

**Capital Reserves (Schedule 2) to be merged with Capital Fund (Schedule 1)**

It has been decided with the approval of the Competent Authority that since the concept of 'Capital Reserves' is not relevant for Autonomous Organizations, the present practice in ICAR showing value of assets acquired/donated out of Sponsored Projects (book value) fund should be discontinued. **It should be shown as additions to the Capital Fund. Depreciation on account of these assets may also be charged to Income and Expenditure Account.**

Accordingly, the units may follow the following:

- a). The **closing balance 2013-14** of **Schedule 2-Capital Reserve** being transferred to **Schedule 1-Capital Fund** should be shown against the head 'Less/Add: Adjustments to/from Capital Fund' along with any other adjustment figures to capital fund. Details of such adjustments should be disclosed in Schedule 23-Notes to Accounts. It must be noted that the opening balance of Schedule 1 -Capital Fund **MUST STRICTLY** be the value of closing balance 2013-14.
- b). The value of assets acquired out of Sponsored Projects/ Schemes (Deposit Schemes) during the year on cash basis should be capitalized against the newly created head in Schedule 1: Funds of Sponsored Schemes utilized for Capital Expenditure.
- c). Accordingly, the entire depreciation shown in Schedule-5 should be charged to Income & Expenditure Account.
- d). Henceforth, Capital Reserve would contain NIL transaction/ value.

**INDIAN COUNCIL OF AGRICULTURAL RESEARCH  
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**Sub-schedule to Schedule 3 giving details of Earmarked / Endowment Funds**

*(Amount in Rupees)*

|                                      | Name of Earmarked/<br>Endowment Funds | Opening<br>Balance | Receipts<br>during the<br>year | Total<br>funds | Expenditure during the<br>year |                        | Total<br>Expenditure | Refunds<br>during<br>the year | Closing<br>Balance |
|--------------------------------------|---------------------------------------|--------------------|--------------------------------|----------------|--------------------------------|------------------------|----------------------|-------------------------------|--------------------|
|                                      |                                       |                    |                                |                | Capital<br>Expenditure         | Revenue<br>Expenditure |                      |                               |                    |
| <b>A) Earmarked Funds</b>            |                                       |                    |                                |                |                                |                        |                      |                               |                    |
|                                      |                                       |                    |                                |                |                                |                        |                      |                               |                    |
|                                      |                                       |                    |                                |                |                                |                        |                      |                               |                    |
|                                      |                                       |                    |                                |                |                                |                        |                      |                               |                    |
| <b>Total Earmarked<br/>Funds (B)</b> |                                       |                    |                                |                |                                |                        |                      |                               |                    |
| <b>B) Endowment Funds</b>            |                                       |                    |                                |                |                                |                        |                      |                               |                    |
|                                      |                                       |                    |                                |                |                                |                        |                      |                               |                    |
|                                      |                                       |                    |                                |                |                                |                        |                      |                               |                    |
|                                      |                                       |                    |                                |                |                                |                        |                      |                               |                    |
| <b>Total Endowment<br/>Funds (C)</b> |                                       |                    |                                |                |                                |                        |                      |                               |                    |
|                                      | <b>Grand Total (A+B)</b>              |                    |                                |                |                                |                        |                      |                               |                    |

Note: The Grand Total of this schedule should match with the Grand Total of Schedule 3.

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**Sub-schedule to Schedule 3 giving details of Sponsored projects / Schemes**

*(Amount in Rupees)*

| Sr. No. | Name of Sponsored Projects/ Earmarked/ Endowment Funds | Opening Balance | Receipts during the year | Total funds | Expenditure during the year |                     | Total Expenditure | Refunds during the year | Closing Balance |
|---------|--|-----------------|--------------------------|-------------|-----------------------------|---------------------|-------------------|-------------------------|-----------------|
|         |  |                 |                          |             | Capital Expenditure         | Revenue Expenditure |                   |                         |                 |
| 1       | 2  | 3               | 4                        | 5 (3+4)     | 6                           | 7                   | 8                 | 9                       | 10 (5-8-9)      |
|         |  |                 |                          |             |                             |                     |                   |                         |                 |
|         |  |                 |                          |             |                             |                     |                   |                         |                 |
|         |  |                 |                          |             |                             |                     |                   |                         |                 |
|         |  |                 |                          |             |                             |                     |                   |                         |                 |
|         | <b>Total</b>   |                 |                          |             |                             |                     |                   |                         |                 |

Note: Total closing balance of this schedule should match with the figure shown in Schedule 4-Current Liabilities & Provisions- A. Current Liabilities- 7. Other Current Liabilities- (C) Receipts against ongoing sponsored/ consultancy/ projects (Net)

**Finance & Accounts Officer**

Guidelines pertaining to Accounting for Margin Money against Letters of Credit in the form of Term Deposits with Banker

- a) In ICAR, the need for issuing Bank Guarantees very rarely arises.
- b) The Law in respect of Bank Guarantees and Letters of Credit is very stringent. The Law is that the Bank which issued the Bank Guarantee or established the Letter of Credit is responsible to pay the beneficiary (Bank Guarantee is invoked/ Letter of Credit is operated by the Supplier after supplying the goods by submission of documents listed in the L/C to the Advising Bank (his Bank) which in turn debits the opening / issuing Bank (in the case of ICAR, State Bank of India), irrespective of whether it is able to recover it from ICAR or not.

Banks therefore, have to safeguard to ensure that they do not suffer losses. One of the safeguards that the banks take is to ask the entity on whose behalf the Bank Guarantee is issued or the Letter of Credit is established, to deposit a margin money (max 100% of the value in the case of Bank Guarantees and 110% of the value in the case of Foreign Letters of Credit) in the form of Fixed deposits with the Bank. When the Bank Guarantee is invoked, the Bank debits ICAR's Account, with the payments made. It also has the right to recover it from the margin money.

Simultaneously, the Bank has to redeem the corresponding margin money (Fixed Deposit) held by it and credit the proceeds including interest to ICAR's account.

- c) Whenever Letters of Credit are required to be established in favour of suppliers, by the bank, on behalf of ICAR, the applications are sent by ICAR Accounts Department, to the bank. The bank establishes the L/C, debits ICAR's Bank A/c, with margin money, sets up Term Deposits for margin money in the name of ICAR and sends a Debit advice to ICAR (the FDRs themselves may not be sent by the bank to ICAR). L/C opening charges may be debited to ICAR's Bank Account by the bank.

As and when advices are received from the bank, about creation of FDRs (Margin Money) by debit to ICAR's Bank Account, it should be ensured that an entry is passed in the Bank Book (Payments side) debiting Margin Money – Term Deposits.

- d) To track these debits against Margin Money, a separate ledger account may be created in the system or manually with the head "Margin Money – Term Deposits with the bank".
- e) When data entry of vouchers and Bank Book entries relating to debits for margin money take place, the head "Margin Money – Term Deposits with the bank", automatically gets debits and the Bank balance gets reduced.
- f) When the Letters of Credit are operated by the Foreign Suppliers through their Banks, those Banks debit State Bank of India with payments made by them against the L/C. The local Bank will then debit ICAR's account with the rupee equivalent of the amount paid by them in Foreign Exchange to the Suppliers' Bank, and send a Debit advice to ICAR along with the documents

against the L/C received from the Foreign Bank. The bank also has the right to recover it from the margin money.

As and when such debit advices are received from the bank about payments against the relevant L/C, it should be ensured that an entry is passed in the Bank Book (payment side) debiting the Asset head or Laboratory Running Expenses (consumables) head, depending on the item imported.

- g) When data entry of vouchers and Bank Book entries relating to payments against Letters of Credit takes place, the ledger head "Fixed Assets" (eg. Laboratory Equipment), or "LRE (consumables)" automatically gets debited and the Bank balance gets reduced.
- h) At the time of payment against the L/C, the bank is required to redeem the corresponding Margin Money Term Deposit and credit the amount to ICAR's account along with interest for the period when the term Deposit was held, and also send a credit advice to ICAR giving full details about the credit.
- i) As and when such Credit advices are received from the bank, it should be ensured that an entry is passed in the Bank Book (Receipt Side), "Margin Money – Term Deposits with SBI" (with the principal) and "Interest on Margin Money Term Deposits" (with the interest amount).
- j) When data entry of the receipt vouchers/Receipt entries in the Bank Book, relating to redemption of margin money and the amount of interest on the Term Deposit, takes place, the ledger heads "Margin Money – Term Deposits with the Bank" and "Interest on Margin Money Term Deposits" automatically get credits and the Bank Balance increases.
- k) While entering the data in the relevant Ledger account about such investment, a computerized list of the FDs should be generated, based on the information in the Debit advice, about the date, the term, interest rate and the date of maturity. This list should continuously be updated as and when Debit advices are received from the bank and entries are made in the Bank Book/credit advices are received from the bank about redemption of Margin Money/ FD and entries are made in the Bank Book.
- l) A system should be in place for tracking every month, the FDs due to mature in the next month, to ensure that the bank has redeemed the FD, credited the Principal and interest to ICAR's Account and sent a Credit advice. Special care is to be taken in the month of March in view of the closing of the financial year for ensuring budget utilization and accounting thereof.
- m) The monthly Bank Reconciliation Statements should also be carefully scrutinized to ensure that no unlinked debits and unlinked credits in respect of Margin Money debits and credits and L/C payments remain.
- n) A certificate should be obtained from the bank, at the end of each financial year, showing the Term Deposits held by them against margin money as on 31<sup>st</sup> March. This should be compared with the computerized list generated in the Accounts section as well as the figure in the Annual Accounts against "Term Deposits (Margin Money)".

- o) It should also be ensured that interest accrued but not due as on 31<sup>st</sup> March on such unredeemed term deposits held against margin money, is provided in the Annual Accounts.
- p) To sum up:
  - i) Payment to the Suppliers against an L/C is made only when the Supplier supplies the goods. Till then no money changes hands between the Buyer (ICAR) and the Supplier.
  - ii) The net effect of establishing an L/C is that an Asset is created/consumables, spares, etc. are added to Inventory, through a reduction of ICAR's Bank balance.

Margin Money transaction has nothing to do with the Supplier. ICAR's funds, instead of lying in the Savings Bank Accounts, get converted into Fixed Deposits for specific periods and earn interest. Margin money is a safeguard taken by banks to ensure recovery from ICAR of the payments made by them to the foreign supplier through their banks.

Definition of items of various Schedules of Annual Accounts

• **Schedule 3 :**

1. Earmarked Funds: Earmarked Funds are funds which are kept aside for a longer term for meeting certain object/purpose. For e.g. Staff welfare Funds. These funds are generally invested and interest is also added to the fund. Expenditure is incurred for fulfillment of the objects of the funds which are debited to the fund.
2. Endowment Funds: Endowment Funds have almost all characteristics of Earmarked funds, but in almost all the cases the funds flow from external donors. In most of the cases, there is also a stipulation that only the interest income from the investment of the fund is used for meeting the expenditure on the object of Endowment. In rare cases, the corpus of the fund is also allowed to be used for meeting the expenditure on object of endowment. For e.g. Best Institute Award, Hari Om Ashram Award, etc.

• **Schedule 4 :**

3. Sundry creditors:
  - (a) For Goods: Bills pending for payment in r/o Fixed Assets and consumables
  - (b) For others: Bills pending for payment in r/o services rendered
4. Advances Received : Any advance received against the sale of produce
5. Deposit from staff:
6. Public Works Deposits:
7. Deposits others (EMD, Security Deposits): For EMD and Security Deposits exclusively.
8. Statutory Liabilities (GIS, GPF, TDS, Pension, Bonus, Sales Tax, Service Tax):
  - (a) Overdue: Beyond the due date of remittance
  - (b) Others: Within the due date
9. Other Current Liabilities:
  - (a) Salary Payable – Outstanding liabilities for Salary
  - (b) Outstanding liabilities for expenses - Outstanding liabilities for expenses other than Salary
  - (c) **Receipts against ongoing sponsored/ consultancy/ projects (Net)** - For Sponsored projects/ Schemes (Deposit Schemes) only
  - (d) Receipts against sponsored conferences/ Seminars (Net)
  - (e) Intellectual fee for distribution
  - (f) Loans & Advances
  - (g) Liabilities for stale cheques account
10. Unutilized grants from Govt. of India – to be refunded –Figures matching with Schedule 9A
  - (a) Plan
  - (b) AP Cess
  - (c) Non-Plan
11. Closing Balance of Internal Resource Generation - matching with Schedule 9B
12. Book overdraft in Bank account

- **Schedule -7 (a):**
  13. Sundry Debtors: Cash receivables on account of credit sales
  14. Advances and other amounts recoverable in cash or in kind or for value to be received:
    - (a) Advances to Supplies & Services: Any advances given to suppliers for consumables/ services (Revenue Expenses)
    - (b) Advances on Capital A/c: Any advances given on account of purchase of any fixed asset other than works (Capital Expenses)
    - (c) Advances on Works (Fixed Assets): Any advance given on works which result in creation of fixed asset (Capital Expenses)
    - (d) Advances on Works (Repairs & Maintenance): Any advance given on works which is given for Repairs & Maintenance of buildings and other structures (Revenue Expenses)
    - (e) Others : Any other advances given for revenue expenditure
  15. Deposits (Security): Any deposits made to Electricity, Water or such departments should be shown against the head 'Schedule 7 (B)(f)-Security. No figure however should be shown against 'Earnest Money' as ICAR does not participate in any bid process to pay earnest money deposits.
- **Schedule 13**
  16. Item 4. On debtors and other receivables: It should depict the interest recovered/to be recovered on the debtors / claims receivables already shown in Schedule 7. Details of receivables (transaction involving recovery of interest) may also be given.
- **Schedule 14**
  17. Item No. 3-Revenue Receipts from schemes: It may include the overhead charges received from the sponsored projects.
- **Schedule 15**
  18. Prior Period income: It relates to an income which does not pertain to the current year but has occurred in the current year, and for which the income was not provided for on accrual basis in the past years' accounts. The head of income needs to be specified clearly in the schedule, for e.g. Fee & Subscriptions.
- **Schedule 21**
  19. Prior Period Expenditure: It relates to an item of expenditure which does not pertain to the current year but has occurred in the current year, and for which the same was not provided for on accrual basis in the past years' accounts. The head of expenditure needs to be specified clearly in the schedule, for e.g. Repairs & Maintenance.

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**Important Note:** All the units are requested to note that their Annual Accounts 2014-15 must invariably contain **correct/revised** 'Plan Scheme code/number' in Annexure to Schedule 9(A-1). Further, the details sought in table under 'Schedule 19' and Annexure to Schedule 19 must be properly filled in and relevant document be provided.