

Query No. 2

Subject: *Accounting treatment of PoS devices purchased out of accumulated payable amount of withheld retailer margin and installed at retailers premises for sale of fertilizers under Direct Benefit Subsidy (DBS) Scheme.*¹

A. Facts of the Case

1. A company (hereinafter referred to as ‘the company’) is a Schedule ‘A’ and a Mini Ratna (Category-I) company, and was incorporated on 23rd August 1974. It has an authorized capital of Rs. 1000 crore and a paid up capital of Rs. 490.58 crore out of which Government of India’s (GoI) share is 74.71 % and 25.29 % is held by financial institutions and others.
2. The company has five gas based Ammonia-Urea plants in various parts of the country, viz., in Haryana and two plants in Madhya Pradesh. The company currently has a total annual installed capacity of 35.68 LMT (re-assessed capacity of 32.31 LMT) and is the second largest producer of urea with a share of about 16% of total urea production in the country.
3. The company is engaged in manufacturing and marketing of neem coated urea, three strains of bio-fertilizers (solid and liquid) and other allied industrial products like ammonia, nitric acid, ammonium nitrate, sodium nitrite and sodium nitrate.
4. Urea (fertilizer) is a controlled product and its price is controlled by the Government under its subsidy scheme. The maximum retail price (MRP) of urea is fixed by the Government and is same for all the companies. The company is also importing and trading various agro-inputs like non-urea fertilizers, certified seeds, agrochemicals, bentonite sulphur, city compost through its existing PAN India dealer’s network under single window concept.
5. As per the Department of Fertilizers (DoF) Notification dated 12-10-2012, an incentive of Rs. 50 per metric tonne (PMT) is given to the retailer for acknowledging the receipt of fertilizers in mobile-Fertilizers Monitoring System (m-FMS) by increasing MRP of Urea. In view of DoF Notification dated 12.10.2012, the company has been collecting Rs. 50 PMT as retailer margin by increasing MRP of urea for release of retailer margin to dealer upon receipt of acknowledgment from dealer for receipt of urea through m-FMS.
6. Department of Fertilizers, GoI vide its letter dated 25.10.2012 notified modification in the procedure for release of fertilizer subsidy by DoF for supply of all fertilizers from the month of April 2012 onwards. The said procedure inter-alia contained the following relating to providing of incentive to retailers:
 - An incentive of Rs. 50 PMT will be given to the retailer for acknowledging the receipt of fertilizer in the Mobile Fertilizer Monitoring System (m-FMS) for implementation of entire cash transfer scheme in future which may include network / SMS cost by increasing the MRP. The incentive for urea may be given in the following manner:
 - The incentive of Rs. 50 PMT to the retailers will be provided by increasing the MRP of urea by Rs. 50 PMT which will be borne by the farmers. The retailer margin may be increased by Rs. 50 PMT which will be paid to retailer acknowledging the receipt and reporting the stock and for implementation of entire cash transfer scheme in future which may include network / SMS cost, as additional incentive in the retailer margin.

¹ Opinion finalised by the Committee on 9.4.2019.

7. As informed by the querist, pursuant to the above guidelines, retailer margin of Rs. 50/MT recovered from dealer through the invoice is being withheld by the company and shown in the accounts as account payable (retailer margin) w.e.f. 01.11.2012. The withheld amount is periodically released to the dealer by credit to dealers' account as and when acknowledgment is received in m-FMS.

8. Department of Fertilizers introduced Direct Benefit Transfer (DBT) pilot project in a few districts across the country with a view to improve the quality of services delivered to the farmers and it was decided vide OM No. 12012/7/2012-FPP dated 20.10.2016 to install Point of Sale (POS) machines by 31-12-2016 with all retailers across the country under second phase to start acknowledgment by retailers on PoS devices with effect from 01.01.2017. DoF vide its Notification dated 22.09.2016 (copy of notification has been supplied separately by the querist for the perusal of the Committee) informed to all fertilizer manufacturing companies that IT related equipments, such as, PoS devices, etc. may be installed out of retailer margin of Rs. 50/MT.

9. As per the directives of GoI, the company being the lead fertilizer supplier (LFS) in seven states issued 'Notice Inviting Tender' for purchase of PoS devices during financial year (F.Y.) 2016-17 and F.Y. 2017-18. The procurement cost of PoS devices has been met by the company out of accumulated withheld amount of retailer margin and therefore, no cost has been borne by the company for the purchase of PoS devices. In other words, procurement of PoS devices is revenue neutral to the company. The querist has separately informed that as per the directions of GoI, the company being LFS in seven states was required to procure, test and install PoS devices on all retail locations in seven states. In other words, PoS devices are provided by the company even to the retailers who are not the dealers of the company in the seven states assigned to the company. Similarly, other fertilizer companies who have been designated as LFS by DoF for a particular state are providing PoS devices to all fertilizer sellers/ retailers in that State. Further, cost of PoS devices supplied to non-dealer retailers is also adjustable against the amount (retailer margin) withheld by the company of their dealers.

10. As per the provisions of the work order, PoS devices have been directly supplied and installed by the suppliers at different retailers' points (premises). (Sample copy of Undertaking of retailer for installation of device has been supplied separately by the querist for the perusal of the Committee). The retailers to whom PoS devices have been provided by the company are using PoS devices in the business of sale of fertilizers of the company and also of other fertilizer companies. In the books of account for F.Y. 2017-18, the procurement cost of PoS devices supplied to retailers have been debited to payable accumulated retailer margin held by the company.

Government Audit observation on the annual accounts for F.Y. 2017-18

11. During the course of audit of annual accounts of the company for F.Y. 2017-18, Government audit issued the following Half Margin (HM) on the accounting treatment of PoS machines purchased and installed at retailers from the unpaid retailer margin held by the company under the head 'Current Liabilities' on the direction of the Department of Fertilizers (DOF).

Half Margin No.5

As per Department of Fertilizers (DoF) notification dated 12.10.2012, an incentive of Rs. 50 PMT was proposed to be given to the retailer for acknowledging the receipt of fertilizers in the mobile Fertilizers Monitoring system (m-FMS) by increasing the MRP of Urea. Accordingly, the company was collecting Rs. 50 per MT as retailer incentive

for making payment to retailer on receipt of acknowledgment from retailer for receipt of Urea through m-FMS. However, the actual acknowledgment for receipt of fertilizers in m-FMS was only 0.01% during 2015-16, which was insignificant. Further DoF has introduced Direct Benefit Transfer (DBT) system for fertilizer subsidy payments. Under this system 100% subsidy on fertilizers should be released to the manufacturer and importer on the basis of actual sale made through Point of Sale (PoS) device by the retailer to the beneficiaries. The fertilizer companies were responsible for purchase and installation of PoS devices. The Lead Fertilizer Suppliers (LFS) of each state were required to procure, test and install devices on all retail locations. In case of closure of the shop/ business or expiry of the license, the retailer should return the PoS device in working condition to the LFS. Accordingly, the company has obtained undertaking from retailers at the time of installation of PoS machine that the company has right to withdraw PoS devices from the retailers. Further, as per Ministry Circular dated 31 July 2017, sale of fertilizers through PoS devices became mandatory with the condition to cancel the license if he/she refuses/fails to make sale transactions through PoS devices.

The company being Lead Fertilizer Supplier in seven states issued Notice Inviting Tender (NIT) on 04.10.2016 for purchase of PoS devices. As per clause of NIT, the supplier has to provide three years warrantee for PoS devices. The company procured and installed 13222 nos of PoS devices amounting to Rs. 22.35 crores till 31st March, 2018. The company has not shown PoS devices as an asset in its balance sheet as on 31.03.2018. However, Ind AS 16 defines 'property, plant and equipment' as tangible items that: (i) are held for use in the production or supply of goods or services, for rental to others, or for administrative purpose, and (ii) are expected to be used during more than one period. The company should have considered PoS machine as an asset in its balance sheet in accordance with Ind AS 16.

The above has resulted in understatement of property, plant and equipment by Rs. 22.35 crore as well as understatement of liability/fund created for procurement of PoS by the same amount.

Reply submitted by the company to Government Audit for Half Margin:

12. The company submitted the following reply:

As per Department of Fertilizers (DOF) Notification dated 12-10-2012, an incentive of Rs 50 PMT is to be given to the retailer for acknowledging the receipt of fertilizers in mobile Fertilizers Monitoring system (m-FMS) by increasing MRP of urea. In view of DoF Notification dated 12.10.2012, the company has been collecting Rs 50 PMT as retailer incentive by increasing MRP for release of retailer incentive to dealer on receipt of acknowledgement from dealer for receipt of urea through m-FMS.

Pursuant to above guidelines, retailer margin of Rs. 50/MT recovered from dealers through the invoice has been kept in the books of account as Account Payable (Retailer Margin) w.e.f. 01.11.2012. The withheld amounts are periodically released to the dealers as and when acknowledgement is received in m-FMS.

The details of account payable (retailer margin) in the books of the company as on 31-03-2017 and 31-03-2018 are as under:

1. As on 31-03-2017 – Rs. 36.11 crore
2. As on 31-03-2018 – Rs. 21.97 crore

During F.Y. 2016-17, retailer margin of Rs 19.86 crore was withheld, Rs. 13.25 crore was adjusted for purchase of PoS devices and Rs 3.10 crore was credited to Dealer Account. Similarly during F.Y. 2017-18, retailer margin of Rs. 21.53 crore was withheld, Rs 3.04 crore was adjusted for purchase of PoS devices and Rs. 22.43 crore was credited to Dealer Account.

Department of Fertilizers introduced Direct Benefit Transfer (DBT) pilot project in a few districts across the country with a view to improve the quality of services delivered to the farmers and it was decided vide OM No. 12012/7/2012-FPP dated 20.10.2016 to install Point of Sale (PoS) machines by 31-12-2016 with all retailers across the country under Second Phase to start acknowledgements by retailers on PoS devices with effect from 1.1.2017. DoF vide their Notification dated 22.09.2016 informed that IT related equipments such as PoS devices etc. may be installed out of Retailer Margin of Rs. 50/MT.

The procurement cost of PoS devices of Rs. 22.35 crore has been met by the company out of accumulation withheld out of retailer margin and therefore no cost has been borne by the company for the purchase of PoS devices. Accordingly, Rs. 16.29 crore has been adjusted from withheld retailer margin for payment towards PoS devices during F.Y. 2016-17 and F.Y. 2017-18.

Payment of Rs. 16.29 crore has been made, the balance payment of Rs. 6.06 crore is to be released as per the terms of Purchase Order and the same will be adjusted from the withheld amount of dealers.

Paragraph 7 of Indian Accounting Standard (Ind AS) 16, 'Property, Plant and Equipment' states as under:

“The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably.”

Paragraph 6 of Indian Accounting Standard (Ind AS) 16 defines the term cost used in this standard as under:

“Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Indian Accounting Standards, e.g. Ind AS 102, *Share-based Payment*.”

In view of the fact that no cost has been incurred by the company for procurement of PoS devices given to retailer for use in their business operation, the payment made out of retailer margin against PoS machines is not eligible for capitalisation in the books of account of the company.

Government Audit Supplementary Observation through Provisional Comment No.1:

13. Government audit after considering the above reply has further pursued their observation of HM and has issued Provisional Comment on the above issue as given below:

The Property Plant and Equipment does not include an amount of Rs. 22.35 crore being PoS machines purchased and installed at retailers from the unpaid retailers margin held by the company under the head Current Liabilities on the direction of Department of Fertilizers (DoF).

DoF vide notification dated 12.10.2012 introduced a scheme wherein an incentive of Rs. 50 PMT was proposed to be given to the retailer for acknowledging the receipt of fertilizer in the mobile Fertilizer Monitoring System (m-FMS) by increasing MRP of Urea. The collected amount of retailers margin could not be distributed and held by the company due to non-acknowledgement of the same by retailers. Subsequently DoF has introduced Direct Benefit Transfer (DBT) system for fertilizer subsidy payments wherein fertilizer companies were responsible for purchase and installation of PoS devices at retailers' location from the unpaid retailers' margin. Accordingly, the company purchased and installed 13222 PoS devices amounting to Rs. 22.35 crore. The company has also obtained undertaking from retailer that the company has right to withdraw PoS devices from the retailers. However, the company has not shown PoS devices as an asset in its balance sheet as on 31.03.2018.

As per Ind AS 16, **“The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if: (a) it is probable that future economic benefits associated with the item will flow to the entity; and (b) the cost of the item can be measured reliably.”**

In view of the above, PoS machines qualify to be recognized as an asset since it is responsible for future economic benefit (e.g. subsidy) that would flow to the entity. This has resulted in understatement of property, plant and equipment by Rs. 22.35 crore.

Management Reply to Provisional Comment:

14. The company submitted the following reply to the Government audit in respect of aforesaid provisional comment:

1. As per Department of Fertilizers (DOF) Notification dated 12-10-2012, an incentive of Rs. 50 PMT is to be given to the retailer for acknowledging the receipt of fertilizers in mobile Fertilizers Monitoring System (m-FMS) by increasing MRP of urea. In view of DoF Notification dated 12.10.2012, the company has been collecting Rs. 50 PMT as retailer incentive by increasing MRP and incentive is released to dealer on receipt of acknowledgement from dealer for receipt of urea through m-FMS.
2. Pursuant to above guidelines, retailer margin of Rs. 50/MT recovered from dealers through the invoice has been withheld and kept in the books of account as account payable (retailer margin) w.e.f. 01.11.2012. The withheld amounts are periodically released to the dealers as and when acknowledgement for receipt of urea is received in m-FMS.
3. Department of Fertilizers introduced Direct Benefit Transfer (DBT) Pilot Project in a few districts across the country with a view to improve the quality of services delivered to the farmers and it was decided by DOF vide OM No. 12012/7/2012-FPP dated 20.10.2016 to install Point of Sale (PoS) devices by 31-12-2016 with all retailers across the country under Second Phase to start acknowledgements by retailers on PoS devices with effect from 1.1.2017. DoF vide their Notification dated 22.09.2016 also informed that IT related equipments such as PoS devices etc. may be installed out of retailer margin of Rs. 50/MT.

4. Pursuant to above, the company issued e-tender for supply, installation and maintenance of PoS device for retailers under Direct Benefit Transfer Scheme of GoI. As per e-tender, the suppliers of PoS device have obtained an undertaking from the dealers to the effect that PoS devices have been installed at retailer's point and a copy thereof has been furnished to the company.
5. The retailers to whom PoS devices have been provided by the company are using PoS devices in the business of sale of fertilizers of the company and also of other fertilizer companies, therefore, future economic benefits from use of PoS device shall accrue to the dealer.
6. The retailers shall return the device to the company in cases where dealership is cancelled by the company, or fertilizer selling license of retailer expires, or is revoked by the competent authority, or as per company's demand and in such cases the returned PoS device shall be issued by the company to some other retailers. In this connection, it may be mentioned that PoS devices issued on 4.05.2017 to a dealer (M/s A in Distt. Chamba (HP) was returned which was reissued on 7.06.2018 to another dealer M/s B in Chamba (HP). Requisite documents in support of reissue have been supplied by the querist for perusal of the Committee.

Thus, ownership and property in PoS belong to dealer and not to the company.

(Emphasis supplied by the querist.)

7. The company has purchased and installed 13222 no. of PoS devices with retailers. *The procurement cost of these PoS devices of Rs. 22.35 crores has been met by the company out of withheld amount of retailer margin and therefore no cost has been borne by the company for the purchase of PoS devices.* (Emphasis supplied by the querist.)
8. Paragraph 7 of Indian Accounting Standard (Ind AS) 16 relating to Property, Plant and Equipment states as under:

“The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably.”

15. Paragraph 6 of Indian Accounting Standard (Ind AS) 16 defines the term 'cost' used in this standard as under:

“Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Indian Accounting Standards, eg Ind AS 102, Share-based Payment.”

In view of above, the procurement cost of PoS device met by the company out of retailer margin is not eligible for capitalisation in the books of account of the company and, therefore, management of the company replies that there is no understatement of property, plant and Equipment by Rs. 22.35 crore.

16. The querist has separately informed the following:

- i. With regard to ownership of the PoS devices, though, the legal ownership lies with the company, beneficial ownership of PoS devices lies with the dealer as retailers to whom PoS devices have been provided by the company are using PoS devices in the business of sale of fertilizers of the company and also of other fertilizer companies, therefore, future economic benefits from the use of PoS device shall accrue to the dealer.
- ii. With regard to the 'control' of the PoS devices, the querist has informed that the PoS devices are controlled by the dealer/ retailer. All fertilizers of the company and other fertilizer companies have to be mandatory sold through PoS devices only. In case, sale is not effected through PoS devices, the fertilizer license will be cancelled. The PoS devices cannot be sold by the dealer to third party. The same will be returned to the company which will in turn handover the same to some other retailer. The querist has also informed that in case, the amount withheld by the company in respect of dealer's margin has been used to provide the devices to the dealers, no amount is refundable to the retailer on receipt/use of devices (or on any other condition). Further, PoS devices need not be returned if the retailer/ dealer gives up the dealership of the company but continues to sell fertilizers of other companies. However, the retailer shall return the PoS device to the company in case where fertilizer selling license of retailer expires or is revoked by the Competent Authority. In such a case, the returned PoS devices shall be issued by the company to some other retailer.
- iii. With regard to surrender of PoS device by the retailer, the querist has informed that in cases, the retailer returns the PoS device, the company does not have to return any amount in respect of cost of PoS device which has been purchased by the company out of withheld retailer margin. The fertilizer companies have been directed by the Government to purchase PoS devices and get the same installed by supplier at different retailers' points (premises). The company had been directed to provide PoS device in seven (7) states. In other states, the PoS devices are being made available by other fertilizer manufacturing companies. The retailers to whom PoS devices are being provided by the company are using PoS devices in the business of sale of fertilizers of other fertilizer companies also.
- iv. With regard to some of the issues, such as, whether the retailer's margin no longer due are required to be deposited with the relevant authorities or transferred to the profit and loss account of the company, or who is responsible for replacing PoS device at the end of useful life, the querist has informed that there are no specific guidelines available.
- v. There is no one to one relationship/link between the amount of retailer's margin withheld by the company in respect of a dealer and the cost of PoS device provided to such dealer. In case the amount used to buy the device in a particular case of retailer is less than the amount withheld by the company in respect of such dealer, the querist has informed that as per the existing guidelines, withheld amount is to be used for purchase of PoS devices and that there are no further guidelines on refund.
- vi. The company in the past has not faced a situation wherein retailer's margin is required to be paid back to the dealer/retailer or refunded to the Government. Further, it has also been informed that there are no cases in the past wherein the retailer margin became income of the company on the ground that it is not required to be paid back to the Government/dealer/retailer.

- vii. With regard to useful life of the PoS device, it is informed that the PoS device is under three years comprehensive warranty.
- viii. With regard to the issue as to whether there is any time limit within which the acknowledgement for receipt of fertilisers in m-FMS has to be made, the querist has stated that in terms of Guidelines issued by DoF, the acknowledgement for receipt of fertilizers is first done by wholesaler, thereafter it is acknowledged by retailer upon receipt of stock and final acknowledgement is done by retailer in PoS devices before sale to farmers. As per the guidelines (vide e-mail dated 28.11.2017), the acknowledgement for the quarter will have to be completed by the end of 1st month of next quarter.

B. Query

17. On the basis of the above, the querist has sought the opinion of the Expert Advisory Committee on the following issues:

- (i) Whether the accounting treatment followed by the company by debiting the procurement cost of PoS devices to Accounts Payable (Retailer Margin) withheld by the company is correct.
- (ii) In the event the accounting treatment as at (i) above is not found correct, then whether PoS devices are to be capitalised in the books of account as observed by the Government audit.
- (iii) Further as the cost of PoS devices has not been borne by the company, what will be the basis for accounting treatment for capitalisation of PoS devices in the books of account, i.e., the cost for debiting of assets and its corresponding head of accounts for credit in the books of account?

C. Points considered by the Committee

18. The Committee notes that the basic issues raised in the query relate to accounting treatment of PoS devices purchased by the company out of the retailers' margin and installed at retailer's premises. The Committee has, therefore, considered only this issue and has not examined any other issue that may arise from the Facts of the Case, such as, accounting for the retailer's margin, accounting for subsidy receivable, etc. Further, the opinion expressed hereinafter is purely from accounting perspective and not from the perspective of legal interpretation of various Notifications and orders of DoF.

19. With regard to the issue raised by the CAG as to whether PoS device can be considered as an 'asset' of the company, the Committee notes the definition of the term 'asset' from the 'Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards', issued by the Institute of Chartered Accountants of India:

“An asset is a *resource controlled* by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.” (Emphasis supplied by the Committee.)

From the above, the Committee notes that an important consideration while recognizing an asset is that the entity should have control over the underlying resource. With regard to determining whether the company has control over the asset, the company notes paragraph 13

of Ind AS 38, 'Intangible Assets', notified under the Companies (Indian Accounting Standards) Rules, 2015, which states as follows:

- “13. An entity controls an asset if the entity has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits. The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law. In the absence of legal rights, it is more difficult to demonstrate control. However, legal enforceability of a right is not a necessary condition for control because an entity may be able to control the future economic benefits in some other way.”

From the above, the Committee notes that an entity controls an asset if it has the power or capacity to obtain future economic benefits flowing from the underlying resource, which would normally stem from legal rights that are enforceable in a court of law. In the extant case, the querist has specifically confirmed that legal ownership of the PoS devices lies with the company. Further, it is also noted that the retailers shall return the device to the company in cases where dealership is cancelled by the company or fertilizer selling license of retailer expires or is revoked by the competent authority or as per the company's demand. The dealer/retailer also cannot sell the PoS device and no amount is refundable to the dealer/retailer on receipt/use of devices (or any other condition). All these facts also indicate that the company and not the dealer/retailer has 'control' over the PoS devices as envisaged in the Standards. Further, with regard to future economic benefits from PoS devices, the Committee notes from the Facts of the Case that under Direct Benefit Transfer (DBT) scheme, subsidy on fertilizer will be released to the manufacturer on the basis of actual sale made through PoS devices by the retailer to the beneficiaries (farmers). Thus, the benefit of the subsidy shall be available to the company only when the transaction is entered into the PoS devices and therefore, the future economic benefits from PoS devices also accrue to the company. Accordingly, the Committee is of the view that the PoS devices meet the definition of 'asset' for the company and should therefore be recognized in the financial statements of the company considering the requirements of Ind AS 16, 'Property Plant and Equipment'.

20. With regard to the contention of the querist that since the procurement cost of these PoS devices has been met by the company out of withheld amount of retailer margin and no cost has been borne by the company for the purchase of PoS devices, the same are not eligible for capitalization in the books of account of the company, the Committee notes paragraph 59 of the 'Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards', issued by the ICAI, which states as follows:

- “59 There is a close association between incurring expenditure and generating assets but the two do not necessarily coincide. Hence, when an entity incurs expenditure, this may provide evidence that future economic benefits were sought but is not conclusive proof that an item satisfying the definition of an asset has been obtained. Similarly the absence of a related expenditure does not preclude an item from satisfying the definition of an asset and thus becoming a candidate for recognition in the balance sheet; for example, items that have been donated to the entity may satisfy the definition of an asset.”

From the above, the Committee notes that the absence of a related expenditure does not preclude an item from satisfying the definition of an asset and from recognition in the balance sheet. Therefore, even though the company may not have incurred any expenditure in respect of PoS devices but since it meets the definition of the asset for the company, as discussed in

paragraph 19 above, the same should be recognized in the financial statements of the company. In this regard, the Committee wishes to point out that to meet the cost of PoS devices out of the retailers' margin should be considered as a funding mechanism of the Government for implementing the DBT scheme and m-FMS and therefore, the company should not reduce its liability in respect of retailer's margin.

21. Further, with regard to the querist's contention that the PoS devices are being utilized by the retailers for the sale of fertilizers of other companies as well, the Committee wishes to point out that the company being a lead fertilizer supplier in seven states, the PoS devices are being arranged by the company for the retailers /dealers of these states. Similarly, for other states, other lead fertilizer suppliers in those states are arranging for such PoS devices, which would also be used for selling the fertilizer of the company. Thus, it is only the mechanism of the Government to ensure use of PoS devices throughout the India.

D. Opinion

22. On the basis of above, the Committee is of the following opinion on the issues raised in paragraph 17 above:

- (i) and (ii) The PoS devices should be recognised as an 'asset' of the company, as discussed in paragraph 19 above and accordingly, accounting treatment followed by the company by debiting the procurement cost of PoS devices to Accounts Payable (Retailer Margin) withheld by the company is not correct.
- (iii) The cost of PoS devices should not be debited to liability in respect of retailers' margin, as discussed in paragraph 20 above.