as the case may be. A computerized software for maintainance of account may require a codification or may not depending upon the software being used. Further, depending upon the particular software the number of numeric characters and/or alpha characters will be defined in the software. Therefore no universal system is followed for codification of general ledger or subsidiary ledger.

Considering the methodology being followed in Tea Board, a codification system may not be required at the present. However, in the event of a complete migration to a computerized system, a codification will be required. We therefore provide below a suggested codification structure which may be adopted :

Chart of Accounts

- Assets 1#####
 - Fixed Assets 10####
 - Investments from Earmarked/Endowment Funds 11###
 - Investment Others 12###
 - Current Assets Loans and Advances 15###

- Liabilities 2#####
 - Corpus/Capital Fund 20###
 - Reserves and Surplus 21###
 - Earmarked/Endowment Funds 23###
 - Unsecured Loans and Borrowings 24###
 - Current Liabilities and Provisions 25###

- Income
 - Income from Sales/Service 40###
 - Grant/Subsidies 41###
 - Fees/Subscriptions 42###
 - Income from Investments 43###
 - Interest Earned 44###

- Expenditure
 - Establishment expenses 50###
 - Other Administrative Expenses 51###

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- Expenditure on Grants, Subsidies 52###
- Interest 53###
- Depreciation 54###

The above coding matrix is generic and the numbering sequence is done in a manner to allow flexibility of insertions keeping the broad principles of order in place.

4.0 BROAD SOURCES

This Manual and the resultant accounting recommendations have been mainly based on the following:

- Indian GAAP
- Common Format
- Government Financial Rules