

No. VI(I)62/99(P-VI) 2815 / Audit-8/Dated:- 11.5.2004

C I R C U L A R

Sub:- Accounting treatment of grants and Subsidies.

In this Directorate Circular No.6210 dt.18.7.02 detailed guidelines for accounting treatment of capital grant and subsidies meant for utilisation by the Coop. institutions have been prescribed. It is stipulated therein that the grants- in-aid and subsidies received from Govt. or any other agencies meant for acquisition of specified assets of any Coop. institution is to be kept in a "speciall & Reserve" in the liability side of the Balance sheet by creating equal amount of capital asset on the asset side. The depreciation charged on this acquired asset is to be apportioned from this Special Reserve through transfer to P/L account. Thus, till the Special Reserve of grant or subsidy is exhausted by apportionment of depreciation, the value of specified fixed asset acquired will remain intact.

The grant and subsidies given for Specified categories of revenue expenses are to be credited to P/L account & if utilised for the purpose during the year. Any unspent amount should be kept as a liability till the same is spent under proper head.

The above circular instruction is clearly meant for utilisation and accounting treatment of grants and subsidies received for the institution itself and not for the online grant and subsidies routed through Coop. institution which are meant for beneficiaries under different schemes of Govt. As such grants and subsidies meant for beneficiaries under different schemes and to be given to them on fulfilment of conditions of the scheme (e.g. back-ended subsidy schemes

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where the subsidy will continue to ~~sub~~ remain with the Cooperative institution, but shall be paid to the beneficiaries only at the end of the project and liquidation of the outstanding loan amount, if any, linked to this subsidy) ^{the} Coop. institutions through which the same are routed are only custodian of the grants and subsidies for certain period i.e till the amount is passed to the actual beneficiary. If the amount is not spent in time quoted in the scheme or if the beneficiaries are not available or if any amount remains unused for any reason and not possible to be utilised as per scheme, the same unutilised amount is to be returned to the Govt. or concerned agency who granted the amount. It is very clear that the grant and subsidies not meant for acquisition of capital or for revenue expenses of any organisation is not the fund or capital of the same organisation. Therefore, this can not be treated as Special Reserve or can not be taken to P/L account of the concerned organisation. But it is observed that some Coop. institutions like Boudh, C.C.B. Ltd., have taken the grants and subsidies etc., meant for beneficiaries other than the Bank itself to other Reserve" and thereby inflated its own capital to the extent of un-utilised grant and subsidies. Of course in the audit report of the Bank for 2002-2003, this "Other Reserve" is not taken to own Capital. But in absence of details of purpose for which such grant and subsidies are received and which is rolling since year together the amount is shown under "other Reserve" in the balance sheet as on 31.3.2003 with direction to the Bank to present the details before next audit for correct reflection in financial statement for 2003-2004.

It is therefore, impressed on all Coop. institutions to show the online grant and subsidies received from Govt. and other agencies meant for beneficiaries other than the institution itself under "Sundry creditors" till the same is utilised as per scheme/ sanction order or till

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or till return of unutilised grant and subsidies to Government or ~~the~~ other sanctioning agencies.

This circular instructions should be strictly followed by all Coop. institutions in the State with immediate effect.

T.R. Dash
Auditor General of C.S., Orissa.

Memo No. 2816 (7) / Dated: - 11.5.2004

Copy forwarded to the Registrar of C.S.(O)/ Director of Textiles and Handlooms Orissa/ Director of A.H. & V.S., Orissa/ Director of Fisheries, Orissa/ Director of Handicrafts and cottage Industries, Orissa/ Director of Industries, Orissa/ Director of Agriculture and Food Production Orissa for information and necessary action. They are requested to instruct their field functionaries to circulate the circular instructions amongst the Coop. institutions functioning under their administrative control.

11.5.2004
Memo No. 2817 (55) / Dated: - 11.5.2004 Joint Auditor General of C.S.(O).

Copy forwarded to the Managing Director's of all Apex Coop. Institutions/ Secretaries of All C.C.Bs/ Secretaries of all U.C.Bs for information and necessary action.

11.5.2004
Memo No. 2818 (16) / Dated: - 11.5.2004 Joint Auditor General of C.S.(O).

Copy forwarded to all Asst. Auditor General of C.S. of Circles for information and necessary action. They are requested to circulate this circular amongst the auditors of respective circle for their information and guidance.

11.5.2004
Memo No. 2819 / Dated: - 11.5.2004 Joint Auditor General of C.S.(O).

Copy submitted to the Commissioner-Gum-Secretary to Government of Orissa, Cooperation Department for favour of kind information.

11.5.2004
Memo No. 2820 (80) / Dated: - 11.5.2004 Joint Auditor General of C.S.(O).

Copy to All Auditors of Apex Coops. Including C.As/ G.F./ Audit-1/30 S.C.

Dash. 5.5.2004.

11.5.2004
Joint Auditor General of C.S.(O)

