

**SCHEDULE – 20****SIGNIFICANT ACCOUNTING POLICIES****1) ACCOUNTING METHOD**

The Financial Statements are prepared as going concern, on historical cost basis, under double entry system in accordance with generally acceptable / applicable Accounting Principles / Standards in India, on accrual method.

**2) USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Difference between actual results and estimates are recognised in the period in which the results are known / materialized.

**3) FIXED ASSETS**

Fixed Assets are stated at cost less accumulated depreciation. Cost includes the purchase price and other directly attributable expenses for bringing the asset to its intended use.

**4) DEPRECIATION**

- a) Depreciation is provided as per the straight-line method at rates prescribed in Schedule XIV of the Companies Act, 1956, except in the case of Leasehold Land and Plant and Machinery.
- b) In case of Leasehold Land, the cost is amortized over the period of lease
- c) In case of Plant and Machinery depreciation is provided as per Straight Line Method at 13.57% per annum on the basis of useful life of the asset.
- d) 100% depreciation is provided on fixed assets costing less than Rs. 5000/-.

**5) INVENTORIES**

Inventories include Finished (Trading) Goods and Raw material and are valued as under:

- a) Handloom / Ready-to-wear (except at Chennai Branch), Handicrafts and Carpet inventories are valued according to specific identification method of accounting – at lower of purchase cost and net realizable value (arrived at after mark-down).

In case of Chennai Branch:

- Handlooms and Ready to wear inventories are valued according to FIFO method of accounting – at lower of purchase cost and net realizable value (arrived at after mark down).

- b) Mark-down

Unless the circumstances in any case demand a higher mark-down, as determined and approved by the Management, inventories are marked-down as below:

<b>Age of Stocks</b>	<b>Percentage of Mark-down</b>
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Below 1 year	-
1-2 years	25%
2-3 years	50%
Above 3 years	70%

- c) Gold and Silver stocks are valued at lower of landed cost and net realizable value.
- e) Stocks-in-transit (outwards) are valued at CIF/C&F/FOB value or purchase cost, whichever is less.
- f) Stocks-in-transit (inwards) are valued at purchase cost plus custom duty.
- g) Handloom fabrics and Ready-to-wear items purchased for sampling and converted into samples are taken at NIL value.
- h) Damaged stocks are written off.
- i) Stores, spare parts and packing material are valued at purchase cost.
- j) Stationary stocks are taken at NIL value.

#### **6) SUNDRY DEBTORS, LOANS & ADVANCES**

Full provision is made in respect of debit balances (except receivables from Govt. Departments and loans and advances to staff), outstanding for a period exceeding three years. Other debts are reviewed on a case-to-case basis and provided for wherever necessary.

#### **7) ACCOUNTING FOR FOREIGN CURRENCY TRANSACTIONS**

- a) Transactions in foreign currency (except those pertaining to fairs and exhibitions) are recorded at the rate of exchange prevailing at the time of the transactions / remittance rate. Any gain or loss on account of exchange differences on settlement is recognized in the Profit & Loss Account.
- b) Transactions pertaining to fairs and exhibitions abroad are recorded at the average rate of exhibition dates.
- c) Year end balances of Current Assets and Current Liabilities (except for bullion import transactions) in foreign currencies are converted at year-end exchange rates as under:
  - i) Debtors under collection and other debit balances (except debit balances in EEFC accounts and Doubtful Debtors, Loans & Advances) at the closing bill buying rates.
  - ii) Debit balances in EEFC accounts at the closing TT buying rates.
  - iii) Doubtful Debtors, Loans and Advances, or in cases where realisability is uncertain, no exchange variation is provided in the year-end.
  - iv) Current Liabilities (except Creditors) at the closing TT selling rates.
  - v) Creditors at the closing Bill selling rates.
  - vi) Current Assets and Current Liabilities of Bullion Import transactions at RBI reference rate.

Any gain / loss on account of exchange difference arising out of such conversions are recognized in the Profit & Loss Account.

- d) Forward Exchange Contracts – The premium or discount on forward exchange contracts is amortized as expenses or income over the life of the contracts. Exchange difference on such forward exchange contracts outstanding as at year end is recognized in the profit and loss account.

## 8) REVENUE RECOGNITION

### a) Sales

- i) Export sales excluding sales of gold/silver jewellery/items in fairs and exhibitions abroad are recognized at FOB value:
- In case of FOB Contracts, as per the date of airway bill/bill of lading, as the case may be.
  - In case of CIF/C&F Contracts, as per the date of negotiation of export documents with the bank.
- ii) Export sales of Gold/Silver Jewellery/Other items in fairs and exhibitions abroad are recognized at gross sale value converted into Indian Rupee on the basis of average of rates during the exhibitions period.
- iii) Bullion sales:
- To buyers are recognized at CIP cost (Cost, Insurance, Premium), custom duty and pre-determined profit, on performance of the contract.
  - Through Commodity Exchanges are recognized at the Delivery Date Rate (DDR) declared by the exchanges. The difference between the contracted rate and the DDR are recognized as marked-to-market (MTM) gain / loss.
- iv) Other sales in India and abroad are recognized:
- In case of ex-godown and retail sales, at sales price on performance of the contract.
  - In case of sales through agents, at sales price in the year in which sale is effected.

### b) Other Income

- i) Exports incentive:
- Duty drawback and Duty Entitlement Pass Book are accounted for on accrual basis, on recognition of the export sale.
  - Premium on sale of import and export entitlements are accounted for on cash basis.

- ii) Insurance and other claims are accounted for when it is reasonably certain that ultimate collection will be made, provided the amount of claim is measurable.

**c) Other Receipts**

- i) Service charges received on export sales of gold/silver/platinum jewellery/items made by the manufacturer associates against supply of gold/silver/platinum by the overseas buyers are recognised at the time of receipt of export documents marked "A/c HHEC".
- ii) Service charges on consignment sales of silver on behalf of Indian Government Mints are recognized at the time of delivery to the customers.

**9) PURCHASES**

- a) In the case of import contracts (Bullion):
  - i) On outright basis with fixed price – at purchase price taken as per the rate fixed with the foreign supplier converted at the prevailing exchange rate, on the date of Bill of Entry.
  - ii) On consignment basis with unfixed price:
    - In the cases where prices are fixed upto 15<sup>th</sup> June, at purchase price taken as per the rate fixed with foreign supplier converted at the prevailing exchange rate on performance of the contract as per terms of the agreement with the foreign supplier.
    - In the cases where prices are unfixed upto 15<sup>th</sup> June, at price taken on the basis of commercial invoice converted at the prevailing exchange rate, on the date of Bill of Entry.
- b) In the case of local purchases – at purchase price on inspection and acceptance of the merchandise.
- c) In the case of gold/silver jewellery sold in fairs and exhibitions abroad at cost which is invoice value as reduced by the amount of pre-determined margin.

**10) RETIREMENT AND OTHER EMPLOYEES BENEFITS**

- a) Provident Fund is a defined contribution plan. The Company has a Provident Fund Trust to whom provident fund contribution are made as and when the contribution to the fund is due and the same is charged to profit & loss account.
- b) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of the year by Life Insurance Corporation of India (LIC).

- c) Leave encashment liability is a defined benefit obligation and is provided for on the basis of actuarial valuation made as at year end by Life Insurance Corporation of India (LIC).
- d) Actuarial gains/losses are immediately taken to the Profit & Loss Account and are not deferred.
- e) Post retirement medical benefits payable under the Retired Medical Scheme and long service award are accounted for on actual payments.
- f) Ex-gratia payment to employees on voluntary retirement has been amortized based on its pay-back period subject to deferment upto 31<sup>st</sup> March, 2010 as per AS-15.
- g) Claims on accounts of medical, leave travel concession and other fringe benefits not linked to pay and allowances are accounted for in the year of receipt of claim.

#### 11) ACCOUNTING FOR GRANTS

- a) Grants (to the extent of amount actually incurred) are recognised in the year of sanction if there exists reasonable assurance of the compliance of the terms attached with the sanction and that the grants will be received.
- b) Capital Grants:**
  - i) Assets acquired out of grants are recognised at cost price.
  - ii) Grants relating to depreciable assets are taken to Deferred Govt. Grant-in-Aid and recognised as income in the Profit & Loss Account over the useful life of the assets.
- c) Revenue Grants:**
  - i) Revenue grants are recognised in the Profit & Loss Account to the extent of amount incurred, in the year in which it is incurred.
  - ii) Any expenditure incurred in excess of grant sanctioned/received is charged to the Profit and Loss Account, in the year in which it is incurred.
- d) Contingencies relating to grants, arising after the grant has been recognised, are treated in accordance with Accounting Standard (AS) 29.

#### 12) Provisions & Contingent Liabilities

- i) Provisions are recognized when a present legal or constructive obligation exists and the payment is probable and can be reliably estimated.
- ii) Disputed liabilities and claims against the Corporation including claims raised by fiscal authorities (Sales Tax, Income Tax, etc.) pending in appeal, are treated among contingent liabilities and are not provided for in the Accounts. Contingent Liabilities are disclosed in each case where the amount is above Rs. 5.00 lakhs.

**13) Impairment of Assets**

The carrying amounts of assets are reviewed at the Balance Sheet date and if there is any indication of impairment based on Internal / External factors, an impairment loss is recognized wherever the carrying amount of an asset exceeds the recoverable amount.

**14) Taxation**

- a) Provision is made for current income tax liability, which is likely to arise on the results for the year, at the current rate of tax in accordance with the provision of Income Tax Act, 1961.
- b) Deferred income tax is provided on all timing difference at the Balance Sheet date between the tax base of Assets and Liability and their carrying amount for financial reporting purposes.
- c) Deferred Tax Assets are recognised only to the extent that there is a reasonable certainty of realization. However, in case of unabsorbed depreciation and carry forward of losses under tax laws, deferred tax assets are recognized only to the extent of virtual certainty supported by convincing evidence that sufficient future taxable income will be available for set-off.
- d) Deferred Tax Assets and Liability are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

**for V.C. Gautam & Co.**  
Chartered Accountants  
Firm Regd. No: 000365N

**(M. Harish Kumar)**  
Finance Manager

**(Ujjal Datta)**  
Chief Finance Manager

**(Azra Banu)**  
Director (Finance)

**(Vishnu Gautam)**  
Partner  
Membership No:16257

**(Nirmal Sinha)**  
Chairman & Managing Director

**Place: New Delhi.**

**Dated:**