

3.0 LIABILITIES ACCOUNTING

3.1 CORPUS/CAPITAL FUND

INTRODUCTION

Corpus Fund denotes the sum and substance of an organization. From a layman's point of view a corpus fund should be understood as a capital of the organization. The funds are generated and kept for existence and the sustenance of an organization. Normally it denotes a permanent fund kept for the basic expenditure needed for the administration and survival of the organization.

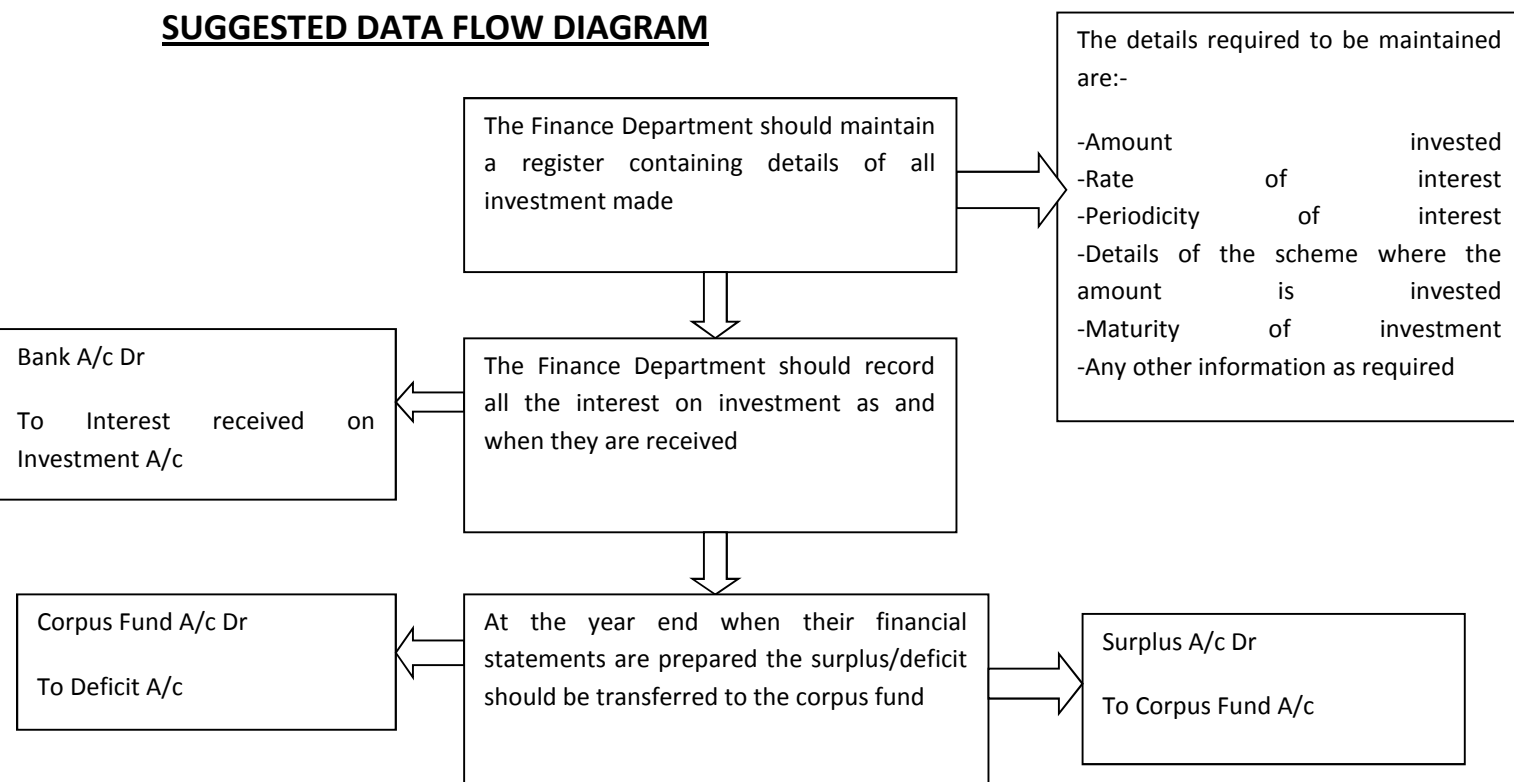
FEATURES

- Once a corpus fund has been created it can be increased through donations and also internally provided the funds that are used to increase the corpus amount do not form part of earmarked funds.
- Corpus Fund of an organization can be used for any purpose so it cannot be restricted for specific use.
- Corpus Fund is broken only in case of winding up or serious financial crunch.

PROCEDURE TO BE FOLLOWED

- The Board is not entitled to receive any fund from the government relating to the corpus fund. The addition to the corpus fund is mainly on the basis of interest earned from investments and return of any amount disbursed under "Default Reserve" earlier.
- The excess/shortage of income over expenditure relating to the particular year should also be added/ deducted from the corpus fund. This amount should be net of transfer to other funds.

SUGGESTED DATA FLOW DIAGRAM



SCHEDULE 1- CORPUS/CAPITAL FUND:

	Current Year Amount (INR) (2011-12)	
Balance as at the beginning of the year	1050000	
Add: Contributions towards Corpus/Capital Fund	-	
Add/(Deduct): Balance of net income/(expenditure) transferred from the Income and Expenditure Account	350000	
BALANCE AT THE YEAR-END		1400000

COMMON FORMAT (ANNEXURE):

SCHEDULE 1- CORPUS/CAPITAL FUND:

	Current Year Amount (INR)	Previous Year Amount(INR)
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Balance as at the beginning of the year				
Add: Contributions towards Corpus/Capital Fund				
Add/(Deduct): Balance of net income/(expenditure)transferred from the Income and Expenditure Account				
BALANCE AT THE YEAR-END				

(a) Corpus/Capital Fund is akin to Capital, Share Capital or Owners' Funds. It comprises amounts received by way of contributions specifically to the Corpus, as increased/decreased by the net operating results shown in the Income and Expenditure Account (other than surplus, if any, transferred to any Reserves or Earmarked Funds).

(b) The opening Balance, Additions to, Deductions from and the Closing Balance of the Corpus/Capital Fund shall be shown under this head.

(c) Additions to the Corpus Fund shall be net of transfers, if any, to any Reserve or Earmarked Fund required under statute or as per applicable regulations.

3.4 Loans

Loans are taken in case of need of funds beyond what is available. In case of Tea Board such borrowings only take place if there is a shortage of fund in a scheme. Loans and Borrowing are divided into Secured Loan and Borrowing and Unsecured Loan and Borrowing.

Loans are taken by tea board tea fund when it is running short of fund. Loans and borrowing are taken from other schemes generally it is taken from Tea Board Revolving Corpus Fund. The loan so taken is applied to non – plan department in times of deficiency of funds. In order to meet the committed expenditure such as salary, pension, increased rent, rates and taxes loan is taken from Loan Revolving Corpus Fund. The loans which are taken are interest free loan. Prior to taking loan, a note is to be prepared in which amount of loan required, directorate from which loan is to be taken are mentioned. The note is to be sanctioned by the chairman and sent to respective directorate. The directorate should send a cheque of the amount mentioned in the note. The non-plan Accounts Officer on receiving the cheque should pass an entry in the cash book and records the amount in general ledger under the loan from plan fund. Whenever non-plan department receives money from Government or whenever the department is able to repay the loan, it should repay the money to plan fund.

For this payment entry is to be passed in cash book and loan from plan fund A/C. At the year end the loan A/C balance, if any is to be shown in the Balance Sheet under the head Unsecured Loans and Borrowings in Schedule-5.

Accounting treatment for loans and borrowings:

When loan is taken-

Bank A/c Dr.

To Loan A/c

When repayment is made-

Loan.... A/c Dr

To Bank A/c

3.5 DEFERRED CREDIT LIABILITIES:

INTRODUCTION:

Deferred credit liabilities refers to long term obligations which are for more than 12 months and are to be written off gradually

As per Common Format:

- 1) Acceptances and other similar long-term obligations contracted in respect of acquisition of Assets, the liability for payment of which falls in periods longer than 12 months as at the date of the Balance Sheet should be included here.
- 2) If the assets are charged as security or encumbered corresponding to the liability, this fact should be stated.
- 3) If the acceptances are also guaranteed for repayment by the Government, any Govt. Agency, Bank, Institution or other body/entity, this fact should also be stated.
- 4) Amounts due within one year of the date of the Balance Sheet need to be separately disclosed.

SCHEDULE 6- DEFERRED CREDIT LIABILITIES:

- a) Acceptances secured by hypothecation of capital equipment and other assets
- b) Others
- TOTAL**

Note: Amounts due within one year

SUGGESTIONS:-

The deferred credit liabilities should comprise of liabilities arising due to liability which is due for more than 12 months. If the liability falls due within one year then it should be separately disclosed. If there is any payment guaranteed to be paid by the government then such fact should be stated. Deferred credit liability should comprise of acceptances secured by hypothecation of stock and others. It should be disclosed under schedule 6 of the common format of accounts.

EXAMPLE: There is a deferred credit liability of Rs 5000. What will be its accounting treatment in the books of accounts.

This will be included in the common format of accounts as follows:-

SCHEDULE 6- DEFERRED CREDIT LIABILITIES:

a) Acceptances secured by hypothecation of capital equipment	5000
b) Others	xxxx
TOTAL	5000

Note: Amounts due within one year

3.6 CURRENT LIABILITIES AND PROVISIONS

A provision is a liability which can be measured only by using a substantial degree of estimation.

A liability is a present obligation of the Tea Board arising from past events, the settlement of which is expected to result in an outflow from the Tea Board resources embodying economic benefits.

Present obligation - an obligation is a present obligation if, based on the evidence available, its existence at the balance sheet date is considered probable, i.e., more likely than not.

Possible obligation - an obligation is a possible obligation if, based on the evidence available, its existence at the balance sheet date is considered not probable.

Provisions

It can be distinguished from other liabilities such as trade payables and accruals because in the measurement of provisions substantial degree of estimation is involved with regard to the future expenditure required in settlement. By contrast:

(a) Trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier; and

(b) Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

Although it is sometimes necessary to estimate the amount of accruals, the degree of estimation is generally much less than that for provisions.

A provision should be recognized when:

- (a) The Tea Board has a present obligation as a result of a past event;
 - (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
 - (c) A reliable estimate can be made of the amount of the obligation.
- If these conditions are not met, no provision should be recognized.

Present Obligation

In almost all cases it will be clear whether a past event has given rise to a present obligation. In rare cases, for example in a lawsuit, it may be disputed either whether certain events have occurred or whether those events result in a present obligation. In such a case, the Tea Board determines whether present obligation exists at the balance sheet date by taking account of all available evidence, including, for example, the opinion of experts. The evidence considered includes any additional evidence provided by events after the balance sheet date. On the basis of such evidence:

- (a) Where it is more likely than not that a present obligation exists at the balance sheet date, the Tea Board recognizes a provision (if the recognition criteria are met); and
- (b) Where it is more likely that no present obligation exists at the balance sheet date, the Tea Board discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

Past Event

A past event that leads to a present obligation is called an obligating event. For an event to be an obligating event, it is necessary that the Tea Board has no realistic alternative to settling the obligation created by the event. Financial statements deal with the financial position of the Tea Board at the end of its reporting period and not its possible position in the future. Therefore, no provision is recognized for costs that need to be incurred to operate in the future. The only liabilities recognized in the Tea Board's balance sheet will be those that exist at the balance sheet date. It is only those obligations arising from past events existing independently of the Tea Board's future actions (i.e. the future conduct of its business) that are recognized as provisions.

An obligation always involves another party to whom the obligation is owed. It is not necessary, however, to know the identity of the party to whom the obligation is owed – indeed the obligation may be to the public at large.

An event that does not give rise to an obligation immediately may do so at a later date, because of changes in the law. For example, when environmental damage is caused there

may be no obligation to remedy the consequences. However, the causing of the damage will become an obligating event when a new law requires the existing damage to be rectified.

Where details of a proposed new law have yet to be finalized, an obligation arises only when the legislation is virtually certain to be enacted.

Differences in circumstances surrounding enactment usually make it impossible to specify a single event that would make the enactment of a law virtually certain. In many cases it will be impossible to be virtually certain of the enactment of a law until it is enacted

Probable Outflow of Resources Embodying Economic Benefits

For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation.

An outflow of resources or other event is regarded as probable if the event is more likely to occur, where it is not probable that present obligation exists, the Tea Board discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

Where there are a number of similar obligations (e.g. product warranties or similar contracts) the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized (if the other recognition criteria are met).

Reliable Estimate of the Obligation

The use of estimates is an essential part of the preparation of financial statements and does not undermine their reliability. This is especially true in the case of provisions, which by their nature involve a greater degree of estimation than most other items. Except in extremely rare cases, the Tea Board will be able to determine a range of possible outcomes and can therefore make an estimate of the obligation that is reliable to use in recognizing provision. In the extremely rare case where no reliable estimate can be made, a liability exists that cannot be recognized, that liability is disclosed as a contingent liability.

A contingent liability is

- (a) A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
 - (b) A present obligation that arises from past events but is not recognized because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- Or
- (ii) A reliable estimate of the amount of the obligation cannot be made.

A contingent asset is a possible asset that arises from past events the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the enterprise.

Measurement

Best Estimate

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The amount of a provision should not be discounted to its present value.

The estimates of outcome and financial effect are determined by the judgment of the management of the Tea Board, supplemented by experience of similar transactions and, in some cases, reports from independent experts.

The evidence considered includes any additional evidence provided by events after the balance sheet dates.

Risks and Uncertainties

The risks and uncertainties that surround many events and circumstances should be taken into account in reaching the best estimate of a provision.

Risk describes variability of outcome. A risk adjustment may increase the amount at which a liability is measured. Caution is needed in making judgments under conditions of uncertainty, so that income or assets are not overstated and expenses or liabilities are not understated. However, uncertainty does not justify the creation of excessive provisions or a deliberate overstatement of liabilities. Care is needed to avoid duplicating adjustments for risk and uncertainty with consequent overstatement of a provision.

Future Events

Future events that may affect the amount required to settle an obligation should be reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Expected future events may be particularly important in measuring provisions. For example, an enterprise may believe that the cost of cleaning up a site at the end of its life will be reduced by future changes in technology.

The amount recognized reflects a reasonable expectation of technically qualified, objective observers, taking account of all available evidence as to the technology that will be available at the time of the clean-up. Thus, it is appropriate to include, for example, expected cost reductions associated with increased experience in applying existing technology or the expected cost of applying existing technology to a larger or more complex clean-up operation than has previously been carried out. However, an enterprise does not anticipate the development of a completely new technology for cleaning up unless it is supported by sufficient objective evidence.

The effect of possible new legislation is taken into consideration in measuring an existing obligation when sufficient objective evidence exists that the legislation is virtually certain to be enacted. The variety of circumstances that arise in practice usually makes it impossible to specify a single event that will provide sufficient, objective evidence in every case. Evidence is required both of what legislation will demand and of whether it is virtually certain to be

enacted and implemented in due course. In many cases sufficient objective evidence will not exist until the new legislation is enacted.

Changes in Provisions

Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision should be reversed.

Use of Provisions

A provision should be used only for expenditures for which the provision was originally recognized.

Only expenditures that relate to the original provision are adjusted against it. Adjusting expenditures against a provision that was originally recognized for another purpose would conceal the impact of two different events.

Disclosure

For each class of provision, the Tea Board should disclose:

- (a) The carrying amount at the beginning and end of the period;
- (b) Additional provisions made in the period, including increases to existing provisions;
- (c) Amounts used (i.e. incurred and charged against the provision) during the period; and
- (d) Unused amounts reversed during the period.

The Tea Board should disclose the following for each class of provision:

- (a) A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits;
- (b) An indication of the uncertainties about those outflows. Where necessary to provide adequate information, the Tea Board should disclose the major assumptions made concerning future events,

And

- (c) The amount of any expected reimbursement, stating the amount of any asset that has been recognized for that expected reimbursement.

Definition of 'Current Liabilities'

A company's debts or obligations that is due within one year. Current liabilities appear on the company's balance sheet and include short term debt, accounts payable, accrued liabilities and other debts.

COMMON FORMAT

SCHEDULE 7 – CURRENT LIABILITIES AND PROVISIONS

A. CURRENT LIABILITIES

1. Sundry Creditors: The amounts to be shown against this sub-head shall comprise amounts owed by the Board in favour of others

- For Goods- Amounts on accounts of goods purchased or services rendered or in respect of obligations. These needs to be
- Others- Segregated for goods purchased or services rendered or in respect of contractual obligations.

This need to be segregated for goods and services and is to be shown separately.

Suggestion

When the Board purchases goods or services, the amount that the Board owes comes under the sub head Sundry Creditors. Sundry Creditors for goods and others are to be treated separately in Balance Sheet. Creditors are to be shown under Current Liabilities and provision of Schedule 7 of Common Format.

When the Board purchases any fixed asset or inventory or takes service on credit basis, the board becomes liable to pay money to the party from whom the same is purchased or service is taken. The following entry should be passed on making the transaction:

Asset/inventory/service A/c Dr

To Vendor A/c

When amount is paid to the vendor the following entry should be passed:

Vendor A/c Dr

To Bank A/c

The balance of Vendor A/c becomes part of current liabilities and it is to be shown in Schedule- 7 of Balance Sheet.

2. Advances Received: The liability against this sub-head shall comprise amounts received in respect of which goods or services have yet to be supplied/ rendered or for which value has yet to be given, and includes advance subscriptions.

Procedure to be followed

Advance Received are the sums that is received before the fulfillment of an obligation. In other words it means the amounts received in respect of goods or services that are yet to be supplied or rendered. Revenues received in advance are reported as a current liability if they will be earned within one year. Since it is a liability it is shown under Current Liability and Provision of Schedule 7 of Common Format.

Accounting Entries:

Entry for Advance received-

Bank A/c Dr

To Advance Received A/c/security money received

When advance is repaid-

Advance Received A/c Dr

To Bank A/c/security money received

The Non Plan Fund (TBTF) of Tea Board may owe money to other Plan Directorates for advances taken from the latter. This is recorded under the head Payable to other Schemes.

When advance is taken from other schemes the other scheme becomes creditor of the scheme taking the advance. The following entry should be passed in this respect-

Bank A/c Dr

To Scheme A/c (Name of the scheme giving the advance)

When money is repaid the entry passed above should be reversed.

The balance of Scheme A/c should be reflected in the Balance Sheet under the head Current Liabilities (Schedule-7)

3. Interest accrued but not due: Includes interest accrued up to the year-end but not due on

a) Secured Loans/Borrowings secured/ unsecured loans and borrowings.

b) Unsecured Loans/Borrowings

These interests relate to the loans taken by the Board for which interest is unpaid till the last day of the financial year. The following entry is to be passed in the books for such interest:

Interest A/c Dr

To Outstanding Interest A/c

The Outstanding Interest is a liability to the Board and therefore forms part of Current Liability. This can also be shown under respective loan heads. But, as it is payable within one year, it is appropriate to show it under this head.

4. Statutory liabilities: These comprise of liabilities in terms of the Central/State laws governing the entity and includes unpaid liability for TDS under IT Act, 1961, statutory bonus, provident fund, pension, gratuity, ESI, sales tax, excise, custom duty and other statutory levies.

In case of Tea Board, there are no such statutory liability except Tax deducted at source while payment of salary to the employees and undergoing a contract. If TDS remains unpaid

till the end of the year, it should stand in the books as a liability. The entry for deduction of TDS and creation of a liability for the same is shown below-

Salary A/c Dr	100 (for example)
To TDS A/c	25
To Bank A/c	75

Therefore, here amount of Rs. 25 remained unpaid i.e. it is due but not paid yet so it should appear in the balance sheet under the head current liabilities (Schedule-7)

For TDS

The TDS is to be deducted on the contract value as per the income tax Act 1961.

Vendor A/c	DR
To TDS payable	

The Following Entry should be made while making the payment of TDS and as per existing Income tax act the same has to be paid within 7 of the Next month in which the deduction was made.

TDS payable	A/c	Dr
To Bank		

(Being Paid in the Account of Government)

The Balance appearing in the TDS payable ledger will be reflected under this schedule. Similarly entries related to Professional tax, Employees contribution to New pension scheme etc.

Statutory liability comprises of liability in terms of the central / state laws governing the entity; and includes the unpaid liability for TDS, Bonus, PF, pension, ESI, interest to SSI units on their overdue, sales tax, excise, custom duty and other statutory dues.

5. Other current liabilities: These would include amounts not covered by the other sub-heads. Any material amount included under this sub-head may be separately shown indicating the nature thereof.

Overdrawn bank balances as per books, where the entity does not have any sanctioned limits/ overdraft facilities, shall also be included under this sub-head, or separately disclosed as "Overdrawn bank balances in excess of book balances".

Notes: A Current Liability is one which falls due for payment within a relatively short period, normally not more than 12 months.

The Tea Board has further following other current liabilities:

BILLS PAYABLE:

In case of Tea Board, bills payable consists of amount which becomes due in respect of Salary, Allowances and retirement benefits to the employees and pensioners in the month of March which is paid in the month of April. The Tea Board becomes liable to pay the same to the payees.

The following entry is to be passed on amount becoming due in the month of March:

Salary/Allowances/Pension A/c Dr

To Bills Payable A/c

This is shown in the balance sheet of Tea Board under the head Other Current Liabilities.

EARNEST MONEY:

When contract for printing, machinery, any purchase of service or goods etc. are to be given, the Board asks for tenders with an amount of security deposit to assure completion of contract. This amount deposited by contractors is known as earnest money.

EXAMPLE:

- ✓ The Board has requested for contract of printing & machinery with security deposit of Rs. 5000 and received tenders from 10 contractors with deposit of Rs. 5000 in Board's Account. Show its treatment in books of accounts.

⇒ The Cash Section should pass an entry in Cash Book for money received from all the contractors as shown below:

Bank A/C Dr. 50000

To Earnest Money A/C 50000

The Board should select tender with lowest amount and return earnest money received from remaining contractors and Cash Section should pass following entry:

Earnest Money A/C Dr. 45000

To Bank A/C 45000

Tea Board has a co-operative society formed and maintained by its staff. The staffs and officers takes loan from co-operative society of which they are member and at the end of each month according to the schedule of installments given by co-operative society amount is deducted from salary of respective employee and paid to co-operative society.

- **Life Insurance Salary Saving Scheme(LISSS):**

Life Insurance Salary Saving Scheme (LISSS) refers to a scheme which all the members of the organization subscribe. Under this scheme a portion of the salary is deducted for the collection as insurance premium which is paid to the insurance companies on demand.

- **Suspense Receipt:**

Amount taken as advance by deputation staff (Deputy Chairman, Chairman, Chief Accounts Officer, Financial Advisor and Deputy Staff abroad-Dubai, Moscow and London) from parent department is deducted from their salary received from department they work in. This deduction is a kind of receipt for latter department and so called as Suspense Receipt. This receipt is transferred to parent department from time to time.

- **Professional Tax**

Professional Tax is the tax which is deducted from the salary of the employee, in accordance with term and conditions of their employment. Professional Tax is deducted as per slab prescribed by the competent authority. The slab rate differs from employee to employee of the organization.

- **Group Savings Life Insurance scheme:**

Group Saving Life Insurance Scheme refers to the insurance scheme adopted by the organization under which monthly insurance premium is deducted from the monthly salary on the basis of various categories depending upon their salary and grade pay.

- **Employees 'contribution for new pension scheme**

New Pension Scheme (NPS) is a defined contribution based pension system launched by Government of India with effect from 1 January, 2004. This scheme is applicable to all Central Government employees except Armed Forces. Here, the Board and the employees are required to contribute equal amount which is calculated as percentage of (Basic Pay + Dearness Allowance). The contribution to be made by the employee is deducted from his salary every month.

- **Employees' Contribution to General Provident Fund**

All the employees of the Board who have joined before 1 January; 2004 are entitled to General Provident Fund. The contribution to this scheme is made only by the employees of the Board at a specified percentage (Calculated as percentage of Basic Pay + Dearness Allowance). The contribution to be made by the employee is deducted from his salary every month.

Accounting Treatment:

When particular deduction is made from the salary of any staff by the related department, the entry to be passed is as under:

Salary A/c Dr

To "Particular" Deduction A/c

When the above deducted amount remains unpaid to the respective payee:

"Particular" Deduction A/c Dr

To Bank A/c

The unpaid deducted amount, if any of the year is showed as current liabilities in the financial statement of the respective year accordingly.

Undisbursed/ Outstanding Salary and allowances

Undisbursed salaries and allowances refers to outstanding amount of salaries and allowances which has not been paid and is therefore treated as an outstanding amount.

Accounting Treatment:

Salary/Allowance A/c Dr

To Outstanding Salary/Allowance A/c

However, since Tea Board maintains manual set of books so the entry passed presently is as follows which is correct from Manual Accounting perspective.

Cash A/c Dr

To Undisbursed Salaries & Allowances A/c

Since the Tea Board is liable to make the salary and other statutory payments to the employees, any amount which remains unpaid during the year is liability for the Tea Board and therefore the undisbursed salaries & allowances are recorded in the balance sheet as part of other current liabilities (Schedule-7).

B. PROVISIONS

1. For Taxation: Provision needs to be made and retained based on the status of Tax matters as at the year-end. Tea Board is exempt from Income Tax as of now. Therefore no provision for taxation is required to be made.

2. Gratuity Provision: For liability towards gratuity payable on death/retirement of employees needs to be accrued on actuarial basis, and provided up to the year-end.

3. Superannuation/Pension: Provision for liability payable towards superannuation of employees needs to be accrued on actuarial basis, and provided up to the year-end.

4. Accumulated Leave: Provision for liability towards accumulated leave encashment of employees needs to be accrued on actuarial basis, and provided up to the year-end.

5. Trade Warranties/Claims: Where the entity is manufacturing/ processing goods for sale, it may be liable to trade warranty risks, which need to be provided for on a reasonable/rational basis

6. Others: These need to be specified, and shall not include provision for doubtful debts/advances, which shall be reduced from the relevant asset heads.

Notes: Provision is an amount written off or retained by way of providing for depreciation or diminution in the value of assets, or retained by way of providing for a known liability, the amount of which cannot be determined with substantial accuracy.

Accounting Treatment

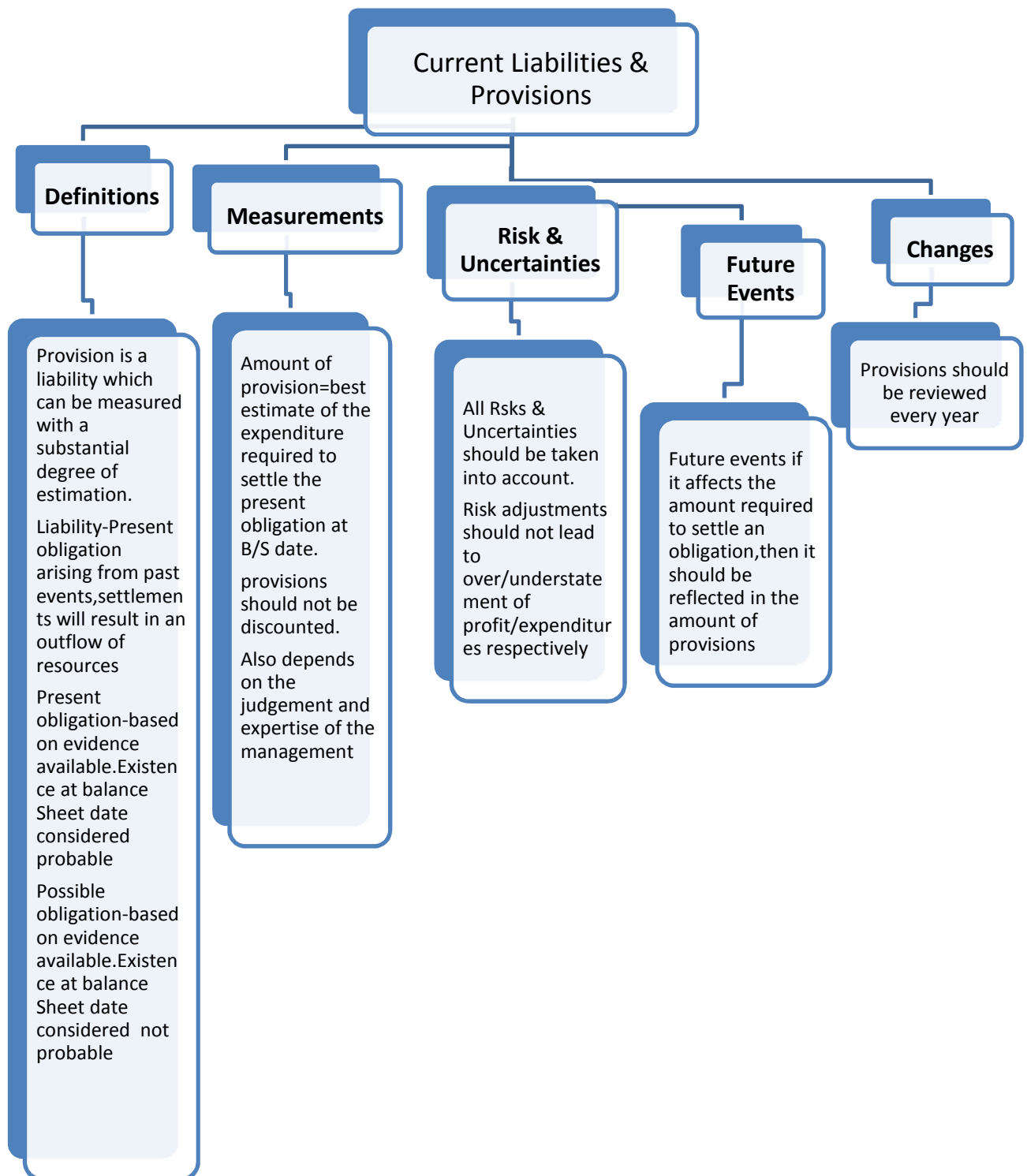
Expense A/c Dr

To Provision for Expense A/c

SCHEDULE 7- CURRENT LIABILITIES AND PROVISIONS

	Current Year		Previous Year	
A. CURRENT LIABILITIES				
1. Acceptances				
2. Sundry Creditors:				
a) For Goods				
b) Others				
3. Advances Received				
4. Interest accrued but not due on:				
a) Secured Loans/borrowings				
b) Unsecured Loans/borrowings				
5. Statutory Liabilities:				
a) Overdue				
b) Others				
6. Other current Liabilities				

TOTAL (A)				
B. PROVISIONS				
1. For Taxation				
2. Gratuity				
3. Superannuation/Pension				
4. Accumulated Leave Encashment				
5. Trade Warranties/Claims				
6. Others (Specify)				
TOTAL (B)				
TOTAL (A+B)				



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Provisions

A provision is a liability of uncertain timing or amount.

Recognition

A provision should be recognized when:

- (a) An entity has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The risks and uncertainties that surround many events and circumstances shall be taken into account in reaching the best estimate of a provision

If these conditions are not met, no provision shall be recognized.

In rare cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period.

Measurement

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the liability. However, even in such a case, the entity considers other possible outcomes.

Disclosure

- A detailed itemized reconciliation of the carrying amount at the beginning and end of the accounting period comparatives are not required
- Brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits

- An indication of the uncertainties about the amount or timing of those outflows
- The amount of any expected reimbursement

Contingent Liabilities

An entity should not recognize a contingent liability but disclose it unless the possibility of an outflow of resources embodying economic benefits is remote. Where an outflow becomes probable for an item previously dealt with as a contingent liability a provision is recognized.

Disclosure

- Brief description of the nature
- Estimate of the financial effect
- Indication of uncertainties relating to the amount or timing of any outflow
- The possibility of any reimbursement

Contingent Assets

An entity should not recognize a contingent asset. A contingent asset should be disclosed where an inflow of economic benefits is probable. When the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate in terms of the Framework.

Disclosure

- Brief description of the nature
- Estimate of the financial effect

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