

DELHI DEVELOPMENT AUTHORITY

[FINANCE AND EXPENDITURE]

F&E Circular No. 10/2017

Sub: Accounting Policy of DDA.


Vice-Chairman, DDA has been pleased to revise the existing Accounting Policy (Agenda Item No. 46/2003) as under with effect from 22.05.2017. This has been implemented in DDA's Annual Account, 2016-17 :-

EXISTING ACCOUNTING POLICY OF DDA	REVISED ACCOUNTING POLICY OF DDA
<p>6) Valuation of Stocks and Spares:</p> <p>a) Raw Land: At Cost. Cost represents cost of acquisition/purchase including compensation and incidental expenditure related to acquisition and taking possession of Land.</p> <p>b) Work in Progress: At actual expenditure incurred on development and construction including appropriate charge for overhead.</p> <p>c) Finished Stock: Built up units comprising of housing stock at standard cost at which expected to be sold, including land premium, less estimated cost of completion.</p> <p>Built up units acquired/purchased from external sources at cost or net realizable value whichever is lower.</p> <p>In case of other stock including developed land held for sale at disposal rates based on average tender/auction rates, less estimated cost of completion.</p> <p>d) Deposit/Contract Work :</p> <p>At the cost of work done including departmental charges recoverable as per terms of contract.</p> <p>e) Stores :</p> <p>At the issue rate determined for recovery from works adjusted for handling expenses related to issuance of material. Material lying with contractor being adjustable against contract work done at predetermined rates is treated as advance to contractor.</p>	<p>INVENTORIES: Inventories may be valued at lower of cost or net realizable value.</p> <p>i) Cost in respect of various types of inventories may be computed as under:-</p> <p>a) Raw Land: At acquisition/purchase cost including compensation and incidental expenditure related to acquisition and possession of land.</p> <p>b) Work in Progress: At direct cost and appropriate portion of overheads.</p> <p>c) Finished Stock: Built up units including Housing Stock at direct cost and appropriate portion of overheads.</p> <p>Built up units acquired/purchased from external sources at cost & incidental expenditure related to acquisition.</p> <p>In case of other stock including developed land held for sale at cost of acquisition and development and incidental cost thereon.</p> <p>Cost of inventories is determined by applying specific identification method.</p> <p>ii) Net realizable value is the estimated selling price in the ordinary course of business less the estimate costs of completion and the estimated costs necessary to make the sale.</p>
<p>11) RECOVERIES/PAYMENTS TO NAZUL ACCOUNTS :</p> <p>B. Land Premia for Schemes on Nazul Lands. : Land Premia in respect of Nazul Lands appropriated for various Schemes under General Development Account is booked as expenditure by credit to Nazul Account on completion of construction of the properties at the pre-determined rates as prescribed under the Nazul Rules.</p>	<p>11) RECOVERIES/PAYMENTS TO NAZUL ACCOUNTS :-</p> <p>B. Land Premia for Schemes on Nazul-2 Lands. :</p> <p>"Land Premia in respect of Nazul-2 Lands appropriated for various Schemes under General Development Account is booked as expenditure by credit to deferred liability account for land cost at Pre Determined Rates (PDR) as prescribed under the Nazul rules applicable on the date of start of construction of the project. This deferred liability is being updated based on prevalent Pre Determined Rates (PDR) applicable at the year end, till the completion of the project.</p>

	<p>Deferred liability account transferred to Nazul-2 account on completion of construction of the project at the then Pre Determined Rates (PDR) as prescribed under the Nazul rules."</p> <p>The above proposal is for land premia for schemes on Nazul-2 land subject to the condition that revision in this Accounting Policy may be effected for the schemes completed on or after 01.04.2016 in case of finalized stock. For inventory under schemes completed upto 31.03.2016, valuation may remain the same as already appearing in the Accounts.</p>
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Note:-**Consequences if the proposed Accounting Policy is Implemented: -**

- With the change in the accounting policy of land there will not be any change in the profit of the DDA because on the one side expenses will be booked and on the other side it will be part of the inventory.
- Change in the valuation of the inventory is to do the accounting in line with the Accounting Standard i.e. AS-2, which is also the requirement of tax law. DDA is filing its Income Tax return claiming the income as exempt under Section-11 of the Income Tax Act, 1961, any change in the profit due to change in policy would also be exempted.
- Due to change in policy of valuation of inventory, in the initial period, profit will be less because valuation will be at cost instead of at the realizable value. Consequently, in the initial period unutilized amount to be carried forward to be utilized in the next five years under Section 11(2) will also be comparatively less.
- An appropriate disclosure shall be made, of the impact on the annual accounts due to change in the aforesaid Accounting Policies in the Annual Accounts for the Financial Year 2016-17.

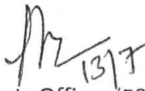

13/7/17
[Santosh Kumar]
Chief Accounts Officer

No. F.15(18)/02/DE/Accounting Policy/HAC/323

Dated: 13-07-2017

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Sr. Accounts Officer (F&E)