

PrasarBharati
(India's Public Service Broadcaster)
Directorate General: Doordarshan
Doordarshan Bhawan
New Delhi
(Budget Section)

No. G-28012/10/2018-**BI**/


Dated: 10.10.2018

Corrigendum

Subject:- Guidelines on making provision for doubtful debts in the books of accounts – reg.

In supersession of this Directorate General's letter of even number dated 25.09.2018 on the above mentioned subject, all the Head of Office of Kendras/Field Units are requested to take note of guidelines and to adhere strictly the instructions contained in Prasar Bharati Sectt.s Accounting Circular No.10 (copy enclosed).

Encl.: As above.


(K.C. Jain) 2018
Dy. Director (Budget)

All the Zonal Addl. Director General
Doordarshan

HOO of All Kendras/Field Units

Copy for kind information to:-

1. The Addl. Director General (B&A), P B Sectt., Prasar Bharati House, New Delhi
2. PPS to ADG(F) /DDG(B&A)/DD(B) at DG, Doordarshan
3. DDA(A/cs), Prasar Bharati Sectt., New Delhi
4. IT Cell is requested to upload the letter on the ddindia website.

PRASAR BHARATI
(India's Public Service Broadcaster)
Prasar Bharati Secretariat
(Budget & Accounts Section)
6th Floor, Prasar Bharati House,
Copernicus Marg, New Delhi-110001

Accounting Circular No. 10

No.ADG(B&A)/AI/ACS/2018-19/413-41

Dated 05.08.2018

Sub: Guidelines on making provision for doubtful debts in the books of accounts –reg.

Prasar Bharati prepares its accounts following accrual method of accounting under which the revenue is recognized as soon as the sale takes place. As you are aware, in case of credit sales, the ultimate collection against that sale happens at a future date and there is a possibility that ultimate collection against that sale may not happen. Every organization should need to follow principle of Prudence. Prudence is a key accounting principle which makes sure that assets and income are not overstated and liabilities and expenses are not understated. Keeping in view of the same, it is necessary that every organization should make provision for doubtful debts on reasonable basis and charge it to Profit and Loss account or Income and Expenditure account.

A provision is an amount that is put aside to meet a future liability. An expected loss need not be treated as a loss before it actually occurs. Such Debts cannot be written off as Bad Debt because non-recovery of such an amount is uncertain. For such loss, as expected, some provision is made in the form of Provision for Doubtful Debts. The creation of provision for doubtful debts brings the accounts receivable balance to the amount which is expected to be realized and hence prevents overstatement of assets. The estimation of provision amount requires judgment to counter the uncertainty and therefore needs to be made cautiously and prudently.

In this regard, it is stated that Prasar Bharati Board, in its 149th meeting held on 26th June 2018 vide Agenda item no. C-1 has approved the policy of making provision for doubtful debts in Prasar Bharati.



For the purpose of making provision, the Sundry Debtors/ Accounts Receivables may be broadly classified in two categories:

1. **Secured debt:** To the extent Prasar Bharati has enforceable Performance Bank Guarantee or Security Deposit or any other security received from the Agency/ Client/ Customer, that portion of outstanding sundry debt can be considered as Secured debt.
2. **Unsecured debt:** The debt other than the secured will be unsecured debt. These Debts may be categorized into Government & PSUs and Other Debts. The debts receivable from Government departments, Autonomous bodies, Public Sector Undertakings, Local authorities, etc. may be included in Govt. & PSUs category. The debts which are unsecured and do not fall under the category of Govt. & PSU are termed as 'Other Debts'. These Other Debts may be further divided into three sub-categories:
 - i) **Considered good:** The unsecured debts other than receivable from Govt. & PSU and do not fall under the sub-categories of Doubtful & Disputed and 'Bad Debts' may be termed as 'Considered Good' debts.
 - ii) **Doubtful and Disputed Debts:** The debts which are unlikely to be collected in the near future but not impossible may be termed as Doubtful debts. This will also include that portion of debts against which the customer has raised any dispute and case is pending for disposal before appellate authority of Prasar Bharati or Arbitration or any court of law.
 - iii) **Bad Debts:** That portion of debts against which Prasar Bharati has made all out efforts for its collection and have prima facie reasons for inability to collect in future too, may be considered as 'Bad Debts'. This will also include the untraceable debtors and debtors involved in fraudulent activities.

The provision for doubtful debts should be maintained in the books of accounts on the following basis:

Table - Provision to be maintained equivalent to


Sl. No.	Types of Sundry Debtors/ Accounts Receivables	Period of Outstanding		
		Less Than 03 Years	03 Years or More But Less Than 06 Years	06 Years & Above
1	Secured (to the extent secured)	Nil	Nil	Nil
2	Unsecured			
(A)	Govt. & PSU	Nil	Nil	Nil
(B)	Other Debts			
(i)	Considered Good	Nil	50%	100%
(ii)	Doubtful and Disputed Debts	50%	50%	100%
(iii)	Bad Debts		100%	

Note:

1. Here, period of outstanding will be counted from the date of issue of Invoice.
2. The percentage shown in the table above is the percentage of outstanding amount of sundry debtors including applicable taxes falling under that category.
3. However, in case of outstanding invoices issued prior to implementation of Point of Taxation Rules, 2011, i.e. 01.07.2011, the percentage shown in the table above is the percentage of outstanding amount of sundry debtors excluding service tax falling under that category.

In view of the approval of Prasar Bharati Board in respect of policy for maintaining the provision for doubtful debts, it is requested to both the directorates and all other concerned that henceforth the provision for doubtful debts should be maintained as per the abovementioned guidelines.

This issues with the approval of Member (Fin.), Prasar Bharati.


(C. K. Jain)
DDG (Fin)

DG:DD / DG:AIR

Copy to:

1. ADG (Comm.), AIR & DD
2. ADG (E&A)/ (Sports), PB Sectt.
3. E-in-C, DD / AIR, New Delhi.

4. ADG (Admin.), AIR/ DD.
5. ADG (Fin.), DD/ AIR.
6. CE (Civil), CCW.
7. DDG (Fin.), DD/ AIR.
8. DDG (Comm.), DD/ AIR
9. Director (Fin.), DD/ AIR/ PB Sectt.
10. DD (Budget)/ (Accounts)/ IFD/ (F&A), PB Sectt.
- ✓ 11. DDG (Tech.), Prasar Bharati Secretariat with a request to upload this circular on website of Prasar Bharati.

Copy for kind information to:

1. SO to CEO, PB.
2. PS to Member (F), PB.
3. ADG (B&A)/ (T&C)/ (Fin.), PB Sectt.

**PRASAR BHARATI
INDIA'S PUBLIC SERVICE BROADCASTER
PRASAR BHARATI HOUSE
COPERNICUS MARG, NEW DELHI-110001**

No. I-24/012/149/2018-PBB/657

Dated: 24.08.2018

Extract from the Draft Minutes of the 149th PBB Meeting (To be ratified in the 150th PBB Meeting)

2. Minutes of the Meetings of Committees of the Board- Agenda A-2

- Finance & Accounts Committee on 14.06.2018

2.1 Note was taken of the minutes/record of discussion.

4.1. Policy for making Provision for Doubtful Debts in the books of accounts:
Agenda C-1

4.1.1. The Member (F) explained the rationale for making provision for doubtful debts (unsecured debts other than those of the Govt. And PSU's) charged to the Income and Expenditure account, so that the risk of non-payment is considered by the Management well before such non-payments are crystallized in the books of accounts. Presently in the absence of such a policy, outstanding dues from various agencies have accumulated over the years and give an erroneous picture of our statement of accounts.

4.1.2. He informed that the provision made would be an estimated amount that is shown as an expenditure. The creation of the provision will bring the accounts receivable balance to the amount which is expected to be realized and hence prevent overstatement of assets. It would thus be possible to measure and match the financial reports accurately, in a timely manner and see that cash flows remain stable. The total provision at the end of the last financial year (FY) was made for Rs 89.81 crore.


4.1.3. It was informed that the Policy proposal had been examined by the Finance & Accounts Committee (FAC) in its 34th meeting (on 14.06.2018), which had suggested that the Policy document may be got legally vetted and may include Directorate-wise details of outstanding dues as on 31st March 2018, with age-wise analysis. The present agenda was placed accordingly.

4.1.4. Sri Alagh suggested that Table 1 in the agenda note be modified to incorporate a 100% provision at the end of 6 years.

4.1.5. The Board accorded approval to make provision for bad and doubtful debts against Sundry Debtors in the books of account of Prasar Bharati on the basis given in Table 1 with the modification in para 4.1.4 above.

DDG(F), PBS


(RAJEEV MALHOTRA)
Dy. Director(PBB)


27/8/2018
AD (FAC)
Abhanu
018118
AAO (A/C)
27/8/2018