

## **SCHEDULE - M**

### **A. SIGNIFICANT ACCOUNTING POLICIES**

#### **1.0 Accounting Convention :**

Financial statements are prepared on the basis of historical cost and on accrual basis following going concern concept, accounting standards and generally accepted accounting principles except otherwise stated elsewhere.

#### **2.0 Basis of Accounting :**

All expenses and incomes are booked initially in the natural heads of accounts and then transferred to functional heads wherever required.

#### **3.0 Subsidies / Grants from Government:**

3.1 Subsidies / Grants on Capital Account are deducted from the cost of respective assets to which they relate. The unspent amount at the year end, if any, is shown as Current Liabilities.

3.2 Subsidies / Grants on Revenue Account are credited to Profit & Loss Account under the head Other Receipts and the relevant expenses are debited to the respective heads.

#### **4.0 Fixed Assets :**

##### **4.1 Land:**

Land includes cost of acquisition, compensation and cash rehabilitation expenses incurred for concerned displaced persons. Other expenditure incurred on acquisition of Land viz. Resettlement cost, compensation in lieu of employment etc are, however, treated as revenue expenditure.

##### **4.2 Plant & Machinery :**

Plant & Machinery include cost and expenses incurred for erection / installation and other attributable costs of bringing those assets to working conditions for their intended use.

##### **4.3 Railway Siding :**

Pending commissioning, payments made to the railway authorities for construction of railway siding are shown under Capital Work-in-Progress.

#### 4.4 **Development :**

Expenses net of income of the projects / mines under development are booked to Development account and grouped under Capital Work-in-Progress till the projects / mines are brought to revenue account. Except otherwise specially stated in the project report to determine the commercial readiness of the project to yield production on a sustainable basis and completion of required development activity during the period of construction, projects and mines under development are brought to revenue :

- (a) From beginning of the financial year immediately after the year in which the Project achieves physical output of 25% of rated capacity as per approved project report, or
  - (b) 2 years of touching of coal, or
  - (c) From the beginning of the financial year in which the value of production is more than total expenses,
- Whichever event occurs first.

#### 4.5 **Prospecting & Boring and other Development Expenditure :**

The cost of exploration and other development expenditure incurred in one "Five year" plan period will be kept in Capital work-in-progress till the end of subsequent two "Five year" plan periods for formulation of projects before it is written-off except in the case of Blocks identified for sale or proposed to be sold to outside agency which will be kept in C.W.I.P till finalisation of sale.

#### 5.0 **Investments :**

All investments, being long term in nature, are stated at cost.

#### 6.0 **Inventories :**

- 6.1 Book stock of coal / coke is considered in the Accounts where the variance between book stock and measured stock is upto +/- 5% and in cases where the variance is beyond +/- 5% the measured stock is considered. Such stock are valued at Net Realisable Value or cost whichever is lower.
  - 6.1.1 Slurry, middling of washeries are valued at net realisable value.
- 6.2. Stock of stores & spare parts at Central & Area Stores are valued at cost calculated on the basis of weighted average method. The year-end inventory of stores & spare parts lying at collieries / sub-stores / consuming centres, initially charged off, are valued at issue price of Area Stores, Cost / estimated cost. Workshop jobs including work-in-progress are valued at cost.

### 6.2.1 **Stores & Spares**

The closing stock of stores and spare parts has been considered in the Accounts as per balances appearing in priced stores ledger of the Central Stores and as per physically verified stores lying at the collieries/units.

6.2.2 Stores & spare parts include loose tools.

6.2.3 Provisions are made at the rate of 100% for unserviceable, damaged and obsolete stores and at the rate of 50% for stores & spares not moved for 5 years excepting insurance items.

6.3. Stock of stationery (other than lying at printing press), bricks, sand, medicine (except at Central Hospitals), aircraft spares and scraps are not considered in inventory.

### 7.0. **Depreciation :**

7.1. Depreciation on Fixed Assets is provided on straight line method at the rates and manner specified in Schedule XIV of the Companies Act, 1956 (as amended) except for telecommunication equipments. Depreciation on such equipments is charged over the technically estimated life, at higher rates, viz. :- @15.83% and @10.55%. Depreciation on the assets added / disposed off during the year is provided on pro-rata basis with reference to the month of addition / disposal.

7.2. Value of land acquired under Coal Bearing Area (Acquisition & Development) Act, 1957 is amortised on the basis of the balance life of the project. Value of leasehold land is amortised on the basis of lease period or balance life of the project whichever is earlier.

7.3. Prospecting, Boring and Development expenditure are amortised from the year when the Mine is brought under Revenue in 20 years or working life of the Project whichever is less.

7.4. Assets attracting 100% depreciation, other than items costing Rs.5,000/- are taken out from the Accounts after expiry of 2 years following the year in which these are fully depreciated.

### 8.0 **Impairment of Asset:**

Impairment loss is recognised wherever the carrying amount of an asset is in excess of its recoverable amount and the same is recognized as an expense in the statement of profit and loss and carrying amount of the asset is reduced to its recoverable amount.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.

9.0 **Foreign Currency Transactions:**

9.1 Year-end balance of foreign currency transactions is translated at the year-end rates and the corresponding effect is given in the respective accounts. Transactions completed during the year are adjusted on actual basis.

9.2 Transactions covered by cross currency swap options contracts to be settled on future dates are recognised at the year-end rates of the underlying foreign currency. Effects arising out of such contracts are taken into accounts on the date of settlement.

10.0 **Retirement Benefits:**

Year-end liability on account of gratuity and leave encashment is provided for on actuarial valuation basis.

11.0 **Recognition of Income and Expenditure:**

Income and Expenditure are generally recognised on accrual basis and provision is made for all known liabilities.

12.0 **Borrowing Costs:**

Borrowing Cost directly attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as expenses in the period in which they are incurred.

13.0 **Taxation:**

Provision of current income tax is made in accordance with the Income Tax Act., 1961. Deferred tax liabilities and assets are recognised at substantively enacted tax rates, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period.

14.0 **Provision:**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the balance sheet date.

15.0 **Contingent Liability:**

Contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligations or reliable estimate of the amount of the obligations can not be made.

Contingent liabilities are not provided for in the accounts and are disclosed by way of Notes.

16.0 **Overburden Removal (OBR) Expenses :**

In Opencast mines with rated capacity of 1 million tonnes and above, the cost of OBR is charged on average ratio (Coal : OB) at each mine with due adjustment for advance stripping and ratio variance account after the mines are brought to revenue. Net of balance of advance stripping and ratio variance at the end of the year is shown as Deferred Revenue Expenditure or Current Liabilities as the case may be.

The reported quantity of overburden is considered in the Accounts where the variance between reported quantity and measured quantity is within the permissible limits detailed hereunder:-

<b>Annual Quantum of OBR Of the Mine</b>	<b>Permissible limits of variance</b>	<b>(whichever is less)</b>
	%	Quantum (in Mill.Cu. Mtr.)
A less than 1 Mill. CUM	+/- 5%	0.03
Between 1 and 5 Mill. CUM	+/- 3%	0.2
More than 5 Mill. CUM	+/-2%	(-)