

## **Note No - 44**

### **SIGNIFICANT ACCOUNTING POLICIES - 2014-15**

#### **1. FINANCIAL STATEMENTS**

The financial statements are prepared under the historical cost basis and conform to generally accepted accounting practices and policies in India. These statements have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentation requirements under the Companies Act, 2013 except specified otherwise.

#### **2. BASIS OF ACCOUNTING**

Income and expenses are accounted for on accrual basis except the following which are recognised on cash basis:

- a) Claims for refund of excess insurance premium on open policies.
- b) Interest on loans to subsidiaries and on delayed payments of sales/ trade finance where realization is doubtful.
- c) Export benefits.
- d) Interest realisable from the items handled on Government account.
- e) Dividend on investment.
- f) Liquidated damages
- g) Claims lodged with Insurance Companies

#### **3. USE OF ESTIMATES**

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.

#### **4. TRANSACTIONS IN FOREIGN CURRENCIES**

- a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.
- b) All monetary items denominated in foreign currencies at the year-end are translated at year-end rates. In case of monetary items where the

closing rate is unrealistic, translation rate is estimated based on past trend and expected realization/disbursement.

- c) Non-monetary items other than fixed assets denominated in foreign currencies are reported on exchange rate at the transaction date. Fixed Assets are reported on exchange rate as at the transaction date as increased/reduced by the exchange difference arising on the corresponding foreign currency liability.
- d) Income or expense on account of exchange difference on settlement or translation is recognized in the Profit & Loss Account. Premium or Discount on forward exchange contracts is recognized on pro-rata basis with reference to the life of the forward contract except for forward covers taken at the behest of Business Associates, in which case the premium or discount is recognized at the inception of the forward exchange contract on matching principles since the corresponding transactions with the Associate are carried out based on the forward rate.

**5. FIXED ASSETS**

Fixed Assets other than land & building are stated at historical cost less accumulated depreciation and impairment. Land & building are stated at revalued amount.

**6. INTANGIBLE ASSETS**

Cost incurred on Intangible assets, resulting in future economic benefits are capitalized as Intangible Assets and amortized on straight-line method beginning from the date of capitalization.

**7. DEPRECIATION AND AMORTISATION**

- a. Depreciation on fixed assets is provided in accordance with the rates as specified in Schedule II of Companies Act 2013 on straight-line method.
- b. Leasehold land is amortised over the lease period. Land on perpetual lease is not amortised.

**8. IMPAIRMENT OF ASSETS**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value and impairment loss is charged to Profit and Loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

## **9. INVESTMENTS**

- (i) Long term investments are carried at cost. When there is a decline (other than temporary) in the value of long term investments, the carrying amount is reduced to recognise the decline.
- (ii) Current investments are carried at the lower of cost and fair value.

## **10. INVENTORIES**

Inventories are carried at lower of cost and net realizable value. Cost is determined as (a) on weighted average method in respect of inventories pertaining to own business and items handled on govt. account under PDS or otherwise, (b) on actual cost as per specific identification method in respect of items handled on back to back arrangement with business associates. (c) Goods-in-transit valued at CIF cost. Cost includes cost of procurement (excluding element of self-insurance, if any), duties, taxes and cess and all direct and indirect costs incurred to bring the stocks to the condition as at the time of valuation. Net realizable value is the estimated price realizable in the ordinary course of business less further costs to be incurred for completing the sale. Estimates of net realisable value are based on the most reliable evidence available at the time of estimation as to the amount the inventories are expected to realize and also take into consideration fluctuations of price or other factors affecting the realizable value including events occurring after balance sheet date to the extent that such events confirm the conditions existing at the balance sheet date.

## **11. COST OF SALES AND SALES**

- a) Purchases and sales are recognised on the performance of contracts.
- b) In cases where contracts provide for crystallization of price or for price adjustment on a subsequent date, corresponding purchase and sales are booked on the basis of expected settlement price and any differential determined subsequently is accounted for at the time of final settlement. Cost of Sales and Sales are accounted for considering all costs and elements including usance interest on supplier's credit as provided for in the contract and incurred till the date of recognition including expenses incurred by and surplus accruing to Associates as per contract terms.
- c) In respect of back-to-back / tripartite / joint-execution / third party arrangements, purchases and sales are booked on the basis of documents furnished by the Business Associate as adjusted for the fixed trade margin accruing to the Company.

- d) Sales include transactions under third party arrangements and counter-trade obligations met by exports through the Company.
- e) In case of dealings on behalf of the Government (including consignments under Government's Gift / Grant Scheme), purchases and sales and incidental expenses or income thereof are accounted for under the respective head of accounts. Surplus or deficit to Government Account, after adjusting service margin accruing to the Company, is adjusted in Cost of Sales or Trade Income respectively.

## 12. CLAIMS

Claims are recognized in the Profit & Loss Account if there is no uncertainty relating to its ultimate realization. Claims recognized in Profit & Loss Account but subsequently becoming doubtful are provided for through the Profit & Loss Account.

## 13. SELF INSURANCE

The Company covers certain commodities handled by it on selective basis under its self-insurance scheme. The surplus of premia realised to cover the risk of commodities over the related claims and reinsurance premia paid to outside agencies to cover the risk of claims is included under the head 'Other Income (Trade)'. No provision is made in respect of unexpired risks and claims are accounted as expenditure when reported.

## 14. EMPLOYEE BENEFITS

- a. Short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.
- b. Employees' benefit, under defined contribution plan comprising provident fund & pension fund is recognized based on the undiscounted obligation of the company to contribute to the plan. The same is paid to a fund administered through a separate trust.
- c. Retirement Benefits:
  - i) Company's contributions to Gratuity Trust Fund and liability towards Leave Encashment and Half Pay Leave are provided on accrual basis. Gratuity, Leave Encashment and Half Pay Leave are determined on the basis of actuarial valuation undertaken as at the year end.
  - ii) Liability towards Post-retirement Medical Benefits is provided based on actuarial valuation as at the year end.

d. Other Long Term Benefits:

Other long term benefits i.e. Long Service Award are determined on the basis of actuarial valuation undertaken at the year end.

e. Termination Benefits:

Retirement benefits under voluntary retirement scheme is written off in the year in which opted.

**15. PROVISION FOR DOUBTFUL DEBTS**

Provision for doubtful debts / advances /claims is made where there is uncertainty of realization irrespective of the period of its dues. For outstanding over three years (except government dues), provision is made unless the amount is considered realizable as per management estimate.

**16. RESERVES**

- a) Exchange Fluctuation Reserve represents exchange fluctuation gains on treasury operations set aside to meet future losses, if any.
- b) Export/Import Contingency Reserve is appropriated out of profits to meet unforeseen losses in respect of export/import operations.

**17. EXHIBITIONS AND FAIRS**

The cost of samples and other items acquired for various exhibitions and fairs in India and abroad are charged to revenue in the year in which incurred.

**18. EXPENSES ON COMMON SERVICES**

Recovery of expenses in respect of certain common services between the Company and its erstwhile subsidiaries is based on turnover/contract concluded/occupancy/ utilisation of manpower as is considered appropriate to the nature of expense recovered.

**19. BORROWING COSTS**

Borrowing costs attributable to acquisition or construction of qualifying assets upto the date the assets are ready for their intended use are capitalized as part of cost of such asset. All other borrowing costs are recognized as expense of the year in which incurred.

**20. TAXES ON INCOME**

- a) Current tax is provided on the basis of taxable income determined under the Income Tax Act, 1961.

- b) Deferred tax is recognised, subject to the consideration of prudence, on timing difference. Deferred Tax Assets and Liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

**21. CASH FLOW FROM OPERATING ACTIVITIES**

Cash Flows relating to trade finance provided by Business Associates or the Company for execution of trading contracts including utilization of the finance towards fixed deposits with banks for opening letters of credit in favour of suppliers and refund/payment/recovery of interest thereon as per the terms of Contract are treated as part of Operating Activities.

**22. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:**

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if the following conditions are satisfied:

- i) The company has a present obligation as a result of past event,
- ii) A probable outflow of resources is expected to settle the obligation and
- iii) The amount of the obligation can be reliably estimated.

Contingent liability is disclosed, if

- i) The company has a possible obligation as a result of past event,
- ii) The Probability of out flow of resources is not remote,
- iii) No reliable estimation of such obligation is possible.

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

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Branch Auditors

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Head of Finance

(                    )  
Branch Manager

Place:  
Date: