



4.0 ASSET ACCOUNTING

4.1 FIXED ASSETS

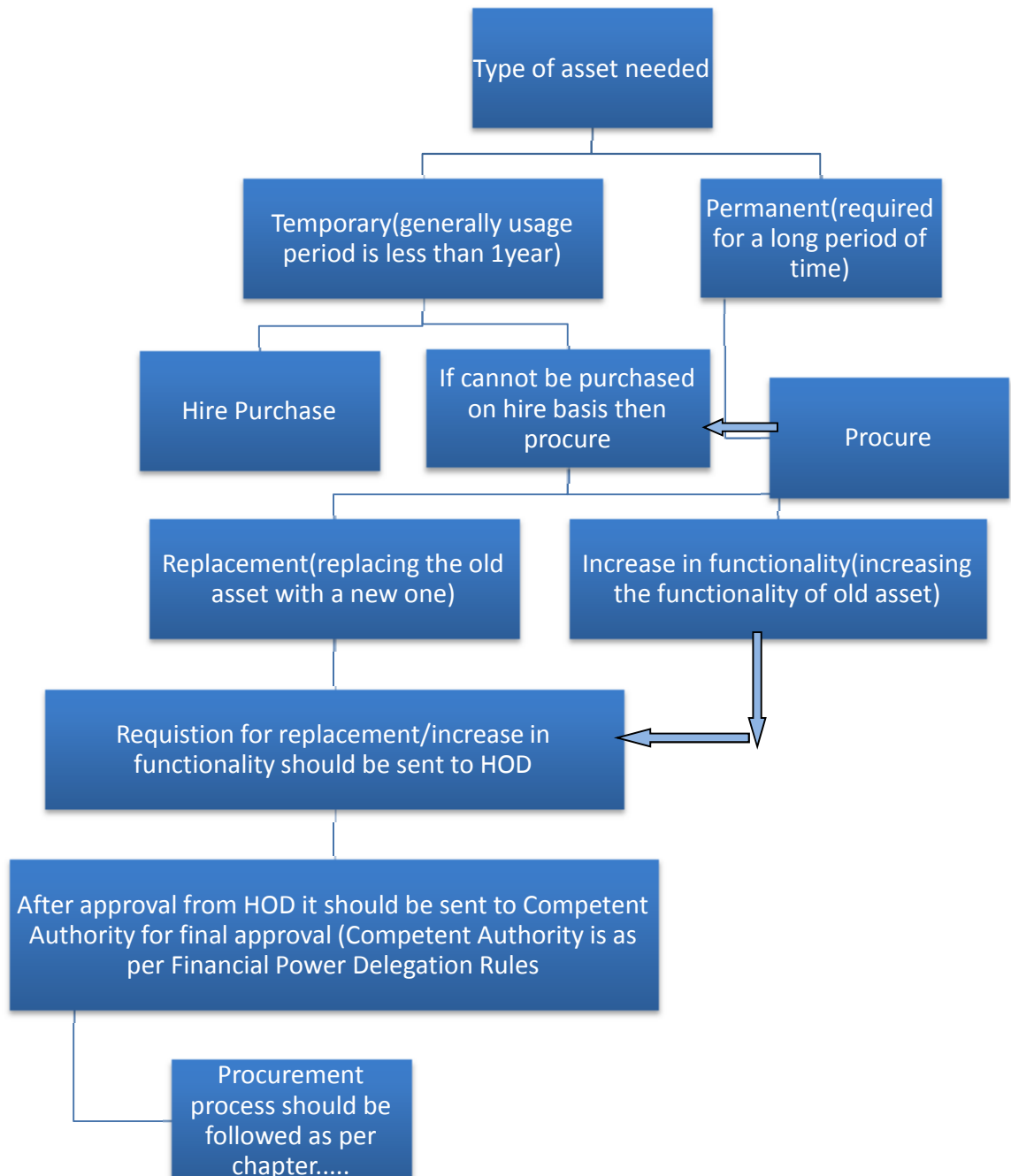
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4.1.1 Assessment of Need





Fundamental Concepts

Fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business. This is the definition of fixed asset provided by AS 10. However, since the objective of the Tea Board of India is to regulate and improve the Tea Industry in India and is not undertaking any business activity in India, the definition may be applied in the context to mean those assets which are used for providing services essential to achieve the object of the Tea Board and is not for the purpose of re-sale.

These assets should normally have one or more of the following classification :

- Land
- Buildings
- Plant & Machinery
- Vehicles
- Furniture, Fixtures & Fittings
- Office Equipment
- Computer/Peripherals
- Electric installation
- Library Books
- Tube wells and Water Supply Systems
- Capital Work-in-progress

Components of Cost

According to the Form of Financial Statements (Non-Profit Organization), Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties and taxes and incidental and direct expenses related to acquisition. In respect of projects involving construction, related pre-operational expenses (including interest on loans for specific project prior to its completion), and form part of the value of the asset capitalized. The cost of asset acquired can be calculated as shown below:

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i) Purchase cost (including duties & non-refundable taxes)

(–)

ii) Trade discount / rebate

(+)

iii) directly attributable cost (for bringing an asset to its working condition for the intended use).

Certain directly attributable costs are –

- Site preparation
- Initial delivery & handling cost
- Installation costs (foundation, technological structures etc.)

iv) Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. Capitalization of borrowing cost should cease when all the activities necessary to prepare the substantially qualifying asset for its intended use or sale are complete. Where construction of the assets is completed in parts, and each part is capable of being used while construction continues on other parts, borrowing cost should cease to be capitalized on each part as it is completed.

v) Administrative & other general overhead, only if such expenses are specifically attributable to

- Construction of a project or
- Acquisition of a fixed asset or
- bringing to its working condition,

may be included as part of cost of construction project or as part of the cost of fixed asset.

Usually administration & other general overhead expenses, and where such expenses cannot be specifically attributed as above, will be treated as revenue expenditure.

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vi) Start up & commissioning expenses (including the expenses on test run & experimental production) shall be capitalized as indirect element of construction cost. However, the expenditure incurred after the plant has begun commercial production, is not capitalized. Subsequent expenditure on improvement & repair of an asset provided such expenditure increases future benefits from existing assets beyond previously assessed standard of performance.

viii) The cost of an addition or extension to an existing asset which is of capital nature and which becomes an integral part of the existing assets.[If such addition or extension has a separate identity and is capable of being used after the existing asset is disposed of – is accounted for separately].

Fixed Assets received by way of non-monetary grants, (other than towards the Corpus Fund), are capitalized at values stated, by corresponding credit to Capital Reserve.

Grants in respect of specific fixed assets acquired are shown as a deduction from the cost of the related assets.

Current assets, foreign currency loans and current liabilities are converted at the exchange rate prevailing at the year end and the resultant gain/loss is adjusted to cost of fixed assets, if the foreign currency liability relates to fixed assets, and in other cases is considered to revenue.

Capital vs Revenue

There has been a perpetual debate as to what expenditure should be taken as a capital expenditure leading to an asset and what should be taken as revenue expenditure to be charged off in the Profit and Loss account. This debate has assumed higher significance from an Income Tax perspective, which is irrelevant for Tea Board, for reasons mentioned elsewhere in the manual. We will confine the note only to this distinction from an accounting perspective. As asset is an item which has a perpetual existence and benefits accrue from it goes beyond the current accounting period. It also leads to creation of a new asset owned by the entity in question. However, if an organization takes on rent a property at a low rent but a high initial payment “salami”, giving it a near ownership kind of a right, this initial payment can well be treated as ‘capital expenditure’. However, if the same organization spends a significant amount in remaking / relaying road in a remote area where it has a plant, the road being a property of the local panchayat, the expenditure does not qualify as capital expenditure. Similarly, materiality considerations and prudence play a role in judging whether a particular item can be called a revenue item or a capital item. Eg. Purchase of

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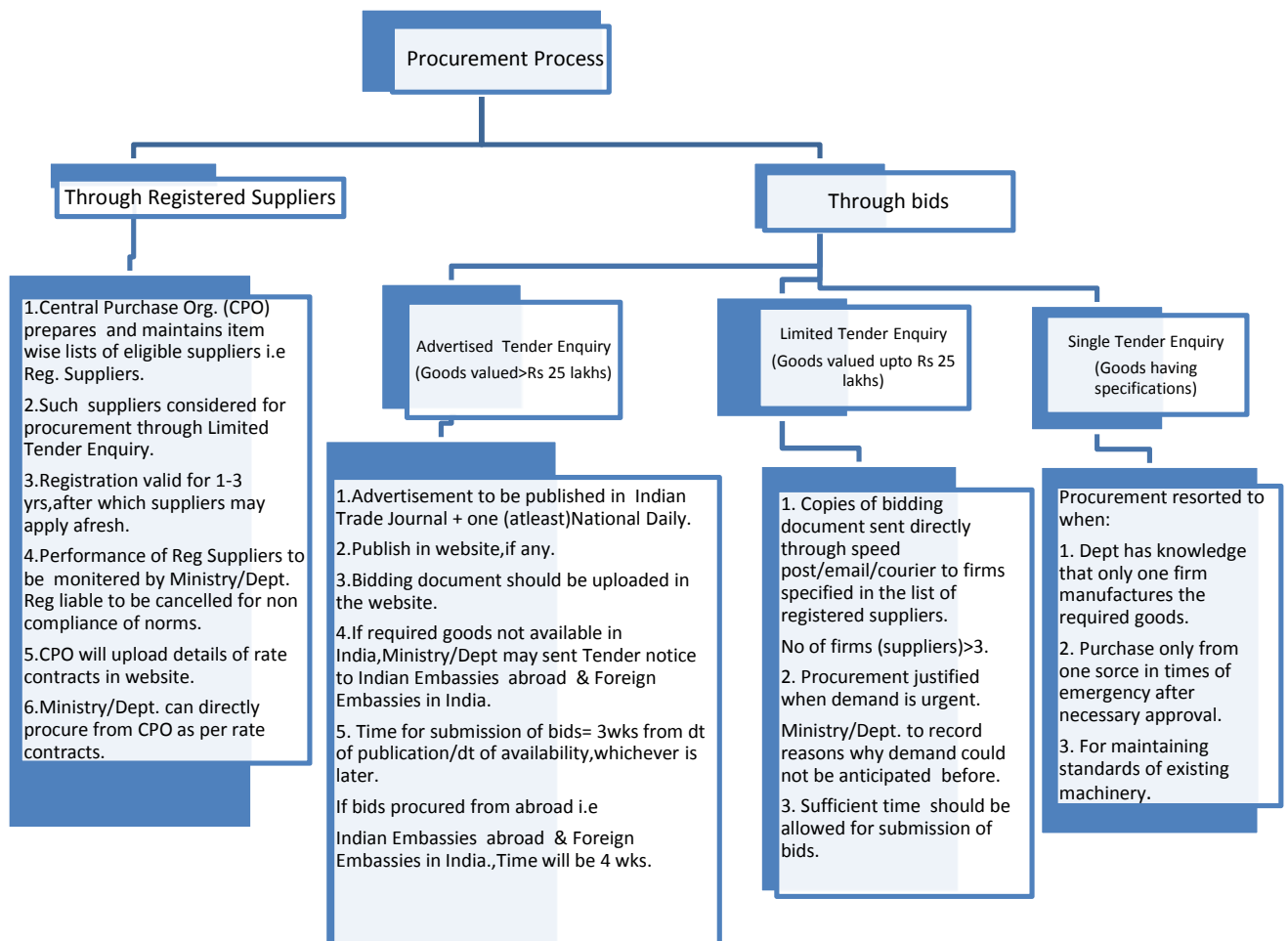
pen, may lead to 'ownership' of a new asset, which can last well beyond the current accounting period, w still be considered a revenue item. Let us consider some examples in this regard:

- Purchase of hardware and software
 - Hardware: Hardware consists of computer components like servers, CPU, monitor, print etc. they lead to acquisition of a physical asset as well as significant outflow of resources. Th life of hardware equipment is usually more than one financial year. Keeping all these facto in mind hardware should be capitalized
 - Software: Software acquisition does not lead to acquiring of a physically identifiable asse However, it is still an asset. Such is the case, since the utility of a software is long beyond financial year. Plus, the ownership is defined with proper user licenses being issued to th purchaser. A software could be an outright purchase or it could be a customized or developed by some vendor against a fees. In both cases, it is an item of asset and should b accordingly so treated in the books as a 'capital' purchase.
- Purchase of land on lease: As discussed above, since this leads to a significant outflow and gives ri to a long term right over land, this can be called 'capital'
- Construction of staff quarters – This leads to creation of a new asset of significant financial value ar has enduring benefits well beyond the current financial year – hence to be treated as capital
- Cost of establishing quality control laboratory and training centre – This has significant financi outflow. Also, the laboratory will continue to get used and so will be the training centre for years come, leading to benefits beyond the current financial year and has to be treated as capital
- Purchase of small items like floor mat, electric switch and other small electrical parts: Though the may last longer than one year, each individual item below Rs.5, 000/- will not be required to b capitalized.



4.1.2 Procurement of Fixed Assets

The detailed process of procurement has been given in Chapter No. xxx. And the same has been summarized below.





4.1.3 Capitalization Policies

A capitalization policy establishes a threshold for determining whether assets are expensed or capitalized. The threshold usually is based on a value and estimated useful life. For example, a company may require that assets that are valued over INR5000 and have an estimated useful life of more than one year be capitalized, while assets that are less than this threshold are directly expensed.

Capital expenditure on incomplete work shall be grouped under "Capital Work-in-Progress". Project-wise expenditure under this head shall not be capitalized until completion certificate from the construction supervising authority is obtained with installation of the unit and its placement in service for the intended use.

All indirect expenditure (including preoperative expenses) relating to project construction shall be grouped under Expenditure during Construction for capitalization at cost & allocation on equitable basis on completion of project.

Expenditure on temporary facilities (Commonly known as enabling work) directly used during construction period and generally dismantled on contract / project completion, should be capitalized net of realizable value.

Legal costs, stamp duties and other fees & charges for procurement of land shall be capitalized as part of the cost of land. But the cost of leveling, clearing & grading the land for the purpose of construction will be capitalized as an element of indirect construction cost.

Any refurbishment of significant nature, that enhances original useful life of the assets shall be capitalized.

Intangible assets shall be accounted for as per AS-26.

Capital spares / insurance spares, if any, should be capitalized as per Accounting Standard Interpretations (ASI) - 2.



Basis of Capitalization

Suggested Basis

Land– date of registration / physical possession

Building – Architects Certificate / put to use

Plant & Machinery – Date of installation / usage (as per installation certificate) /Put to use

Intangible Assets – As per AS-26

Computer equipment & accessories – Date of installation.

Electrical Equipment – Date of installation (as per installation certificate)

Furniture & Fixture – Date of receipts

4.1.4 Valuation

Gross book value of fixed assets should be at historical cost.

4.1.5 Maintenance of Fixed Asset Register

A fixed asset register has to be maintained for all items of Fixed Assets. The register should be in the form prescribed in Form GFR – 40 given below:

FORM GFR - 40

[See Rule 190. (2) (i)]

REGISTER OF FIXED ASSETS

Name and description of the Fixed Assets _____

Date Particulars of Asset the Asset Name and Bill No. and Address date	Particulars of supplier	Cost of Asset	Location of Asset	Remarks
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NOTE The items of similar nature but having significant distinctive features (e.g. study table, office table, computer table, etc.) should be accounted for separately in stock.

Payment Process for purchase of fixed assets

The detailed process of payment has been given in Chapter No. xxx.

Accounting & Control

Receipt & Issues

Receipt of mobile equipment & other items of fixed assets shall be documented through GRN I Store Group.

Issue of the FA will be based on Indent-cum- Issue voucher

Where equipment needs installation activities, Capitalization will be after receipt of certificate of installation.

According to the Common Format, records relating to fixed assets acquired/constructed should be maintained for each earmarked fund. However, for the purpose of the annual financial statement disclosure may be made of the aggregate accumulated cost up to each year and of such fixed assets in respect of each fund, unless the assets are taken over and are incorporated in Schedule 8

Under each sub-head should be shown:

- a) the cost or the valuation as at the beginning of the year.
- b) additions during the year (both acquisitions and by way of grants)
- c) deductions (including sales, disposals, write-offs) during the year.
- d) the total cost/valuation as at the year-end.
- e) depreciation up to the previous year-end, that on additions deductions during the year and the total accumulated depreciation up to the year-end.
- f) the net block of the assets as at the year-end.

The accounting policy relating to accounting for fixed assets acquired (including by way of grants or concessional rates), or constructed should be disclosed along with the method adopted for depreciation/amortization.

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Where sums have been written up for any assets due to their revaluation the basis thereof should be disclosed; and every balance sheet after the first Balance Sheet subsequent to the revaluation should show the revised figures for a period of five years with the date and amount of revision.

Where grants relating to specific fixed assets are received and these are equal to the whole or virtually the whole of the cost of the asset, the fixed assets should be shown in the Balance Sheet at a nominal value. Alternatively, grants relating to depreciable fixed assets may be treated as deferred income and recognized in the Income and Expenditure Account on a systematic and rational basis over the useful life of such assets, i.e. such grants should be allocated to income over the periods and in the proportions in which depreciation is charged.

The sanctioning authority, while laying down the pattern of assistance, may decide whether the ownership of buildings constructed with grants-in-aid may vest with Government or the grantee Institution or Organization. Where the ownership is vested in the Government, the grantee Institution or Organization may be allowed to occupy the building as a lessee. In such cases suitable record of details of location, cost, name of lessee and terms and conditions of lease must be maintained in the records of the granting Ministry or Department. In all cases of buildings constructed with grants-in-aid, responsibility of maintenance of such buildings should be laid on the grantee Institution or Organization.

Grants relating to non-depreciable assets should be credited to "Capital Reserve", unless there are preconditions requiring fulfillment.

Accounting entry for procurement of fixed asset will be as shown below:

Fixed Asset A/c Dr

To Cash/Bank/Vendor A/c

(Cash/Bank in case of cash purchase and Vendor A/c in case of credit purchase)

Payment to vendor:

Vendor A/c Dr

To Cash/Bank A/c

If fixed assets are purchased out of Government Grant then accounting entry will be:

Asset A/c Dr.

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To fund received from government.

Fund received from government A/c Dr
To corpus fund A/c

In the event an advance is given to acquire an asset such should be booked in a manner mentioned at the end of this chapter

Accounting when Fixed Assets purchased on Hire Purchase Basis:

The cash purchase price of the asset is capitalized and the capital content of the hire purchase installment that is, the cash purchase price less down payment, if any, is recorded as a liability. The depreciation is based on the cash purchase price of the asset in conformity with the policy regarding similar owned assets. The total charges for credit (unmatured finance charge at the inception of the hire purchase transaction) allocated over the hire period using one of the several alternative methods, namely, effective rate of interest method, sum of years digits method and straight line method.

The cost of hire purchase consists of the following:

1. Down payment
2. + Service Charges
3. + Present value of hire purchase payments discounted by the cost of debt.
4. – Present value of depreciation tax shield discounted by cost of capital.
5. – Present value of net salvage value discounted by cost of capital.

Cash Price Method: Under this method, the full cash price of the asset is debited to asset account and credited to hire vendor account. At the time of payment of installment, interest account is debited and Hire Vendor account is credited (with the interest on outstanding balance). When the installment is paid, the Hire Vendor account is debited and bank account is credited. At the time of preparation of Final accounts, interest is transferred to Profit & Loss account and asset is shown in the Balance Sheet at cost less depreciation. The balance due to hire vendor is shown in the balance sheet as a liability (alternatively it can be shown as deduction from the asset account).

Journal Entries

1.	On entering into Agreement Asset A/c To Hire Vendor A/c	(Full Cash Price)
2.	When down payment is made Hire Vendor A/c	(Down Payment)

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	To Cash/Bank A/c	
3.	When installment becomes due Interest A/c To Hire Vendor A/c	(Interest on outstanding balance)
4.	When an installment is paid Hire Vendor A/c To Bank A/c	(Amount of installment)
5.		
6.	When depreciation is charged on the asset Depreciation A/c To Asset A/c	(Calculated on Cash Price/ on the capitalized value of the asset)
	For closing interest and depreciation account Profit and loss A/c To Interest A/c To Depreciation A/c	

However the Board can maintain provision for depreciation A/c instead of charging depreciation to Hire Purchase A/c and in such case the following entry should be passed:

Profit & Loss A/c

To Provision for Depreciation for Asset on Hire Purchase A/c

And Asset on Hire Purchase will be shown at its historical cost.

Disclosure in the Balance Sheet:

ASSETS

Fixed Assets

Asset (at cash price)

XXXXX

Less: Depreciation

xxx

CREDITORS

Hire Purchase Creditors:

Balance in Hire Vendor's A/c

XXXXX

Installment due

XXXXX

Installments not yet due

XXXXX

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Interest Suspense method: Under this method, at the time of transfer of possession of asset, the total interest unaccrued is transferred to interest suspense account. At later years, as and when interest becomes due, interest account is debited and interest suspense account is credited.

Journal Entries

1.	When the asset is purchased on hire purchase Asset A/c To Hire Vendor A/c	(full cash price)
2.	For total interest payment is made H.P. interest suspense A/c To Hire Vendor A/c	(Total Interest)
3.		
4.	When down payment is made Hire Vendor A/c To Bank A/c	
5.	For interest of the relevant period Interest A/c To H.P. Interest suspense A/c	(Interest of the relevant period)
6.	When an installment is paid Hire Vendor A/c To Bank A/c	
7.	When interest is charged on the asset Depreciation A/c To Asset A/c	(Calculated on Cash Price)
	For closing interest and Depreciation A/c Profit & Loss A/c To Interest A/c To Depreciation A/c	

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4.1.6 Depreciation

Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, efflux of time or obsolescence through technology and market charges. It includes amortization of assets the useful life of which is determined and depletion of wasting assets.

Depreciation shall be provided so as to charge the depreciable amount of a depreciable asset over its useful life.

For this purpose:

- a) depreciable asset means an asset which is expected to be used during more than one accounting period and
 - ii. has a limited useful life; and
 - iii. is held by the entity for use in the production or supply of goods and services, for rental to others, or for administrative purpose and not for the purpose of sale in the ordinary course of its business/operating activities.
- b) depreciable amount of a depreciable asset means its original cost, or other amount substituted for original cost in the financial statements less the residual value;
- c) useful life means either
 - i. the period over which a depreciable asset is expected to be used by the Entity, or
 - ii. the number of production or similar units expected to be obtained from the use of the asset by the Entity.

According to the Form of Financial Statements (Non-Profit Organization), depreciation is provided on the straight-line method as per rates specified in the Income-tax Act, 1961 except depreciation on capital adjustments arising on account of conversion of foreign currency liabilities for acquisition of fixed assets which is amortized over the residual life of the respective assets. The Tea Board has been adopting the written down value method at the relevant rates as provided in the Income Tax Act.

In respect of additions to/deductions from fixed assets during the year, depreciation is considered on pro-rata basis.

Assets costing Rs.5, 000 or less each are fully provided.

All items whose values are less than Rs.5,000/- will need to be depreciated fully in the financial year and such items should feature as capital asset in the Balance Sheet

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Disclosure

(i) The depreciation methods used, the total depreciation for the period for each class of assets, the gross amount of each class of depreciable assets and the related accumulated depreciation are disclosed in the financial statements along with the disclosure of other accounting policies.

The depreciation rates or the useful lives of the assets are disclosed only if they are different from the principal rates specified in the statute.

(ii) In case the depreciable assets are revalued, the provision for depreciation is based on the revalued amount on the estimate of the remaining useful life of such assets.

In case the revaluation has a material effect on the amount of depreciation, the same is disclosed separately in the year in which revaluation is carried out.

(iii) A change in the method of depreciation is treated as a change in an accounting policy and is disclosed accordingly.

(iv) If any depreciable asset is disposed of, discarded, demolished or destroyed, the net surplus or deficiency, if material, should be disclosed separately.

(v) The following information should be disclosed in the financial statements:

(i) the historical cost or other amount substituted for historical cost of each class of depreciable assets;

(ii) total depreciation for the period for each class of assets; and

(iii) the related accumulated depreciation.

(vi) The following information should also be disclosed in the financial statements along with the disclosure of other accounting policies:

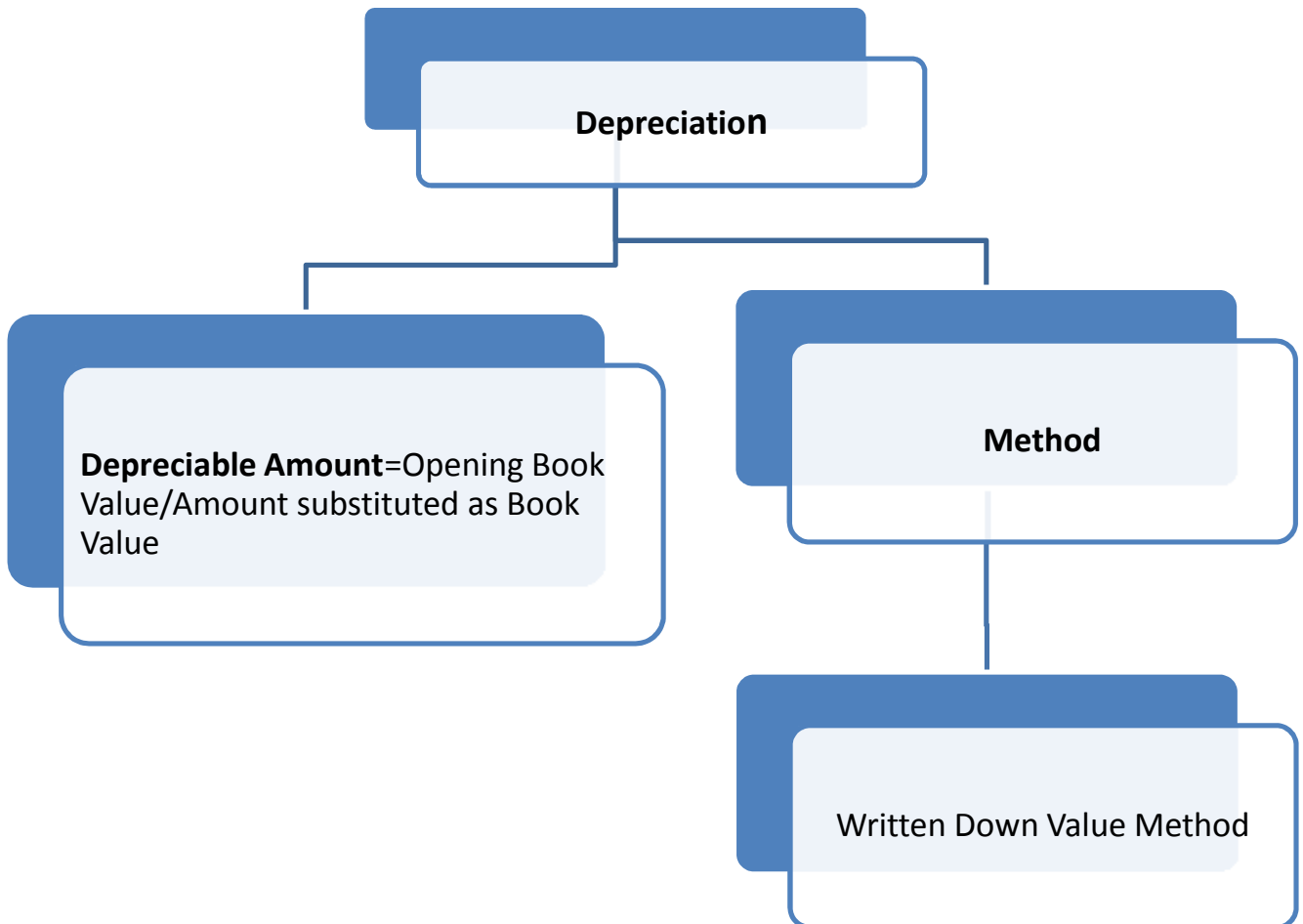
(i) depreciation methods used; and

(ii) depreciation rates or the useful lives of the assets, if they are different from the principal rates specified in the statute.

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The entry to be passed in the books for depreciation provided is as shown below:

Depreciation A/c

To Fixed Asset A/c

(Depreciation charge for a particular year)

The Depreciation charged during the year should be written off in Income & Expenditure A/C

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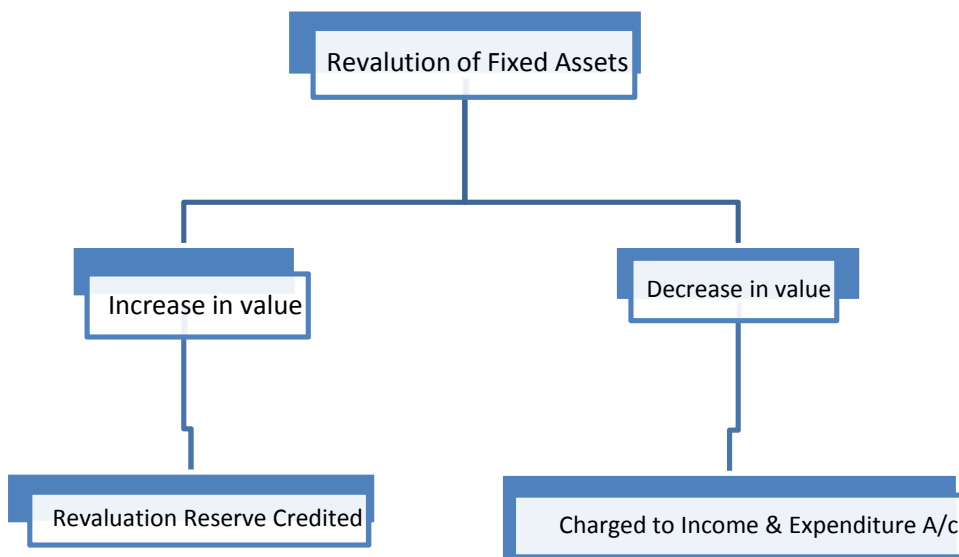


7.1.7 Physical Verification of Fixed Assets

The inventory for fixed assets shall ordinarily be maintained at site. Fixed assets should be verified at least once in a year and the outcome of the verification should be recorded in the corresponding register. Discrepancies, if any, shall be promptly investigated and brought to account.

Fixed Assets Revaluation

To reflect effects of changing prices, fixed assets otherwise stated at historical costs, are revalued and the historical cost substituted by a revaluation, normally done by competent values. Such substitution resulting in an upward revaluation is required to be shown as a “Revaluation Reserve”. This reserve is an unrealized gain and should not be credited as income in the Income and Expenditure Account. According to AS – 1 fixed assets may be periodically revalued and gross book value should be either historical cost or revaluation computed in accordance with the relevant standard. Increase in value on revaluation should be credited to Revaluation Reserve while the decrease should be charged to the Income and Expenditure A/c. Whenever there is a revaluation of fixed asset, the entire group of fixed assets should be revalued on systematic basis. The basis of revaluation should be disclosed in the notes on accounts.





The following entries should be passed for increase in value of Fixed Assets:

Fixed Assets A/C Dr
To Revaluation A/C

Revaluation A/C Dr
To Revaluation Reserve A/C

The following entries should be passed for decrease in value of fixed assets:

Revaluation A/C Dr.
To Fixed Assets A/C

Income & Expenditure A/C Dr
To Revaluation A/C

4.1.8 Disposal of Goods

An item may be declared surplus or obsolete or unserviceable if the same is of no use to the Ministry or Department. The reasons thereof should be recorded by the authority competent to purchase the item. The competent authority may, at his discretion, constitute a committee at appropriate level to declare item(s) as surplus or obsolete or unserviceable. The book value, guiding price and reserved price, which will be required while disposing of the surplus goods, should also be worked out. In case where it is not possible to work out the book value, the original purchase price of the goods in question may be utilized. A report of stores for disposal shall be prepared in Form GFR - 17. In case an item becomes unserviceable due to negligence, fraud or mischief on the part of a Government servant, responsibility for the same should be fixed.



FORM GFR 17

[See Rule 196 (iii)]

Report of surplus, Obsolete and Unserviceable Stores for Disposal

Item No.	Particulars of Stores	Quantity/Weight	Book Value/ Original Purchase Price	Condition and year of purchase	Mode of Disposal (sale, public auction or otherwise)	Remarks
1	2	3	4	5	6	7

Signature

Designation

Date

Modes of Disposal

The various modes of Disposal are highlighted below:-

(i) Surplus or obsolete or unserviceable goods of assessed residual value above Rupees Two Lakh should be disposed of by:

- a) obtaining bids through advertised tender or
- b) public auction.

(ii) For surplus or obsolete or unserviceable goods with residual value less than Rupees Two Lakh, the mode of disposal will be determined by the competent authority, keeping in view the necessity to avoid accumulation of such goods and consequential blockage of space and, also, deterioration in value of goods to be disposed of.

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(iii) Certain surplus or obsolete or unserviceable goods which are hazardous or unfit for human consumption, should be disposed of or destroyed immediately by adopting suitable mode so as to avoid any health hazard and / or environmental pollution and also the possibility of misuse of such goods.

(iv) Surplus or obsolete or unserviceable goods, equipment and documents, which involve security concern (e.g. currency, negotiable instruments, receipt books, stamps, security press etc.) should be disposed of /destroyed in an appropriate manner to ensure compliance with rules relating to official secrets as well as financial prudence.

(a) Disposal through Advertised Tender

(i) Steps to be adopted:

- a) Preparation of bidding documents.
- b) Invitation of tender for the surplus goods to be sold.
- c) Opening of bids.
- d) Analysis and evaluation of bids received.
- e) Selection of highest responsive bidder.
- f) Collection of sale value from the selected bidder.
- g) Issue of sale release order to the selected bidder.
- h) Release of the sold surplus goods to the selected bidder.
- i) Return of bid security to the unsuccessful bidders.

(ii) Important aspects to be kept in view:-

(a) The basic principle for sale of such goods through advertised tender is ensuring transparency, competition, fairness and elimination of discretion. Wide publicity should be ensured of the sale plan and the goods to be sold. All the required terms and conditions of sale are to be incorporated in the bidding document comprehensively in plain and simple language. Applicability of taxes, as relevant, should be clearly stated in the document.

(b) The bidding document should also indicate the location and present condition of the goods to be sold so that the bidders can inspect the goods before bidding.

(c) The bidders should be asked to furnish bid security along with their bids. The amount of bid security should ordinarily be ten per cent. of the assessed or reserved price of the goods. The exact bid security amount should be indicated in the bidding document.

(d) The bid of the highest acceptable responsive bidder should normally be accepted. However, if the price offered by that bidder is not acceptable, negotiation may be held only with that bidder. In case such negotiation does not provide the desired result, the reasonable or acceptable price may be counter-offered to the next highest responsive bidder(s).

(e) In case the total quantity to be disposed of cannot be taken up by the highest acceptable bidder, the remaining quantity may be offered to the next higher bidder(s) at the price offered by the highest acceptable bidder.

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- (f) Full payment, i.e. the residual amount after adjusting the bid security should be obtained from the successful bidder before releasing the goods.
- (g) In case the selected bidder does not show interest in lifting the goods, the bid security should be forfeited and other actions initiated including re-sale of the goods in question at the risk and cost of the defaulter, after obtaining legal advice.
- (iii) Late bids i.e. bids received after the specified date and time of receipt should not be considered.

(b) Disposal through Auction:

- (i) A Ministry or Department may undertake auction of goods to be disposed of either directly or through approved auctioneers.
- (ii) The basic principles to be followed here are similar to those applicable for disposal through advertised tender so as to ensure transparency, competition, fairness and elimination of discretion. The auction plan including details of the goods to be auctioned and their location, applicable terms and conditions of the sale etc. should be given wide publicity in the same manner as is done in case of advertised tender.
- (iii) While starting the auction process, the condition and location of the goods to be auctioned, applicable terms and conditions of sale etc., (as already indicated earlier while giving wide publicity for the same) should be announced again for the benefit of the assembled bidders.
- (iv) During the auction process, acceptance or rejection of a bid should be announced immediately on the stroke of the hammer. If a bid is accepted, earnest money (not less than twenty-five per cent. of the bid value) should immediately be taken on the spot from the successful bidder either in cash or in the form of Deposit-at-Call-Receipt (DACR), drawn in favour of the Ministry or Department selling the goods. The goods should be handed over to the successful bidder only after receiving the balance payment.
- (v) The composition of the auction team will be decided by the competent authority. The team should however include an officer of the Internal Finance Wing of the department.

Disposal at scrap value or by other modes: If a Ministry or Department is unable to sell any surplus, obsolete or unserviceable item in spite of its attempts through advertised tender or auction, it may dispose of the same at its scrap value with the approval of the competent authority in consultation with Finance division. In case the Ministry or Department is unable to sell the item even at its scrap value, it may adopt any other mode of disposal including destruction of the item in an eco-friendly manner.

A sale account should be prepared for goods disposed of in Form GFR 18 duly signed by the officer who supervised the sale or auction.



FORM GFR 18
[See Rule 201]

Sale Account

Item No	Particulars of Store	Quantity/Weight	Name and Full Address of Purchaser	Highest Bid Accepted	Highest Bid Rejected	Earnings Realized on the Spot	Date on which complete amount realized and credited to Treasury	Whether the articles were actually handed over on the spot. If not, the actual date of handing over of the articles with quantities	Auctioneer's commission and acknowledgment for payment
1	2	3	4	5	6	7	8	9	10

Issues relating to disposal

(1) Powers to write off: All profits and losses due to revaluation, stock-taking or other causes shall be duly recorded and adjusted wherever necessary. Formal sanction of the competent authority shall be obtained in respect of losses, even though no formal correction or adjustment in government accounts is involved. Power to write off of losses is available under the Delegation of Financial Powers Rules, 1978.

(2) Losses due to depreciation: Losses due to depreciation shall be analyzed, and recorded under following heads, as applicable:-

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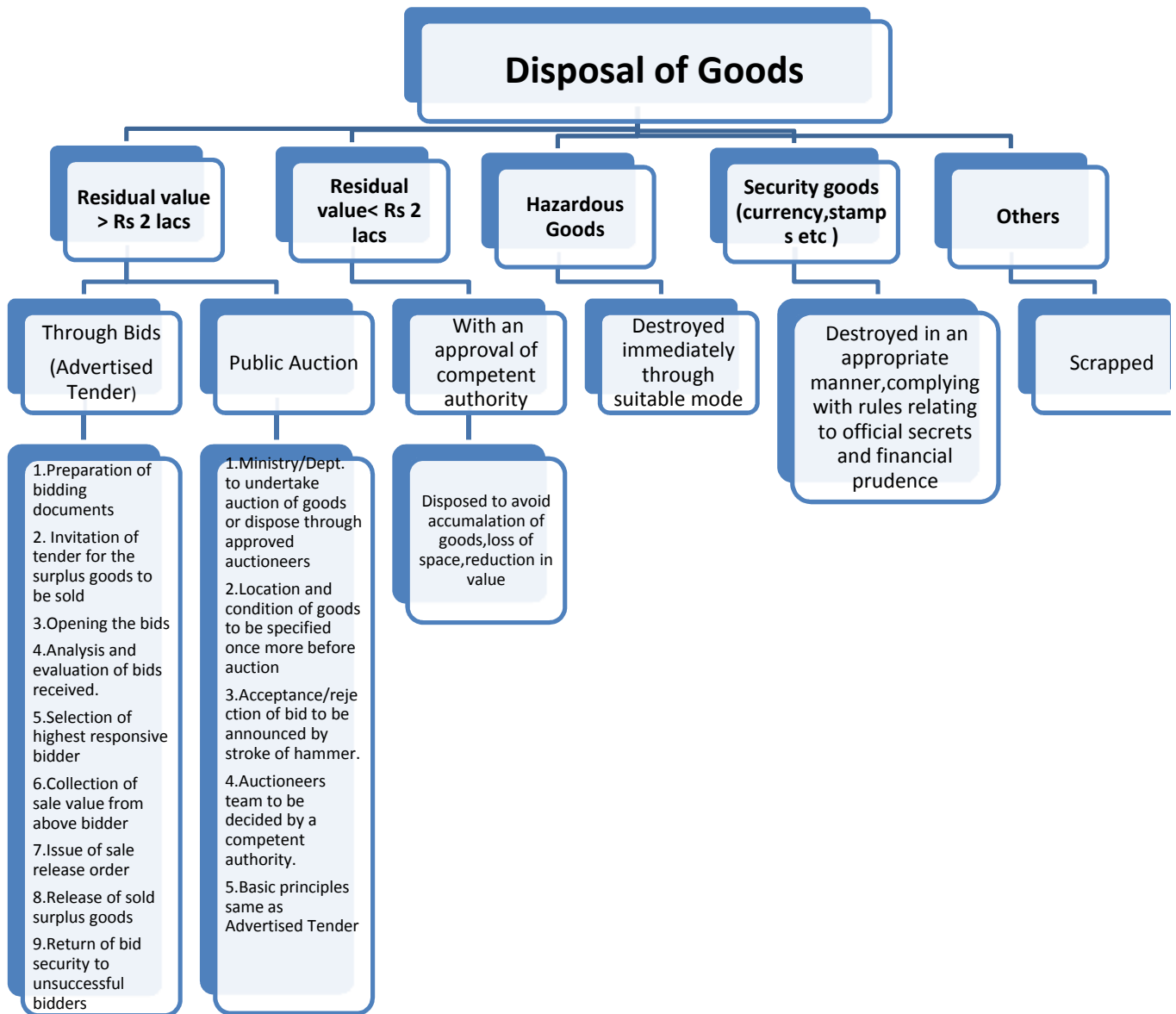
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- (i) normal fluctuation of market prices;
- (ii) normal wear and tear;
- (iii) lack of foresight in regulating purchases; and
- (iv) negligence after purchase.

(3) Losses not due to depreciation: Losses not due to depreciation shall be grouped under the following heads:-

- (i) losses due to theft or fraud;
- (ii) losses due to negligence;
- (iii) anticipated losses on account of obsolescence of stores or of purchases in excess of requirements;
- (iv) losses due to damage, and
- (v) Losses due to extra ordinary situations under 'Force Majeure' conditions like fire, flood, enemy action etc.;





The following entries should be passed on sale of Fixed Assets:

If Assets are sold on profit:

- 1) Cash/Bank A/c Dr.
 To Fixed Asset A/c
 To Profit on Sale of Fixed Asset A/c
(Being Assets sold on profit)

If Assets are sold on Loss:

- 1) Cash/Bank A/c Dr.
 Loss on Sale of Fixed Asset A/c
 To Fixed Asset A/c

(Being Assets sold on Loss)

If Assets are maintained on Gross Block and Assets are sold on profit:

- 2) Cash/Bank A/c Dr.
 Provision for Depreciation A/c Dr. (for provision charged till date on asset sold) Loss on Sale of Fixed Asset A/c Dr.
 To Fixed Asset A/c
 To Profit on Sale of Fixed Asset A/c

If Assets are maintained on Gross Block and Assets are sold on Loss:

- 1) Cash/Bank A/c Dr.
 Provision for depreciation A/c..... Dr.
 Loss on Sale of Fixed Asset A/c.....Dr.
 To Fixed Asset A/c
- 3) Income & Expenditure A/c Dr.

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To Loss on Sale of Fixed Asset A/c

4) Profit on Sale of Fixed Asset A/c Dr.

To Income & Expenditure A/c

(Profit/Loss on sale will arise on comparing the book value of Fixed Asset with its sale proceeds on the date of sale)

Book value of Fixed Asset= (Historical cost of Fixed Asset- Accumulated Depreciation till the date of sale)

When fixed assets sales are made on credit, then entry will be

Vendor A/c Dr
To fixed assets A/c

When Cash/ cheque are received, then the entry will be:

Bank/Cash A/c Dr
To Vendor

1.2 INVESTMENTS

INVESTMENTS- FROM EARMARKED/ENDOWMENT FUNDS

Under this schedule the following items should be grouped

1. Government Securities Includes Central and State Government securities and Government Treasury Bills. These securities should be shown at cost/book value. However, the difference between such value and market value should be given in the notes to the Balance Sheet.
2. Other approved Securities other than Government Securities, treated as approved securities (such as Trustee securities), should be included here.
3. Shares Investments in shares of companies and corporations not included in item 2 should be included here.
4. Debentures and Bonds Investments in debentures and bonds of companies and Corporations not included in item 2 should be included here.
5. Subsidiaries and/or joint Investments in subsidiaries/associate entities should be included here. An entity shall be treated as a 'subsidiary' or joint venture, if the entity exercises control over the composition of management/governing body, with or without any financial investment therein.

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An entity will be considered as subsidiary for the purpose of this classification if more than 25% of the capital of that entity is held by the entity as at the beginning of the year.

6. Others Includes residual investments, if any, like commercial paper, (to be specified) investments (to be specified) in Mutual Funds and other instruments not being in the nature of shares/ debentures /bonds. Investment in Properties, if any, would also be included here.

Notes – General

1. The Gross value in aggregate, the depreciation in aggregate and net value of Investments are to be separately disclosed. Approved securities [covered by 1 and 2 above] are required to be bifurcated in “permanent” and “current” categories for valuation and determination of shortfall in value.

2. a) Investments can either be “Long term” or “permanent” or “Current”.

b) “Current Investment” means an investment which is by its very nature, readily realizable and is intended to be held for not more than one year from the date on which it is made.

Such investments should be shown at lower of cost or their fair value, which shall be determined on an individual investment basis and the shortfall shall be provided, while appreciation shall be ignored.

c) Long term investments are those investments which are other than current investments, and these are intended to be held for the purposes of capital appreciation any yield.

Such investments are held at cost and shall be reduced when there is a decline, other than temporary, in their value-reduction being made for each investment.

3. Investments held against earmarked/endowment funds need to be separately disclosed.

4. Investment in properties, if held, shall be shown at cost less depreciation in the same manner as in the case of fixed assets.

5. The entity shall disclose the Accounting Policy in relation to investments, their cost, depreciation and carrying value –both for long term & current investments.

6. Any premium paid on acquisition of permanent investments shall be amortised on a time proportion basis up to the date of their maturity. Discount on acquisition shall not be amortised.

7. Matured investments, not realized may be separately disclosed.



Investment-Others

Under this schedule the following items should be grouped

1. Government Securities Includes Central and State Government securities and Government Treasury Bills. These securities should be shown at cost/book value. However, the difference between such value and market value should be given in the notes to the Balance Sheet.
2. Other approved Securities Securities other than Government Securities, treated as approved securities (such as Trustee securities), should be included here.
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4. Debentures and Bonds Investments in debentures and bonds of companies and Corporations not included in item 2 should be included here.
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6. Others Includes residual investments, if any, like commercial paper, investments (to be specified) in Mutual Funds and other instruments not being in the nature of shares/ debentures/bonds. Investment in Properties, if any, would also be included here.

Notes – General

1. The Gross value in aggregate the depreciation in aggregate and net value of Investments are to be separately disclosed. Approved securities [covered by 1 and 2 above] are required to be bifurcated into "permanent" and "current" categories for valuation and determination of shortfall in value.
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3. Investments held against earmarked/endowment funds need to be separately disclosed.

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6. Any premium paid on acquisition of permanent investments shall be amortised on a time proportion basis upto the date of their maturity. Discount on acquisition shall not be amortised.
7. Matured investments, not realised may be separately disclosed.

FORM OF FINANCIAL STATEMENTS (NON-PROFIT ORGANISATIONS)

Name of Entity _____

SCHEDULES FORMING PART OF BALANCE SHEET AS AT ____ (Amount-Rs.)

<u>SCHEDULE 9-INVESTMENTS FROM EARMARKED/ENDOWMENT FUNDS</u>	Current yr	Previous yr
1. In Government Securities	...	...
2. Other approved Securities	...	...
3. Shares	...	...
4. Debentures and Bonds	...	...
5. Subsidiaries and Joint Ventures	...	...
6. Others (to be specified)	...	...
Total	...	...

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1.3 CURRENT ASSETS, LOANS & ADVANCES

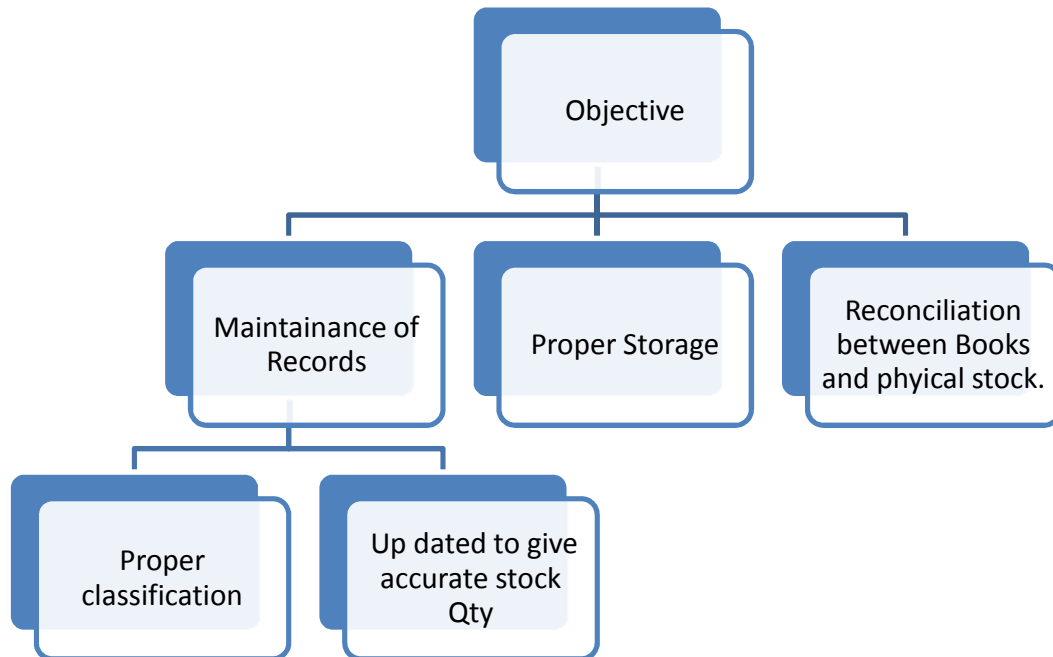
4.3.1 STORES

Introduction

Inventories are assets held for sale in the ordinary course of business, in the process of production for sale, in the form of materials or supplies to be consumed in the production process or in the rendering of services. However the inventory of Tea Board mainly comprises of materials consumed for rendering of services as it is not involved in manufacturing or selling of any product. It mainly comprises of store items which are used in day to day working or maintenance.

4.3.2 Objectives

- Maintaining accurate record of receipt and valuing them properly under the relevant stores head.
- Maintaining accurate record of issues, valuing them and classifying them properly under the relevant cost centre.
- Proper Storage
- Physical verification of stores.
- Reconciliation of physical stocks with account/book records.
- Adjustment if any on account of difference in the book record and physical stocks.



Provisions of AS-2 applicable for stores accounting

As per AS 2 inventories means assets held for sale in the ordinary course of business, used in the process of production of such sale or in the form materials or supplies to be consumed in the production process or the rendering of services.

Net realisable value means the difference Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Measurement of Inventories

1. Inventories should be valued at the lower of cost and net realisable value.

Cost of Inventories

2. The cost of inventories should comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Costs of Purchase

3. The costs of purchase consist of the purchase price including duties and taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), freight inwards and other expenditure directly attributable to the acquisition. Trade discounts, rebates, duty drawbacks and other similar items are deducted in determining the costs of purchase.

Other Costs

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4. Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition. For example, it may be appropriate to include overheads other than production overheads or the costs of designing products for specific customers in the cost of inventories.

5. Interest and other borrowing costs are usually considered as not relating to bringing the inventories to their present location and condition and are, therefore, usually not included in the cost of inventories.

Cost Formulas

6. the cost of inventories, other than those dealt with in paragraph 14, should be assigned by using the first-in, first-out (FIFO), or weighted average cost formula. The formula used should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.

7. A variety of cost formulas is used to determine the cost of inventories other than those for which specific identification of individual costs is appropriate. The formula used in determining the cost of an item of inventory needs to be selected with a view to providing the fairest possible approximation to the cost incurred in bringing the item to its present location and condition. The FIFO formula assumes that the items of inventory which were purchased or produced first are consumed or sold first, and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received depending upon the circumstances of the enterprise.

Techniques for the Measurement of Cost

8. The retail method is often used in the retail trade for measuring inventories of large numbers of rapidly changing items that have similar margins and for which it is impracticable to use other costing methods. The cost of the inventory is determined by reducing from the sales value of the inventory the appropriate percentage gross margin. The percentage used takes into consideration inventory which has been marked down to below its original selling price. An average percentage for each retail department is often used.

Net Realisable Value

9. Inventories are usually written down to net realisable value on an item-by-item basis. In some circumstances, however, it may be appropriate to group similar or related items. This may be the case with items of inventory relating to the same product line that have similar purposes or end uses and are produced and marketed in the same geographical area and cannot be practicably evaluated separately from other items in that product line. It is not appropriate to write down inventories based on a classification of inventory, for example, finished goods, or all the inventories in a particular business segment.

10. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made as to the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the balance sheet date to the extent that such events confirm the conditions existing at the balance sheet date.

Disclosure

26. The financial statements should disclose:

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- (a) The accounting policies adopted in measuring inventories, including the cost formula used; and
- (b) The total carrying amount of inventories and its classification appropriate to the enterprise.

27. Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users. Common classifications of inventories are raw materials and components, work in progress, finished goods, stores and spares, and loose tools.

4.3.3 Inventory valuation as per IFRS

OBJECTIVE OF IAS 2

The objective of IAS 2 is to prescribe the accounting treatment for inventories. It provides guidance for determining the cost of inventories and for subsequently recognising an expense, including any write-down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

FUNDAMENTAL PRINCIPLE OF IAS 2

Inventories are required to be stated at the lower of cost and net realisable value (NRV). [IAS 2.9]

MEASUREMENT OF INVENTORIES

Cost should include all: [IAS 2.10]

- costs of purchase (including taxes, transport, and handling) net of trade discounts received
- costs of conversion (including fixed and variable manufacturing overheads) and
- other costs incurred in bringing the inventories to their present location and condition

The standard cost and retail methods may be used for the measurement of cost, provided that the result approximates actual cost. [IAS 2.21-22]

For inventory items that are not interchangeable, specific costs are attributed to the specific individual item of inventory. [IAS 2.23]

For items that are interchangeable, IAS 2 allows the FIFO or weighted average cost formulas. [IAS 2.25] The LIFO formula, which had been allowed prior to the 2003 revision of IAS 2, is no longer allowed.

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The same cost formula should be used for all inventories with similar characteristics as to their nature and use to the entity. For groups of inventories that have different characteristics, different cost formulas may be justified. [IAS 2.25]

WRITE-DOWN TO NET REALISABLE VALUE

NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. [IAS 2.6] Any write-down to NRV should be recognised as an expense in the period in which the write-down occurs. Any reversal should be recognised in the income statement in the period in which the reversal occurs. [IAS 2.34]

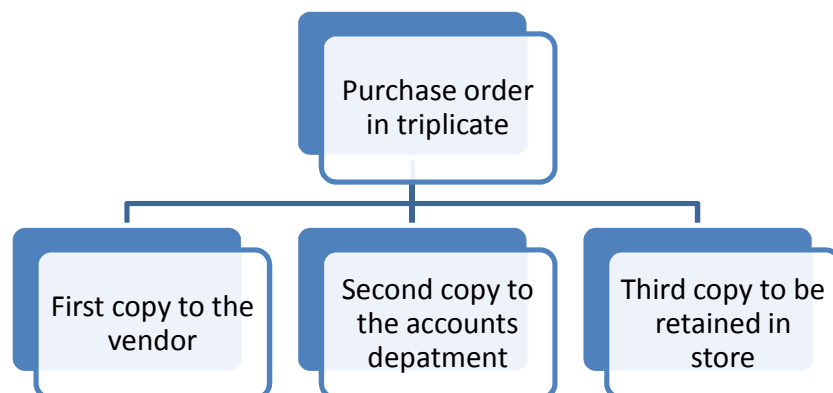
DISCLOSURE

Required disclosures: [IAS 2.36]

- accounting policy for inventories
- carrying amount, generally classified as merchandise, supplies, materials, work in progress, and finished goods. The classifications depend on what is appropriate for the entity
- carrying amount of any inventories carried at fair value less costs to sell

PROCEDURE

As soon as a purchase order is placed, a copy is to be sent to the accounts department where they are filed and entered in a purchase order register, even if custody & control of materials may rest with a different department as per the policy, there should be a centralized Policy for material management i.e. classification, codification, categorization, standardization, VED analysis, stocking policy, policy for EO etc.



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4.3.4 Store Accounting

Stores ledger should be maintained on perpetual basis by the officer-in-charge of stores. The accounting inventories should follow the guidelines given in Rule No. 186-190 of General Financial Rules and Accounting Standard-2.

Inventory should be valued at cost. Consumable stores should be charged to revenue on an overall basis after taking into account opening stock and purchase and adjusted with the closing stock. Cost of purchase should include purchase price less rebate / trade discount plus duties, taxes, freight & handling and other expenses directly attributable to acquisition of the item. The cost should include cost of purchase, cost conversion (where applicable) & other costs incurred in the normal course of business in bringing the items up to their present location & condition. The officer-in-charge should maintain list of items with their quantity so that the physical balance can be checked with book balance at any point of time.

4.3.5 Procurement

The material purchase requisitions (MPRs) should be raised by the user departments with proper justifications for the items intended to procure. On approval of the MPRs by the Competent Authority i.e. the Chairman, the quotations should be invited from the suppliers by the Purchase department and on acceptance of the offer based on technical suitability and price, the purchase orders should be placed with the approval of Competent Authority.

The procedure to be followed in making public procurement must conform to the following yardsticks:-

(i) The specifications in terms of quality, type etc., as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organizations. The specifications so worked out should meet the basic needs of the organization without including superfluous and non-essential features which may result in unwarranted expenditure. Care should also be taken to avoid purchasing quantities in excess of requirement to avoid inventory carrying costs;

(ii) Offers should be invited following a fair, transparent and reasonable procedure;

(iii) The procuring authority should be satisfied that the selected offer adequately meets the requirements in all respects;

(iv) the procuring authority should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required;

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(v) at each stage of procurement the concerned procuring authority must place on record, in precise terms, the considerations which weighed with it while taking the procurement decision.

Procedure for establishing registered suppliers:

(i) With a view to establishing reliable sources for procurement of goods commonly required for Government use, the Central Purchase Organization (e.g. DGS&D) will prepare and maintain item-wise lists of eligible and capable suppliers. Such approved suppliers will be known as "Registered Suppliers". All Ministries or Departments may utilize these lists as and when necessary. Such registered suppliers are prima facie eligible for consideration for procurement of goods through Limited Tender Enquiry. They are also ordinarily exempted from furnishing bid security along with their bids. A Head of Department may also register suppliers of goods which are specifically required by that Department or Office.

(ii) Credentials, manufacturing capability, quality control systems, past performance, after-sales service, financial background etc. of the supplier(s) should be carefully verified before registration.

(iii) The supplier(s) will be registered for a fixed period (between 1 to 3 years) depending on the nature of the goods. At the end of this period, the registered supplier(s) willing to continue with registration are to apply afresh for renewal of registration. New supplier(s) may also be considered for registration at any time provided they fulfill all the required conditions.

(iv) Performance and conduct of every registered supplier is to be watched by the concerned Ministry or Department. The registered supplier(s) are liable to be removed from the list of approved suppliers if they fail to abide by the terms and conditions of the registration or fail to supply the goods on time or supply substandard goods or make any false declaration to any Government agency or for any ground which, in the opinion of the Government, is not in public interest.

Where common user items are needed on a recurring basis by various Central Government Ministries or Departments, the Central Purchase Organization (e.g. DGS&D) shall conclude rate contracts with the registered suppliers. The Central Purchase Organization will furnish and update all the relevant details of the rate contracts in its web site. The Ministries or Departments shall follow those rate contracts to the maximum extent possible.

A purchase can be made without a quotation up to the value of Rs. 15,000/- (Rupees Fifteen Thousand) on each occasion without inviting quotations or bids on the basis of a certificate to be recorded by the competent authority in the following format.

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"I, _____, am personally satisfied that these goods purchased are of the requisite quality and specification and have been purchased from a reliable supplier at a reasonable price."

Where the value of the goods purchased is above Rs. 15,000/- (Rupees Fifteen Thousand) only and up to Rs. 1,00,000/- (Rupees One lakh) only on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the Head of the Department. The committee will survey the market to ascertain the reasonableness of rates, quality and specifications and identify the appropriate supplier. Before recommending placement of the purchase order, the members of the committee will jointly record a certificate as under.

"Certified that we _____, members of the purchase committee are jointly and individually satisfied that the goods recommended for purchase are of the requisite specification and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to supply the goods in question. "

Procurement of goods can also be done by a Ministry or Department by directly procuring from the Central Purchase Organization (e.g. DGS&D) rate contracted goods from suppliers, the prices to be paid for such goods shall not exceed those stipulated in the rate contract and the other salient terms and conditions of the purchase should be in line with those specified in the rate contract. The Ministry or Department should make its own arrangement for inspection and testing of such goods where required. The specification, prices and other salient details of different rate contracted items, appropriately updated should be taken from the web site of the Central Purchase Organization (e.g. DGS&D) for use by the procuring Ministry or Department.

Apart from the method of procurement described above, all other purchases should be done by following the standard method of obtaining bids in :

(i) Advertised Tender Enquiry;

(ii) Limited Tender Enquiry;

(iii) Single Tender Enquiry.

Procedures to be followed for-Advertised Tender Enquiry

(i) Invitation to tenders by advertisement should be used for procurement of goods of estimated value Rs. 25 lakh (Rupees Twenty Five Lakh) and above. Advertisement in such case should be given in the Indian Trade Journal (ITJ), published by the Director General of Commercial Intelligence and Statistics, Kolkata and at least in one national daily having wide circulation.

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(ii) An organization having its own web site should also publish all its advertised tender enquiries on the web site and provide a link with NIC web site. It should also give its web site address in the advertisements in newspapers.

(iii) The organization should also post the complete bidding document in its web site and permit prospective bidders to make use of the document downloaded from the web site. If such a downloaded bidding document is priced, there should be clear instructions for the bidder to pay the amount by demand draft etc. along with the bid.

(iv) Where the Ministry or Department feels that the goods of the required quality, specifications etc., may not be available in the country and it is necessary to also look for suitable competitive offers from abroad, the Ministry or Department may send copies of the tender notice to the Indian embassies abroad as well as to the foreign embassies in India. The selection of the embassies will depend on the possibility of availability of the required goods in such countries.

(v) Ordinarily, the minimum time to be allowed for submission of bids should be three weeks from the date of publication of the tender notice or availability of the bidding document for sale, whichever is later. Where the department also contemplates obtaining bids from abroad, the minimum period should be kept as four weeks for both domestic and foreign bidders.

Limited Tender Enquiry

(i) This method may be adopted when estimated value of the goods to be procured is up to Rupees Twenty five Lakhs. Copies of the bidding document should be sent directly by speed post/registered post/courier/mail to firms which are borne on the list of registered suppliers for the goods in question. The number of supplier firms in Limited Tender Enquiry should be more than three. Further, web based publicity should be given for limited tenders. Efforts should be made to identify a higher number of approved suppliers to obtain more responsive bids on competitive basis.

(ii) Purchase through Limited Tender Enquiry may be adopted even where the estimated value of the procurement is more than Rupees twenty five Lakhs, in the following circumstances.

(a) The competent authority in the Ministry or Department certifies that the demand is urgent and the additional expenditure involved by not procuring through advertised tender enquiry is justified in view of the urgency. The Ministry or Department should also put on record the nature of the urgency and reasons why the procurement could not be anticipated.

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(b) There are sufficient reasons to be recorded in writing by the competent authority, indicating that it would not be in public interest to procure the goods through advertised tender enquiry.

(c) The sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped is remote.

(iii) Sufficient time should be allowed for submission of bids in Limited Tender Enquiry cases.

(a) Technical bid consisting of all technical details along with commercial terms and conditions; and

(b) Financial bid indicating item-wise price for the items mentioned in the technical bid.

The technical bid and the financial bid should be sealed by the bidder in separate covers duly superscribed and both these sealed covers are to be put in a bigger cover which should also be sealed and duly superscribed.

The technical bids are to be opened by the purchasing Ministry or Department at the first instance and are to be evaluated by a competent committee or authority. At the second stage financial bids of only the technically acceptable offers should be opened for further evaluation and ranking before awarding the contract.

In the case of advertised tender enquiry or limited tender enquiry, late bids (i.e. bids received after the specified date and time for receipt of bids) should not be considered.

Single Tender Enquiry

Procurement from a single source may be resorted to in the following circumstances :

(i) It is in the knowledge of the user department that only one particular firm is the manufacturer of the required goods..

(ii) In case of an emergency, it is necessary to purchase the required goods from a particular source. However the reason for such a decision is to be recorded and approval of competent authority obtained.

(iii) For standardisation of machinery or spare parts to be compatible to the existing sets of equipment (on the advice of a competent technical expert and approved by the competent authority), the required item is to be purchased only from a selected firm.

Note : Proprietary Article Certificate in the following form is to be provided by the Ministry / Department before procuring the goods from a single source

'(i) The indented goods are manufactured by M/s.....

(ii) No other make or model is acceptable for the following reasons :

.....

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(iii) Concurrence of finance wing to the proposal vide :

.....

(iv) Approval of the competent authority vide :.....

(Signature with date and designation
of the procuring officer)'

Contents of Bidding Document : All the terms, conditions, stipulations and information to be incorporated in the bidding document are to be shown in the appropriate chapters as below :-

Chapter – 1 : Instructions to Bidders.

Chapter – 2 : Conditions of Contract.

Chapter – 3 : Schedule of Requirements.

Chapter – 4 : Specifications and allied Technical Details.

Chapter – 5 : Price Schedule (to be utilised by the bidders for quoting their prices).

Chapter – 6 : Contract Form.

Chapter – 7 : Other Standard Forms, if any, to be utilised by the purchaser and the bidders.

Securities obtained on bids

Bid Security

(i) To safeguard against a bidder's withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (also known as Earnest Money) is to be obtained from the bidders except those who are registered with the Central Purchase Organization, National Small Industries Corporation (NSIC) or the concerned Ministry or Department. The bidders should be asked to furnish bid security along with their bids. Amount of bid security should ordinarily range between two percent to five percent of the estimated value of the goods to be procured. The exact amount of bid security, should be determined by the Ministry or Department and indicated in the bidding documents. The bid security may be furnished in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the commercial banks in an acceptable form, safeguarding the purchaser's interest in all respects. Normally the bid security is to remain valid for a period of forty-five days beyond the final bid validity period.

(ii) Bid securities of the unsuccessful bidders should be returned to them at the earliest after expiry of the final bid validity and latest on or before the 30th day after the award of the contract.

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Performance Security

(i) To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder awarded the contract irrespective of its registration status etc. The security amount should range from five to ten per cent. of the value of the contract. Performance Security may be furnished in the form of an Account payee Demand Draft, Fixed Deposit Receipt from a Commercial bank, Bank Guarantee from Commercial bank in an acceptable form safeguarding the purchaser's interest in all respects. Performance Security should remain valid for a period of sixty days beyond the date of completion of contractual obligations of the supplier including warranty obligations.

(iii) Bid security should be refunded to the successful bidder on receipt of Performance Security.

Lapse of sanctions

As per GRF Rule 30

in the case of purchase of stores, a sanction shall not lapse, if tenders have been accepted (in the case of local or direct purchase of stores) or the indent has been placed (in the case of Central Purchases) on the Central Purchase Organization within the period of one year of the date of issue of that sanction, even if the actual payment in whole or in part has not been made during the said period.

4.3.6 Receipt Accounting

1. Rule 187 of the GFR 2005 should be followed.
2. While receiving goods and materials from a supplier, the officer-in-charge of stores should refer to the relevant contract terms.
3. All materials shall be counted, measured or weighed and subjected to visual inspection at the time of receipt to ensure that the quantities are correct, and according to the required specifications and there is no damage or deficiency in the materials. Technical inspection where required should be carried out at this stage by Technical Inspector or Agency approved for this purpose.
4. A goods receipt note (GRN) should be generated in duplicate giving details of goods procured and one copy should be sent to the accounts section.

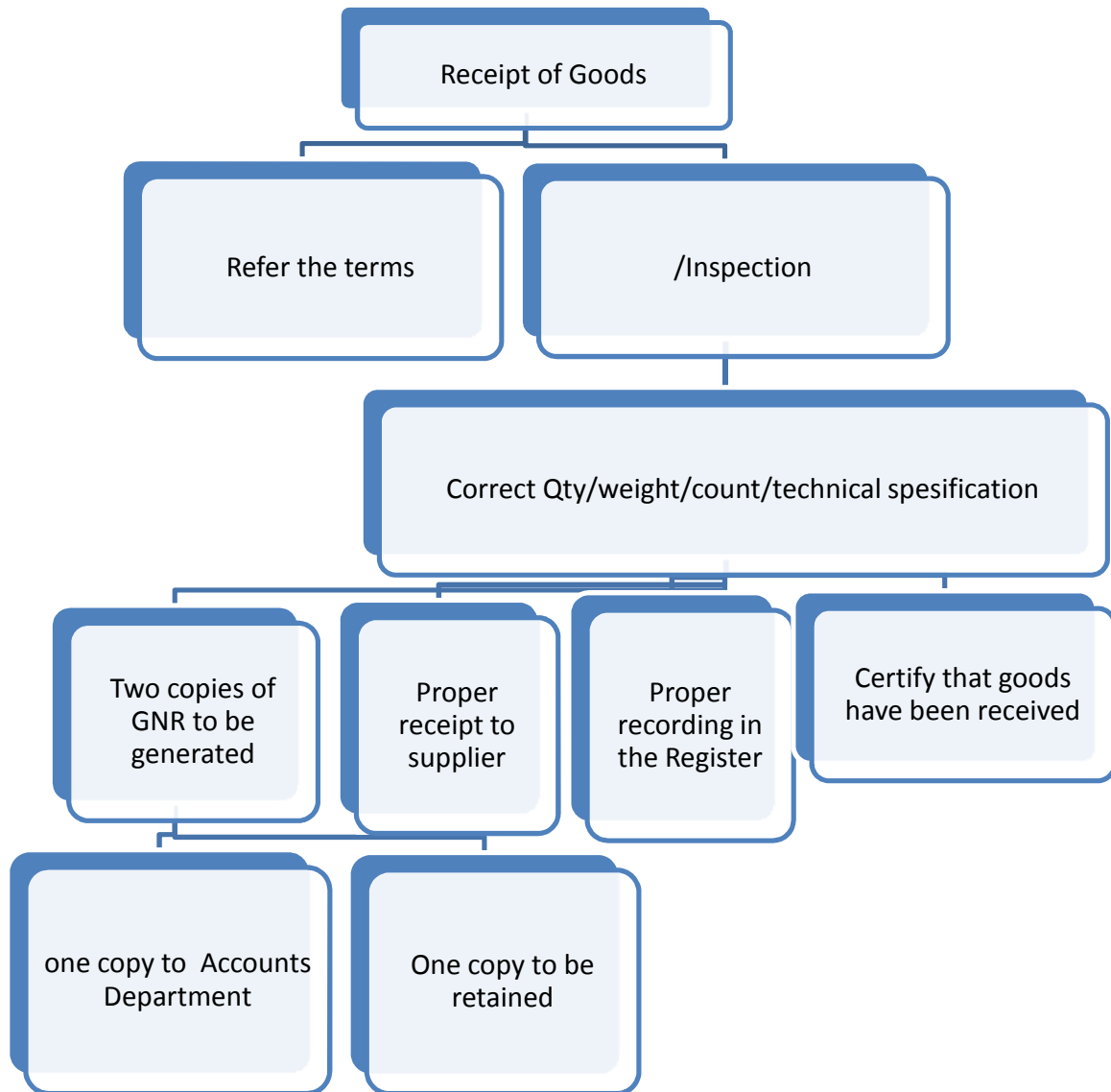
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5. An appropriate receipt, in terms of the relevant contract provisions may also be given to the supplier on receiving the materials.
6. Details of the material so received should thereafter be entered in the appropriate stock register. The officer-in-charge of stores should certify that he has actually received the material and recorded it in the appropriate stock registers.



4.3.7 Custody of goods and materials

The officer-in-charge of stores having custody of goods and materials, especially valuable and / o combustible articles, shall take appropriate steps for arranging their safe custody, prope storage accommodation, including arrangements for maintaining required temperature, dus free environment etc. as per Rule 189.of the GFR 2005



Format for Stock Register

Article.....

Maximum.....
 Minimum.....
 Ordering Level.....
 Code No.....
 Unit.....
 Issue Rate.....from.....

Sl No.	Date	From whom received/To whom issued	GRN No/MPR/MR	Receipts			Issues	
				Quantity	Rate (Rs.)	Value (Rs.)	Qty	Value (Rs.)
1	2	3	4	5			6	

Balance		Initials of Poster	Remarks including reference to Serial No. Of item to which excess/short amount paid, if any, relates
Quantity	Value		
7		8	9

Bill passing procedure

On receipt of bills from the suppliers, the bills shall be linked with P.O & GRN for the quantity receive GRN is valued as per the P.O terms.

In case of discrepancies, payment shall be restricted to the accepted quantity only. On paymer endorsement shall be made on the respective P.O to monitor the qty & value.

CHECK LIST

- Check the rate, unit, and quantity in invoice to that shown in PO/contract Copy.
- Check the arithmetical accuracy.
- See whether all the items are inspected and accepted.
- See whether S.D format of BG has been furnished in prescribed format and validity exists as p Guarantee period.

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- Whether item is delivered as per delivery schedule
- Whether freight is to be paid or included in price
- In case of payment against GRN see that each item tallies with the item in GRN to that of invoice.
- Whether LD is recovered as per General conditions of contract
- Income Tax to be deducted wherever applicable.

4.3.8 Payment Procedure

When the bills are received in Finance section, Purchase/Contract Order number shown in bills should be checked and linked to Purchase Order/Contract. It should be ascertained that Bill(s) are received from the same party on whom PO/Contract is placed and is properly authorized with reference PO/Contract. Applicable taxes such as VAT/CST (are checked and total of tax is arrived.

Delivery period is important since it has to be checked whether supplier has delivered the item in time and if not Liquidated Damage clause has to be invoked as per General Terms and Conditions of Contract to levy LD.

Also, it has to be checked whether Security Deposit if any as per terms has been furnished as per form and validity exists in case of non fund securities. Payment Clause to be checked and to see what amount to be paid as per terms and other relevant documents such as, Inspection certificate, Invoices, etc.

Another important item is about Freight. If the price is excluding freight then we have to bear the freight and I.T. to be deducted as per rules. Service Tax liability is arrived for payment as per rules and the same to be remitted to service tax department.

PAYMENT

ONCE IT IS ASCERTAINED THAT PAYMENT CAN BE RELEASED AGAINST THAT PARTICULAR INVOICE, THEN PAYMENT VOUCHER SHALL BE PREPARED AND DETAILS OF PAYMENT SUCH AS ACCOUNT CODE DEBITED, AMOUNT TO BE RETAINED IF ANY AS PER TERMS, INVOICE NO., LR NO. AND NET AMOUNT RELEASED SHOULD BE RECORDED.

The payment for the same should be made from the funds allocated to the department for which material has been purchased.

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MODE OF PAYMENT

If the payment is through Bank, then cheque is to be issued.

In case of direct payments and if the supplier's account in Bank is RTGS enabled then after getting supplier's IFS code, account number, Bank and branch name, payment may be made through RTGS mode by preparing a letter and advising Bank to remit the payment through RTGS. In all other cases, payment may be made directly i.e., Payment Voucher is sent to Cashier so that he can prepare the cheque, get signed by authorised signatories and can be dispatched to the supplier's mailing address.

Points to be verified

- No advance payment to be made unless it is mentioned in the purchase order.
- Normally purchases will be on credit terms and payment will be made soon after materials are received & inspected, accepted and passed for payment, as per payment clause of P.O.
- Except for exceptional circumstances, or where inspection at vendor's shop is unavoidable (fabrication & supply job), inspection at receiving end may be conducted. On account of this payment also will be made on receipt and inspection.

Suggested Steps for passing bill of supplies for payment

- Make triangular checking for passing bill
 - Match Bill & P.O.
 - Match Bill & GRN (*GRN shall be issued on receipt of material and on completion inspection after receipt of material at the receiving end.*)
 - Match GRN & receipted challan / consignment note
 - Receive & Consider recommendations by purchase & Stores department for payment
 - Adjust advance, if any, paid against the order & for the items delivered
 - Recover all items recoverable including security deposit in lieu of BG, if any, as per terms of P.O. / contract
 - Check all calculations including correctness of S.T. / V.A.T. etc. payable as per local laws
 - Pass for payment

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- For payment, the vendor must have to present a Bill or Tax Invoice or Bill cum Challan, i.e. the final payment can only be made after receiving claim for the final payment.
- The Delivery Note/Challan must be Checked & acknowledged by the Stores.
- If quality check is conducted & passed by inspection.
- A Goods Received Note will be generated by the stores.
- Accrual basis of accounting should be followed.
- The accounts department after receiving the bill should carefully check it with respect to the challan & Purchase Order and GRN.
- A cross Check can be made by the accounts department by comparing the challan produced by the vendor & the duplicate copy of challan received by Stores at the time of receipt of material.
- After checking a due entry is passed and statutory requirements are taken into consideration, on the date of bill produced at the Accounts department.
- While passing bills for payment all adjustments on account of advance (if any), S. D. (as per terms of contract) etc. should be made.
- Besides, S.T. / VAT payable as per local laws should also be checked.

The cashier shall

- i. Ensure issue of cheques to vendors as advised on the Payment Vouchers. Generally cheques to be sent by mail / courier.
- ii. Obtain receipts from the vendors duly signed by authorized signatory.

If fabrication & supply work is awarded through PO, the procedure for passing bills shall be as follows

STAGE PAYMENTS (FOR FABRICATION & SUPPLY)

Stage Payments in respect of fabrication & supply of items, will have to be treated as running payment in progress of works. In this regard following procedure shall be followed :

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- i) Terms of payment defining the progress stage when each part payment will be made, shall be specified in the Purchase Order / Contract.
- ii) Periodically, as recorded in the Purchase conditions, Inspection Group shall inspect the progress work.

Stage Payment Bill shall be accompanied by Inspection Certificate as to the satisfactory completion of the stage and as per terms & specifications of the order / contract.

- iv) The Stage Payment Bill shall be certified by the Functional Manager of User Dept. and recommended for payment by Functional Manager, Purchase.
- v) Accounts Dept. shall pass for payment thereafter.
- vi) On passing, Capital WIP (specific asset) shall be debited for the portion completed.
- vii) For advances & free issue of steel lying with fabricators shall be debited to Capital WIP
 - Advances with Fabricators
 - Material at site with fabricators.

FINAL BILL PAYMENT (FOR FABRICATION & SUPPLY)

Documents to be checked for final bill payment :

- i) P.O. / Contract
- ii) Final Bill
- iii) GRN
- iv) Measurement Books

Functional Manager shall check the Final Bill & recommend for further action by Accounts Dept.

Bill Passing Section shall carry out necessary checks as stated earlier in the module; adjust stage payments other recoverable as per P.O. / Contract & pay for payment by issue of cheques.

4.3.9 ACCOUNTING TREATMENT

Full value of invoice amount is debited to the recipient (Inter office) and credited to Bank in case of 100% payment. In case of payment less than 100%, balance is shown in liability account by the payer and the amount credited to Bank. If income Tax is deducted at source then it should be credited to liability account and such deductions in a month are grouped and shall be remitted to income Tax account with the Bank.

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Similarly in case of Freight payment Service Tax shall be loaded as per Service Tax Act and remitted to Excise and Customs department through Bank on monthly basis. Same Procedure shall be followed in case of Contract or Consultancy bills but bills are to be certified by the Engineer in charge of Department.

Issue Accounting

Materials should be issued to various departments only after proper requisition procedure has been followed. A requisition slip has to be signed by the head of the department in which name of material and quantity is mentioned. The Head of Department should attach his signature in the requisition slip after receiving the materials. Valuation of issues shall be done at cost. Capital and revenue items should be segregated by codification. Monthly Accessories Report is to be maintained wherein issue details are mentioned like issuing date, quantity and balance of material after issue.

Monthly Accounting

At the end of each month an issue receipt analysis should be prepared for the concerned month. The total of these receipts and issues should be classified under purchases, materials returned, adjustments of value if any, inter unit transfers, issues for consumption, issues to outsiders, and adjustments of value if any, for passing necessary accounting entries.

4.3.10 Physical verification

Physical verification of materials should be done at least once in a year and if there are any discrepancies they should be recorded in the stock register. Verification should be done in the presence of officer-in-charge responsible for custody of the inventory. A certificate of verification along with the findings shall be recorded in the stock register.

PHYSICAL VERIFICATION OF INVENTORY & STOCK ADJUSTMENT FOR SHORTAGE

- ⇒ The Organization shall have policy and schedule for perpetual physical verification and stores items
- ⇒ For the purpose of Selective Control on high value and critical items, there shall be category analysis (A-B-C) and criticality analysis (V.E.D) Vital, Essential and Desirable analysis.
- ⇒ Frequency of verification shall depend on focus of coverage in Inventory Policy.
- ⇒ Verification shall be conducted by Verification Group specifically nominated / appointed for the purpose.
- ⇒ Verification report with custodians' comments (on items of shortage, excess, unserviceable, obsolete etc.) shall be submitted to Head of Material Management.

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- ⇒ Verification shortage in the nature of routine errors of accounting – necessary correction shall be carried out in stores, & stores A/cs based on approval of Functional Head (F).
- ⇒ For items of shortage administrative approval of chairman shall be obtained for write off.
- ⇒ If any administrative action is required for shortage, necessary order shall be issued by Functional Head after approval by chairman.

Management Reports

Necessary management reports (Vide Stores Manual) shall be generated by the stores accounts group on the basis of organization's policies with regard to categorization of material, FSN Analysis, VED Analysis etc. For Non Moving item of stores and spares and consumables suitable accounting policies is to be followed as per the decision of management.

4.3.11 Disposal of obsolete or unserviceable inventory

The materials will only be considered obsolete or unserviceable if they are of no use to the department and the authority should mention the reason for which they are declaring the material to be unserviceable. The price of obsolete inventories should be worked out. If no value can be worked out, original purchase price can be taken for accounting the same. The obsolete or unserviceable goods, equipment and documents which involve security concerns (e.g. currency, negotiable instruments, receipt books, stamps, security passes etc.) should be disposed of / destroyed in an appropriate manner to ensure compliance with rules relating to official secrets as well as financial prudence. Surplus or obsolete or unserviceable goods of assessed residual value above Rupees Two Lakh should be disposed of by obtaining bids through advertised tender or public auction. For goods with residual value less than Rupees Two Lakh, the mode of disposal will be determined by the competent authority, keeping in view the necessity to avoid accumulation of such goods and consequential blockage of space and, also, deterioration in value of goods to be disposed of. If goods cannot be sold in either ways, those can be disposed off at their scrap value or destructed in eco-friendly manner after approval from competent authority. The report of disposal should be prepared in the following form as per GFR.



Form GFR 17

Report of Surplus, Obsolete and Unserviceable Stores for Disposal

Item No.	Particulars of stores	Quantity/Weight	Book value/original purchase price	Condition and year of purchase	Mode of disposal(Sale, public auction or otherwise)	Remarks
1	2	3	4	5	6	7

Signature

Designation

Date

4.3.12 Valuation and Accounting

The material purchase requisitions (MPRs) are being raised by the user departments with proper justifications for the items intended to procure. On approval of the MPRs by the Competent Authority, the quotations are being invited from the suppliers by the Purchase department and on acceptance of the offer based on technical suitability and price, the purchase orders are being placed with the approval of the Competent Authority.

Valuation of Stock

All the expenses incurred on the stock till it is placed in the storage area would form direct expenses for the stock and should be treated as a part of the value of stock.

Stock Valuation Principle [Value = Cost + Direct Expenses]

Valuation of Stock

The valuation of stock can be classified depending on

The various instances when we will be required to value stocks based on when we do it are

1. Valuation of Closing Stock at the end of the accounting period.
2. Valuation of Stock lost on account of abnormal reasons.
3. Valuation of Stock in transit.
4. Valuation of Stock Returned to stores

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Notes

1. Normally stocks are valued under FIFO method unless there is a specific instruction to the contrary.

Accounting of MRNs, AVs, AAVs, STRs & STIs

Material Return Notes (MRNs) are being made by the user departments for the return of unused, used but serviceable and unserviceable items to Stores Department. The MRNs for unused items are valued by F&A department before posting of MRNs by Stores Department.

Adjustment Vouchers (AVs) are being made and posted by Stores Department for rectifying the stock quantity as well as value of the items. Positive AVs are made to rectify the error by increasing the stock quantity and value of items. Negative AVs are made to rectify the error by decreasing the stock quantity and value of items. In both the cases, the posting of AVs are being done by Stores department in consultation with F&A Department.

Accounts Adjustment Vouchers (AAVs) are meant for rectifying value of the items without an adjustment of stock quantity. This is being done to rectify the errors occurred while posting of GRNs, SIVs, AVs, STIs and STRs and also in case of rate revision of the items with retrospective effect by amendment of PO.

All the above mentioned documents viz GRNs, SIVs, MRNs, AVs, AAVs, STRs and STIs are being filed separately in ascending orders and retained in F&A department for reference and record.

Entry to be passed for receipts and consumption in each month

The monthly transactions comprising GRNs for receipt of materials in Stores, SIVs for issues from Stores, MRNs for return of materials to Stores, STVs for stock transfer of items and AVs for adjustments are being processed in the last week of each month and the output is being generated by Systems Department. The reports generated by Systems Department in each month include

- (1) Monthly cost centre wise consumption report
- (2) Stores class-wise closing balance report
- (3) Posted Stores transaction list

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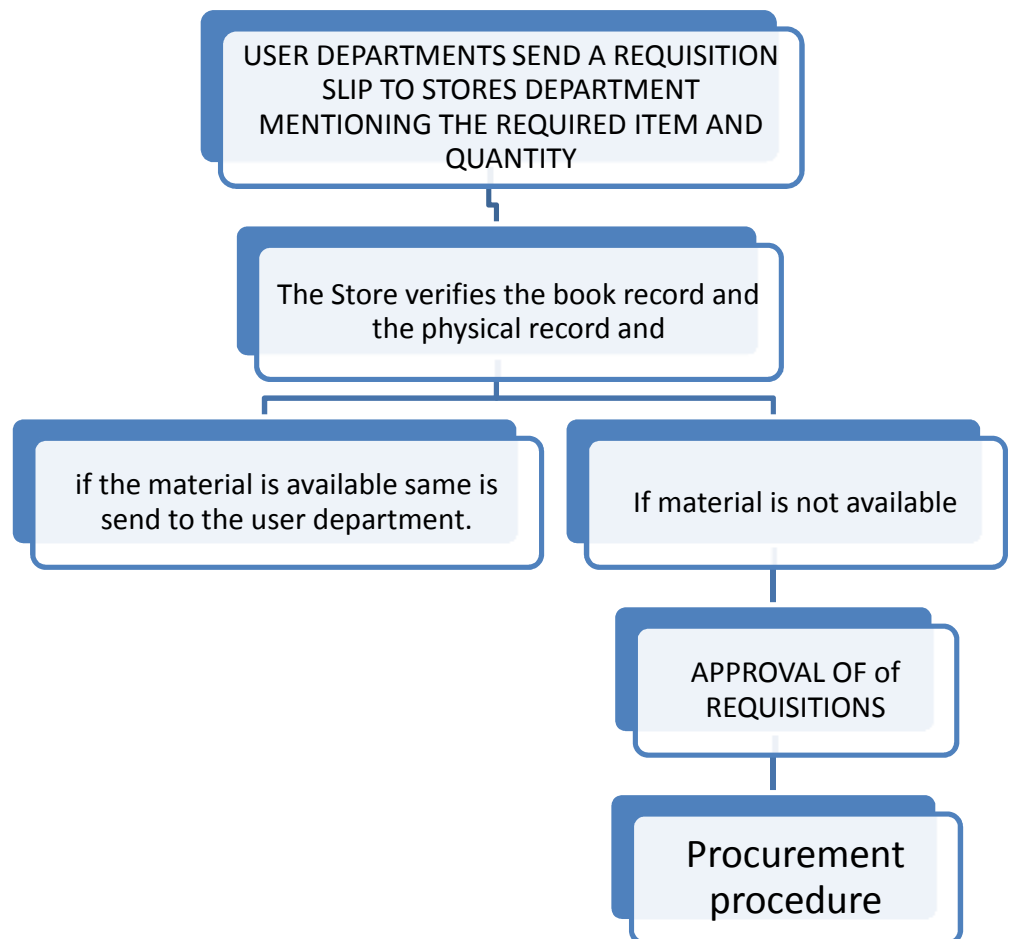
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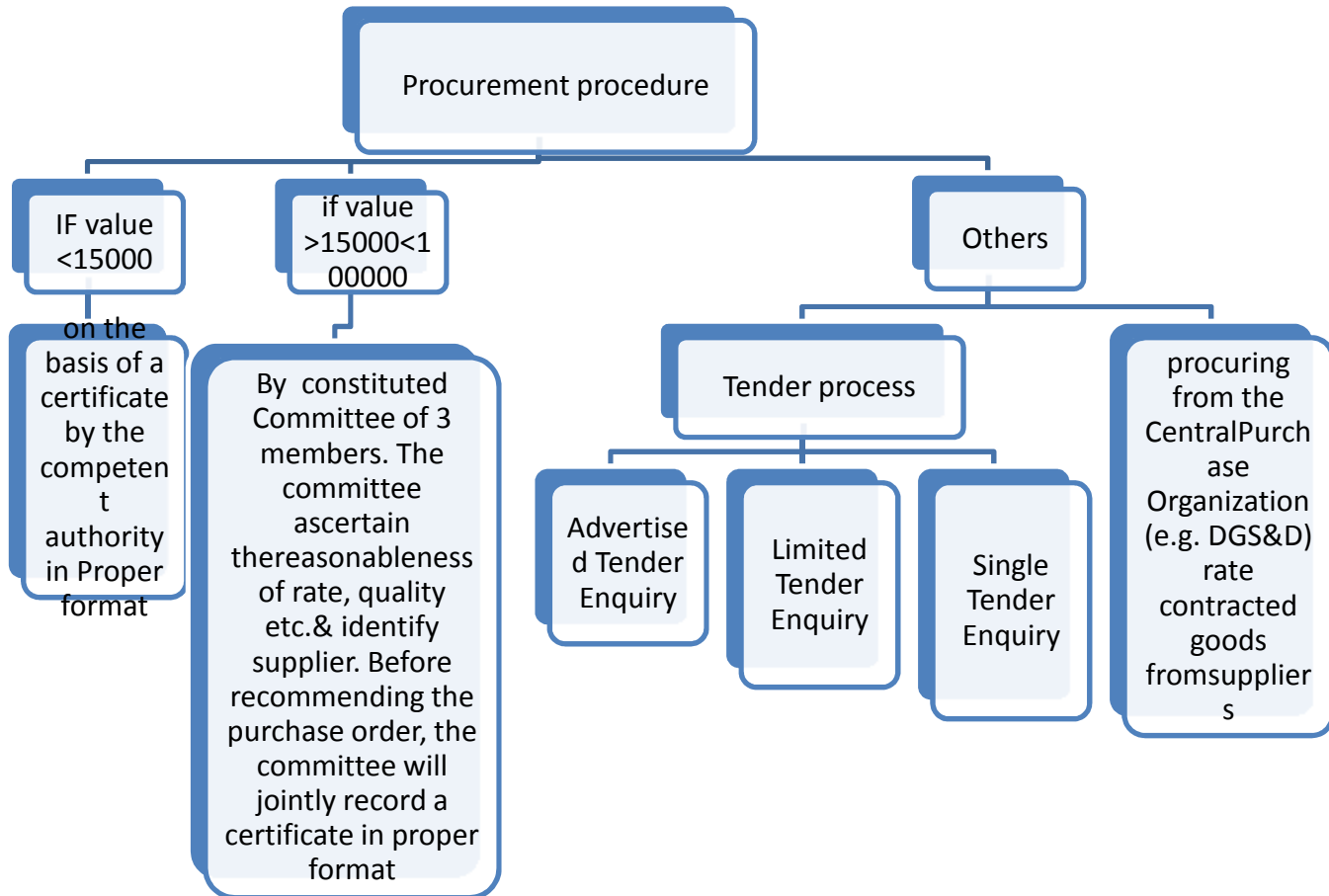
- (4) Issues/Receipts analysis –
- (5) Missing vouchers/duplicate vouchers list
- (6) Inventory monthly summary report

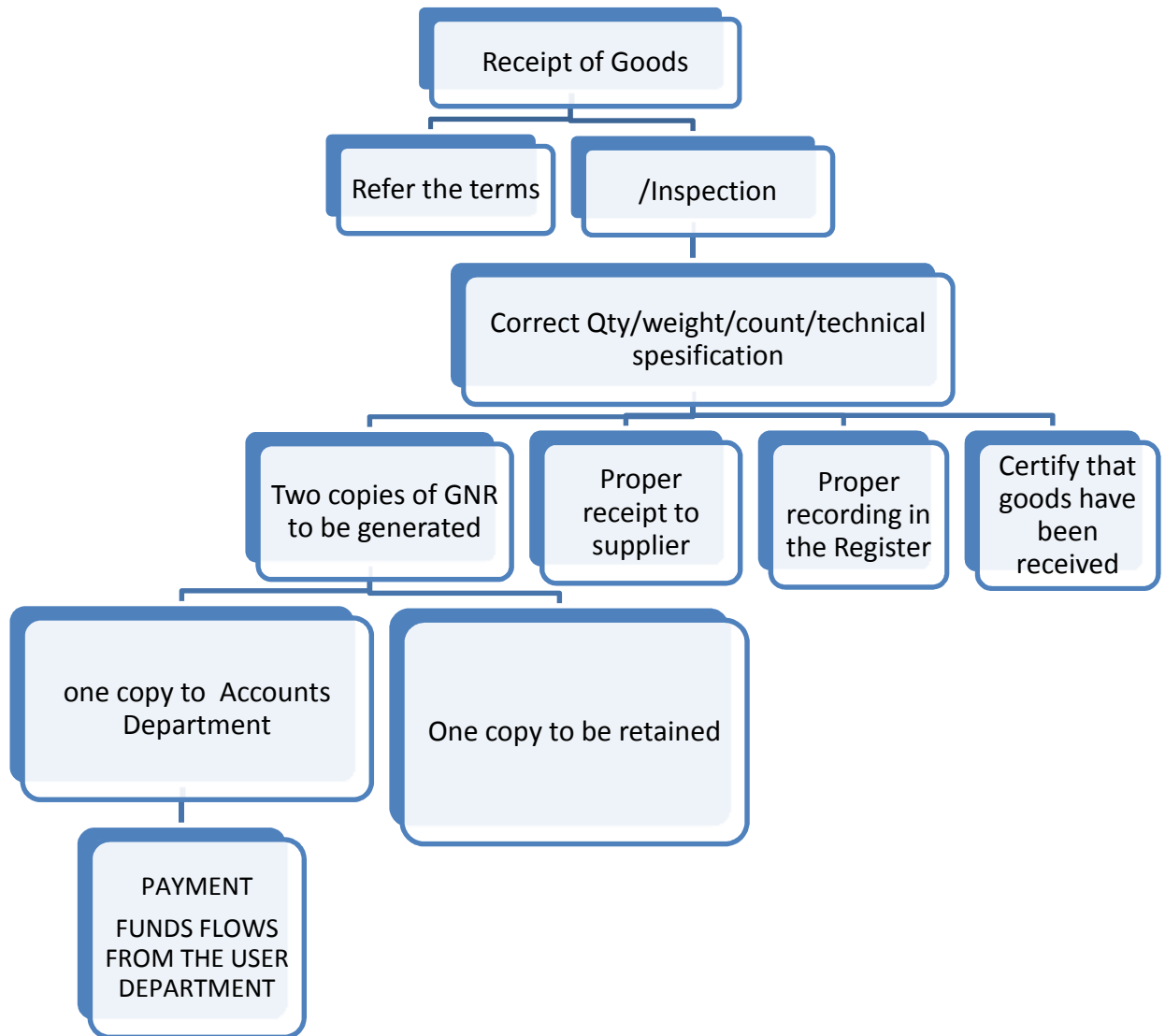
DATA FLOW Stage 1





Stage 2 Procurement Procedure – ordering



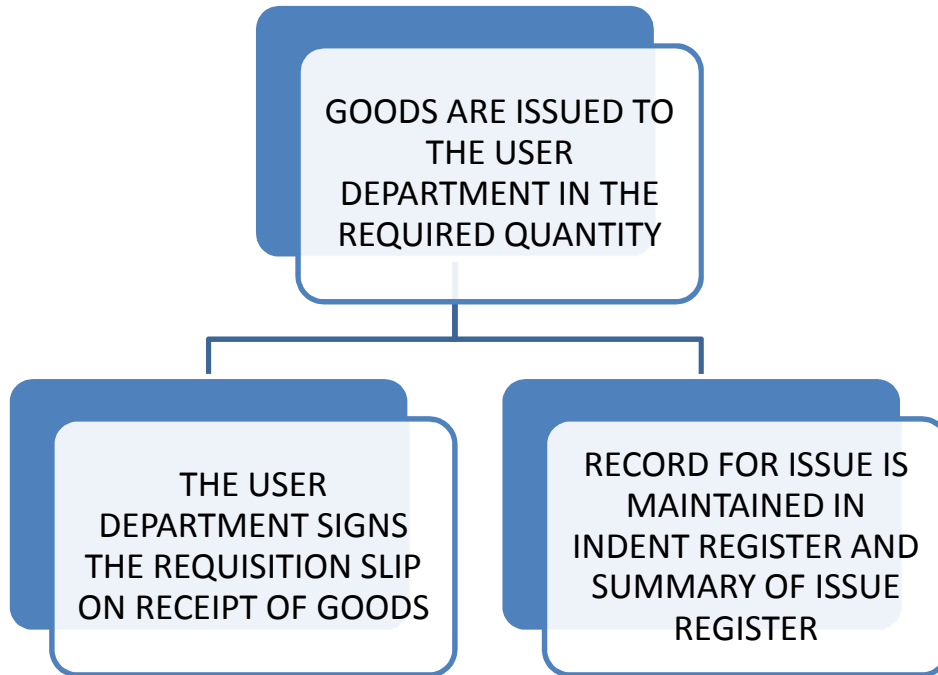


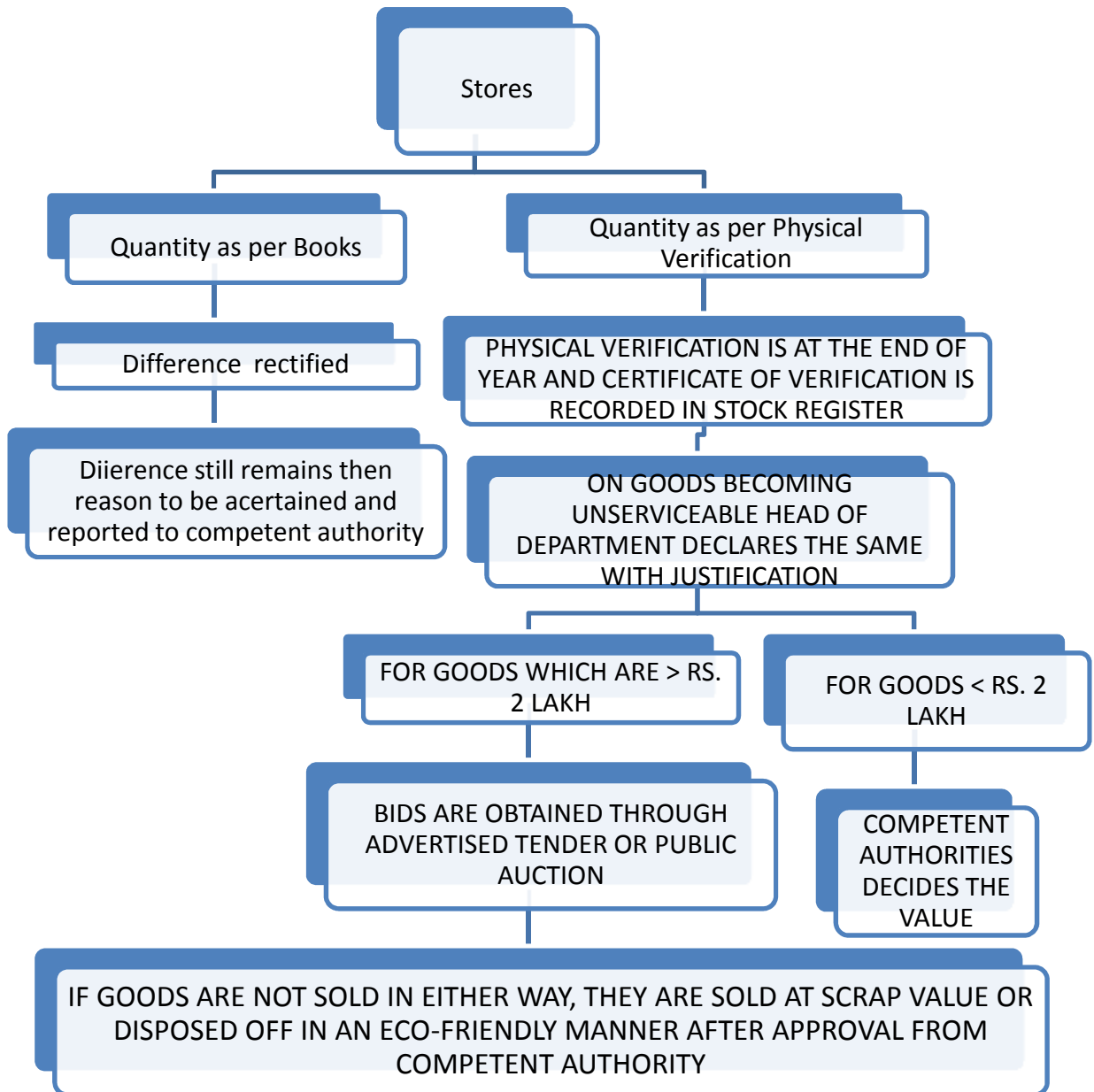
Stage 3 issue of goods

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Sundry Debtors

Introduction:

Debtor is an entity that owes a debt to another entity. The entity may be an individual, a firm, a government, a company or other legal persons.

As Per COMMON FORMAT

Debtors comprise persons from whom amounts are due for goods sold or services rendered or in respect of contractual obligations. Debts considered good for recovery and those considered doubtful shall be shown separately. Provision for doubtful debts, if made, should be shown as a reduction from the amount of debts considered doubtful.

Accounting Treatment

When sales are made on credit, then entry will be

Debtors A/c Dr
To Sales A/c.

When Cash/ cheque are received, then the entry will be:

Bank/Cash A/c Dr
To Debtors.

Provision of Doubtful debt is a reserve which is created against the loss due to nonpayment of debtors. In case debtor does not give the amount. Then provision or reserve is to be created.

Journal Entry for Provision for Debtors is as follows:

Provision for debtors A/c Dr
To Debtors.

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When money is not received from debtor then it is termed as **Bad Debt**. When goods are sold on credit then Debtor is required to pay the money, but when debtor is unable to pay the money then it is a loss to the entity and the following entry is required to be passed.

Bad Debt A/c Dr
To Debtors.

The provision for bad debts is an estimate of the debts owed to entity that will go bad in the future. Provision of future loss of debts is recognized as soon as entity is aware that it will definitely lose the amount in the future.

Provision of Doubtful debt if in the view of the management the debtors are not fully recoverable or not at all recoverable and it has an element of doubt then a provision is created against the expected loss due to non-receipt from debtors.

Notes:- in this schedule the Debts consider goods for recovery and those considered doubtful should be shown separately. Provision for Doubtful debt, if made should be shown as a reduction from the amount of debt considered from doubtful.

The entry for provision for bad debts is:

Provision for bad and doubtful debts A/c Dr
To Debtors A/c

Income and Expenditure A/c Dr

To Provision for Bad and Doubtful debt A/c

The provision for Bad debt is to be evaluated at every year end. Adjustment if any on account of provision required is to be adjusted every year so that the statement of accounts reflects true value of the sundry debtors.

When money is not received from debtor then it is termed as **Bad Debt**. (When goods are sold on credit then Debtor is required to pay the money, but when debtor is unable to pay the money then it is a loss to the entity) and the following entry is required to be passed in case **no provision for sundry debtors existed earlier**.

Bad Debt A/c Dr

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To Debtors

When debt is completely unrecoverable and the same was provided for earlier, the entry is :

Bad Debt A/c Dr

To Provision for Bad Debt

As per Revised Schedule VI the term “sundry debtors” has been substituted with the term “trade receivables.”

Revised Schedule VI requires separate disclosure of trade receivables (i) outstanding for a period exceeding 6 months (ii) other debtors. However, since Schedule VI is applicable to companies registered under the Companies Act, Tea Board need not bring about any changes due to the revised Schedule VI. They are to continue representing Sundry Debtors in Schedule 11 in the Balance Sheet.

CASH & BANK

INTRODUCTION

Cash & Bank refers to cash and bank related transactions which forms part of current assets. It involves the use of treasury management which enables effective cash management and investment decisions. The cash balance of an organization reflects the liquidity of any organization. Some of the problems faced by organizations related to cash are as follows:-

- Opportunity cost for carrying idle cash
- Cash Shortage
- High risk in interest earnings due to volatility

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ACCOUNTING PROCESS

- All the payments and receipts are primarily recorded in the cash book. The cash books should consist of double columns representing cash and bank if the recording is manual.
- The debit side of the bank book should consist of receipts in the form of money received from government, from Plan schemes etc. while the credit side consists of payments in the form of payment of establishment expenses, administrative expenses and others.
- All cash and bank related entries should be recorded properly, updated and maintained by the respective Cash Sections.
- On a monthly basis proper rechecking in the form of vouching should be done by the Cash Section to ensure that proper postings have been done in the ledger.
- Bank Reconciliation should be prepared for each bank account every month.
 - After the month end the updated bank book should be checked with the bank statement and the difference in the 2 balances be noted
 - Thereafter, a list needs to be prepared of all those cheques which were issued within the month, but were not cleared within the month (A)
 - Similarly a list needs to be prepared for all those cheques which were received and accounted for in the bank book and deposited in the bank within the month, for which credits were not reflected in the bank statement (B)
 - Such items like interest and bank charges which were debited / credited by the bank, during the month, but not considered in bank book, will need to be identified and entries to that effect be passed in the bank book. Modalities of passing such entries, as such, is described under a suitable section of this manual
 - The total of (A) needs to be added and the total of (B) needs to be subtracted from the balance as per bank book to arrive at the balance as per the bank statement if the bank account is a normal savings bank account or a current

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account and should be exactly the opposite when the bank account is an overdraft account.

- If the bank account is an auto-sweep account where balances are frequently transferred to and from a fixed deposit account the bank book needs to be updated with the sweep debits or credits.
 - The bank reconciliation statement should be signed by a responsible officer of the accounts function
- As per the common format of accounts at the year end the cash and the bank should be disclosed in Schedule 11 of i.e. under Current Assets Loans and Advances.

Tea Board should ensure proper management of cash through achievement of the following objectives:-

- Preparing cash budgets and monitoring cash flows
- To ensure proper alignment between current assets and current liabilities so as to ensuring that the working capital gap is within the control of the organization
- To decide on the optimum balance of cash and other cash equivalents to be maintained to mitigate liquidity crisis
- Ensuring transparency in application of funds available for utilization. To ensure a mechanism for systematic cash flows to meet maturing current liabilities and debt service obligations

Bank Balances:

a) With Scheduled Banks –

On Current Accounts/ On Deposit Accounts (Includes margin money)/On Savings Accounts
Amounts held as bank balance against earmarked/endowment funds should be separately disclosed. Where any deposit accounts are pledged or charged as security or are encumbered, the fact should be disclosed. Overdue/Matured Deposits should be separately disclosed.

Auto sweep/ term deposit:- the Bank will make a short term deposit when the Bank Balances exceeds certain limit which is known as Auto sweep / Term deposit .

The Entries Should be;-

Auto sweep / Term Deposit A/c Dr

To Bank A/c

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(Being Term deposit Made By the bank)

Loans

Definition: The act of giving money, property or other material goods to another party in exchange for future repayment of the principal amount along with interest or other finance charges. In other words it is an arrangement in which a lender gives money or property to a borrower, and the borrower agrees to return the property or repay the money, usually along with interest, at some future point of time.

AS per Common Format

Loans: Loans and Advances as are considered good & recoverable should be disclosed. Doubtful amounts, if any, should be stated under each sub-head, and provision, if made, should be shown as a reduction there from.

a) Staff: Interest accrued on interest bearing staff loans should be accounted notwithstanding that actual recoveries of interest might commence after repayment of principal.

b) Other Entities engaged in activities objectives similar to that entity: Irrevocable grants/subsidies/donation to such entities shall not be included in activities objectives here. If interest-bearing, the amount of interest earned up to the year-end should be adjusted.

c) Other (specify)

Accounting Treatment

When Loan is given, entry passed is:

Loan A/c Dr

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To Bank A/c

In case of doubtful loan :

Provision for doubtful loan Dr
To Loan A/c

When money is not received against loan given then it has to be written off. The following entry is required to be passed in case **no** provision for Doubtful loan **existed earlier**.

Loan written off A/c Dr
To loan A/c

When money is not received against the loan given and there is reasonable certainty that the amount is not recoverable and **if provision was made earlier then** the following entry is required to be passed.

Provision for Doubtful loan A/c
To loan A/c

The details of Loans should be disclosed under schedule 11 in the Balance Sheet of Tea Board.

Advance

Advances Received

Advances and other amounts recoverable in cash or in kind for value to be received:

- a) On Capital Account Advances to suppliers contractors for capital works should be shown against this sub-head.
- b) Prepayments This includes prepaid expenses.
- c) Others This would comprise receivables other than the debtors.

Accounting Treatment

When Advance is given, entry passed is:

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Advance A/c Dr
To Bank A/c

When Advance is adjusted against capital asset supplied, entry passed is :

Asset A/c Dr
To Advance A/c

When Advance is adjusted against revenue, entry passed is :

Respective Expense A/c Dr
To Advance A/c

The details of Advances should be disclosed under schedule 11 in the Balance Sheet of Tea Board.

Income Accrued: Both 'Income accrued and due' and 'Income accrued but not due'

a) On Investments Earmarked/Endowment

Funds from the year-end should be included under this head.

b) On Investments-Others; Other Investment should be shown separately.

c) On Loans and Advances

d) Others

If uncertainty remains as to realisation or ultimate collection, income should not be recognised, and if recognised, should be provided for as unrealised-Rs.....

Dividends should be recognised based on the date (s) of their declaration.

Separate disclosure should be made in respect of income accrued, due but not realized.

Claims Receivable: Only claims, which are considered good and realizable, should be included

Accounting Entry to be passed :

Income Accrued A/c Dr

To Interest Received A/c

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Notes: interest on investment from earmarked fund /endowment fund and that on other investment should be shown separately.

In normal case TDS entry are also required to be passed. Since Tea Board is exempted from Income Tax, hence no deduction on account of TDS is required.

If excess provision has been made for accrued interest in earlier year entry should be passed with proper disclosure in the statement of the accounts with respect to Accounting Standard 5.

For non-realisable income the entry should be :

Interest received (earlier year) A/c Dr

To Income Accrued A/c

The details of income accrued should be disclosed under schedule 11 in the Balance Sheet of Tea Board.

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