

THE FOOD CORPORATION OF INDIA
HEAD QUARTERS : NEW DELHI

No. Accts/9(24)/93

DT : 7.2.1994

CIRCULAR NO. 647/ACCTS.

Based on review of previous year accounts and past experience the following Accounting Policies have been reviewed and clarifications / amendments are given under, which are effective from 1.4.93.

1. Para 1(a)

In respect of imported foodgrains, seller may be more than one party at the loading port in respect of a particular vessel. In that event, accounting policies enunciating for accountal of purchases as per dates of bills of lading for the same vessel hold good. For this purpose, the date of bill of lading is considered as the date of sailing. Whereas in case of mother vessel and daughter vessel the date of mother vessel should be the criteria for accountal of purchase. In case the bill of lading for mother vessel/super tanker is dated on or before 31st March, this shall be accounted for as purchases in the relevant financial year. The dates of bill of lading of daughter vessels are not relevant since the mother vessel/super tanker already stands included as purchases.

2. 1(b)

As per existing policy despatch money earned at the unloading port in case of import of foodgrains is accounted for on the basis of provisional time sheets where the final sheets are not available and for the loading port it is accounted for only on receipt of the final time sheet. However, in case of export of foodgrains the despatch money earned at the loading port is accounted for on the basis of provisional time sheets. Despatch money earned and demurrages incurred are being treated as P & L items so far. But these items of income and expenditure are to be adjusted against the ocean freight and should form part of the purchase cost of imported stocks and closing stocks should be valued accordingly considering these elements along with other costs incurred for stevedoring and port clearance charges. Hence, despatch money earned in case of imports and demurrages should be exhibited under Ocean freight for imported stocks (correction slip for addition/deletion of the relevant account heads under issue).

Para 5(a) be read as under :-

Liabilities other than those relating to Central/State Govt. which have not been claimed within a period of three years, are generally written back. However, this limitation will not be applicable to Central/State Govt. liabilities which are valid for 30 years and also to the claims/counter-claims

of State Govts., Agencies, where there are continuing transactions and where accounts are pending reconciliation/claims are pending acceptance.

3. Para 5(d) be read as under :-

No provision for accrued expenses is made in the accounts where the individual bill/claim is less than Rs. 1,00,000/-. However, this limit is not applicable for purchase for foodgrains, procurement incidentals, port clearance charges and acquisition of fixed assets.

4. Para 5(e) be read as under :-

Contingent liabilities (Claims against the Corporation not acknowledged as debts) are disclosed in each case above Rs. 1 lakh.

5. Para 9(a) be read as under :

The word 'weighted' has been added before average and may be read as under :

According to the Food Corporation Act, 1964, the closing stocks are required to be valued at lower of the cost or market value. However, the Corporation has been valuing the closing stocks other than fertilizers consistently at the weighted average acquisition cost irrespective of the issue prices of these commodities. In cases where stocks comprise of both indigenous and imported varieties of a particular commodity, the stocks are valued at Common Weighted Average Acquisition Rate/Cost. The issue prices of those commodities handled by the Corporation on behalf of the Govt. of India are subsidised price and do not represent the market values. The issue prices in respect of other commodities are generally based on the acquisition cost. In the case of fertilisers the closing stocks are valued at pool issue prices as the purchases are effected at the pool issue prices.

6. Differential freight on gunnies purchased

According to the existing procedures the railway freight paid to the Jute Millers against purchase of gunnies by the FCI, from despatching station to destination railway station are accounted for as freight on purchases (Head of Account 12.020). But payment of under-charges or differential freight paid at destination station in case of diversion etc., are being accounted for under freight account 13.109 railway freight on new gunnies. It has been observed that this additional freight is not being absorbed in SLS of New Gunnies which is not a correct procedure. The additional freight forms part of acquisition cost and as such, should be included in SLS of New Gunnies.

Units should ensure that instructions as issued above are followed scrupulously.

Sd/-
(M.V. AVADHANI)
JT. MANAGER (ACCTS.)