

FOOD CORPORATION OF INDIA  
HEAD QUARTERS : NEW DELHI

No. Accts/9(24)/92

Dt : 20.4.1993

**CIRCULAR NO. 629/ACCTS.**

Attention is invited to Headquarters no. 619/Accounts, dt. 22.1.1993 followed by clarification sent vide letter dt. 2.4.93 and 15.4.93 issued in view of the changes incorporated in the accounting policies under item 3 para 5 (d) regarding provisions of liability for accrued expenses. According to changes in accounting policies, no provision for accrued expenses is made in the accounts where the individual bill/claim is less than Rs. 1 lakh. In order to avoid confusion, it is clarified that these changes viz limit of Rs. 1 lakh will not apply for purchase of foodgrains, and other commodities and procurement incidentals in case of Indg. procured stocks and port clearance charges, ocean freight, marine insurance for purchase of imported foodgrains and other charges which are absorbed in SLS, since closing stock valuation will be affected. Purchase should be accounted for the gross amount even in case of liability is less than Rs. 1 lakh after taking quality cuts which should be accounted for in the year of purchase. This limit should also not apply for this transaction and milling charges for conversion of paddy into rice and the expenses incurred on account of cost of gunny including amounts towards recovery of cost of surplus gunnies absorbed in SLS. This limit shall also not apply to fixed assets purchased even if the cost of such assets is less than Rs. 1 lakh. Purchase of sundry articles which are debitible to revenue item of misc. and other expenditure shall be governed by the changed procedure.

Considering all these aspects following additions may be inserted at the end of para 2.3.10, para 13.2.1(b) and 13.2.1(c) of Accounts Manual as substituted in circular no. 623/Accounts dt. 5.3.93.

Para 2.3.10 and 13.2.1(b). For all the claims and bills towards purchase of goods and services for procurement incidentals including port clearance charges ocean freight, marine insurance considered as trading transactions and purchase of assets, liability should be provided irrespective of the amount involved in the transactions.

13.2.1(c) : Estimated liability towards purchase of goods assets and services for purchase incidentals considered as trading transactions should be provided irrespective of the amount involved in the transactions.

Sd/-  
JOINT MANAGER (A/cs)