Report on Implementation of Accounting Standards in Educational Institutions of Department of Higher Education, Ministry of Human Resource Development

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an act of Parliament)

NEW DELHI

The Institute of Chartered Accountants of India

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1. INTRODUCTION

Education is on the *'Concurrent list'* subject to Entry 66 in the Union List of the Constitution. This makes both Central and State Government responsible to make policies to provide for the planned development of educational institutions, inculcation of healthy educational practice, maintenance and improvement in the standards of education and better organisation, discipline and control over educational institutions with a view to fostering the harmonious development of the mental and physical faculties of students. At present, Ministry of Human Resource & Development (MHRD) regulates education in India and operates mainly through two departments, namely Department of School Education & Literacy and Department of Higher Education.

The higher education system in India has grown in a remarkable way, particularly in the post-independence period. It is the third largest system in the world, after China and the United States.

University-level Institutions in India

Type of Institution	**2002**	**2006**	**2007**	**2009**	**2010**
Central Universities	18	20	25	40	41
State Universities	178	217	231	234	257
Institutions Deemed to be Universities	52	102	102	128	130
Institutions of National Importance					
- by State Legislation	5	5	5	5	5
- by Central Legislation	12	13	33	39	39
Private Universities	-	10	21	21	61
Total	**265**	**367**	**367**	**467**	**533**

The figures for 2010 are up to 01.07.2010; taken from UGC Report

The total grant from Ministry of Finance to Department of Higher Education in budget 2011-2012 for plan expenditure is Rs.13100 crores and for Non-Plan expenditure is Rs. 8812 crores amounting to Rs. 21912 crores.

Central Government is responsible for framing major policy relating to higher education in the country. It provides grants to UGC and establishes central universities in the country. The Central Government is also responsible for declaration of Education Institutions as 'Deemed to be University' on the recommendation of the UGC. State Governments are responsible for establishment of State Universities and colleges, and provide plan grants for their development and non-plan grants for their maintenance. The coordination and cooperation between the Union and the States is brought about in the field of education through the Central Advisory Board of Education. (CABE)

In the environment of various Statutes and Legislations governing the education sector across India and varied interpretation of certain terms under the related laws by the judiciary, there is no uniformity in preparation and presentation of financial statements. Also, there is an apparent lack of awareness as to the applicability of the accounting standards issued by the Institute of Chartered Accountants of India (ICAI).

Given the historical background of development of educational institutions primarily as a not-for-profit activity, accounting and financial reporting practices followed by non-governmental educational institutions have been oriented towards meeting the needs of the governing bodies running the educational institutions. However, in recent years, with increase in government aid to educational institutions particularly in the form of concessions and incentives, increased fees charged from the students and increased donations by certain donor-agencies, greater need is being felt for accountability of the financial resources used by the educational institutions.

Moreover, the present system of accounting and financial reporting followed by educational institution does not meet the accountability concerns of the donors, including government and other stakeholders such as members/ beneficiaries, governing board, management staff, volunteers and general public as educational institutions in India follow not only diverse accounting practices but also different basis of accounting. Due to these factors, the financial statements of various educational institutions are incomparable. A need is, therefore, being felt for improved accountability of the financial resources used by the educational institution. A sound accounting and financial reporting framework acts as an important ingredient for promoting accountability and for development of Education Sector.

Following are some of the factors indicating the diversity in accounting practices being followed by the educational institutions:

- *Lack of awareness* as to
    - benefits of adopting sound accounting practices.
    - applicability of accounting standards formulated by the ICAI.

- *Adoption of different basis of accounting* - Current accounting practices by various educational institutions vary from that on cash basis, accrual basis to a hybrid form of accounting i.e. a mix of both cash and accrual basis of accounting.

- *Impact of other laws* - The existing accounting practices in the educational institutions are generally driven by the requirements of the tax and other laws such as Indian Trust Act, 1882, Various State Trusts Act, Societies Registration Act, 1860 rather than with a view to reflect a true and fair view of the state of affairs and results of the activities carried on by the institution during the year.

As a result of the above factors, the existing accounting practices of the educational institutions have the following characteristics:

- There is no standard basis of accounting being followed by educational institutions. Cash, hybrid, accrual and modified cash/accrual basis of accounting are being followed.

- The Accounting Standards formulated by the Institute of Chartered Accountants of India, are generally not being applied.

- There is lack of uniformity in presentation of financial statements.

- There are different disclosure practices being followed.

- There is diversity in terminology and accounting policies being adopted.

- There is no proper reporting, whereby end-use of earmarked or restricted funds can be verified.

In view of the above, information provided by the financial statements of different educational institutions is not uniform or comparable. This has given rise to confusion and misunderstanding among the users of financial information provided by educational institutions.

Here, it may be emphasised that wherever the educational institution is incorporated under section 25 of the Companies Act, 1956 they are already required to prepare the financial statements as per Schedule VI to the Companies Act and accounting standards are already applicable to them.

Moreover, 'Preface to the Statements of Accounting Standards' issued by the ICAI clarifies that even if a small portion of a charitable organisation is considered to be commercial, industrial or business in nature, then it cannot claim exemption from application of accounting standards. In that case, Accounting Standards shall apply to the entity as a whole and not only to commercial, industrial or business transactions. This para assumes significance in the light of the fact that many educational institutions which are otherwise being run on grants, subsidies, etc. are running various management or certificate courses; executive development programmes which are earning substantial sums for the institutions. Such institutions cannot claim exemption from application of accounting standards citing their status of charitable or non-commercial organisation.

2. BACKGROUND

A meeting was held with Shri Kapil Sibal, Hon'ble Minister for Human Resource Development, Government of India in January, 2011 where Ms. Vibha Puri Das, Secretary, Higher Education and Ms. Anshu Vaish, Secretary, School Education and Literacy were also present. It was followed up with a meeting with Ms. Vibha Puri Das, Secretary, Higher Education in the Ministry of HRD to discuss the implementation of accounting Standards in all educational institutions. The Institute made a brief presentation "***Role of Professionals : Paving way for Excellence in Higher Education***" informing the role of the Institute and chartered accountant professionals can play. It was discussed to form a working group to look into applicability of accounting standards to educational institutions and to modify the same, if required to make them applicable to all educational institutions so as to ensure more accountability & transparency in the system.
Accordingly, a working group was formed comprising of:

Nominated from Ministry of HRD

1. Mrs. Neelam Sudhir Kumar, Controller of Accounts, Ministry of HRD
2. Shri N. U. Siddiqui, Former Finance Officer, Jamia Millia University
3. Shri A.K. Dogra, Financial Adviser, University Grants Commission
4. Shri M. Arumugan, Dy. Commissioner (Finance), Kendriya Vidyalaya Sangathan, New Delhi.

Nominated by the ICAI

5. CA. G. Ramaswamy, President, ICAI
6. CA. Jaydeep N. Shah, Vice-President, ICAI
7. CA. Amarjit Chopra, Chairman, Professional Development Committee
8. CA. Manoj Fadnis, Chairman, Accounting Standards Board

Assisted By

1. Dr. Avinash Chander, Technical Director, ICAI
2. Shri Vijay Kapur, Director, Board of Studies, ICAI and the then Secretary, Professional Development Committee, ICAI
3. CA. Namrata Khandelwal, Assistant Secretary, ICAI and now, Secretary, Professional Development Committee, ICAI

3. OBJECTIVES OF THE STUDY

The objective of this Study is to recommend the following, with a view to harmonise the diverse accounting practices being followed in educational institutions.

- To recommend an appropriate method of accounting to be followed along with the financial control guidelines.

- To recommend relevant accounting standards for preparation and presentation of financial statements in educational institutions.

- To recommend the resultant Uniform Accounting & Reporting Framework, including the application of sound accounting principles pertaining to recognition, measurement and disclosure of various items of income and expenses, assets and liabilities in the financial statements of educational institutions keeping in view the peculiarities of the activities of Institutions.

- To suggest standardised formats of financial statements for educational institutions.

4. SCOPE

- The contents of this report are primarily applicable to the educational institutions regulated by Department of Higher Education, Ministry of Human Resource Development.

- Recommended for State Universities, Institutions Deemed to be Universities, Institutions of National Importance (by State Legislation) and Private Universities also.

- This report is applicable not only to the educational activities but also to other incidental activities including income generating activities carried on by educational institutions.

- This report focuses on presenting a standardized framework for preparation and presentation of financial statements in educational institutions, using sound accounting principles pertaining to recognition, measurement and disclosures. Therefore, the requirements of various Acts including the Income-tax Act, 1961 and the Foreign Contribution (Regulation) Act, 1976 do not form part of this report.

- To the extent possible, schools may also consider implementing this report for better disclosure, transparency and accountability in their financial statements.

- For the purpose of this report, an educational institution is considered as the reporting entity and, therefore, it has to keep separate books of account and has to prepare separate financial statements. Thus, if a society or a trust runs two educational institutions, each educational institution should maintain its separate books of account and prepare separate financial statements as recommended in this report. This, however, does not preclude the society or the trust from preparation of the financial statements of the society or the trust as a whole, including therein income, expenses, assets and liabilities pertaining to the educational institution(s) established by it, as per the requirements of any statute or a regulator or otherwise.

5. ACCOUNTING STANDARDS AND THEIR APPLICABILITY TO EDUCATIONAL INSTITUTIONS

Accounting is often said to be a social science. It operates in an open and ever changing economic environment. The nature of transactions entered into by various enterprises and the circumstances surrounding such transactions differ widely. This characteristic of accounting measurements historically led to the adoption of different accounting practices by different enterprises for dealing with similar transactions or situations.

Recognising the need for bringing about a greater degree of uniformity in accounting measurements, the trend all over the world now is towards formulation of accounting standards to be adopted in preparation of accounting information and its presentation in financial statements. Accounting Standards lay down the rules for recognition, measurement, disclosures and presentation of accounting information by different enterprises.

In India, the task of formulating accounting standards has been taken up by the Institute of Chartered Accountants of India (ICAI), which is based on the fundamental accounting assumption of accrual. The accounting standards issued by the Institute of Chartered Accountants of India are applicable to Commercial, Industrial and Business enterprises.

The 'Preface to the Statements of Accounting Standards', issued by the Institute of Chartered Accountants of India states the following:

"3.3 Accounting Standards are designed to apply to the general purpose financial statements and other financial reporting, which are subject to the attest function of the members of the ICAI. Accounting Standards apply in respect of any enterprise (whether organised in corporate, co-operative or other forms) engaged in commercial, industrial or business activities, irrespective of whether it is profit oriented or it is established for charitable or religious purposes. Accounting Standards will not, however, apply to enterprises only carrying on the activities which are not of commercial, industrial or business nature, (e.g., an activity of collecting donations and giving them to flood affected people). Exclusion of an enterprise from the applicability of the Accounting Standards would be permissible only if no part of the activity of such enterprise is commercial, industrial or business in nature. Even if a very small proportion of the activities of an enterprise is considered to be commercial, industrial or business in nature, the Accounting Standards would apply to all its activities including those which are not commercial, industrial or business in nature."

The wholesome principles contained in the Accounting Standards provide most appropriate guidance even in case of those organisations to which Accounting Standards do not apply. Therefore, it is recommended that for the purpose of proper financial reporting framework, Accounting Standards issued by the ICAI should be made mandatory to educational institutions ***(See Appendix-I)***. These Accounting Standards would help educational institutions to maintain uniformity in presentation of financial statements, proper disclosure and transparency. However, while applying the Accounting

Standards certain terms used in the Accounting Standards may need to be modified in the context of the corresponding appropriate terms for educational institutions. For instance, where an Accounting Standard refers to the term 'Statement of Profit And Loss', in the context of educational institution, this Report uses the term 'Income and Expenditure Account'.

***Appendix-I* provides the direction for applicability of the Accounting Standards to Educational Institution.**

6. ACCOUNTING FRAMEWORK FOR EDUCATIONAL INSTITUTIONS

Accounting Framework is concerned with general purpose financial statements (hereafter referred to as 'financial statements'). Such financial statements are prepared and presented at least annually and are directed toward the common information needs of a wide range of users. These users have to rely on the financial statements as their major source of financial information and cannot prescribe the information they want from an organisation. The general purpose financial statements should, therefore, be prepared and presented with their needs in view.

It is often argued that since profit is not the objective of educational institutions, the accounting framework, which is relevant for business entities is not appropriate for educational institutions. With a view to recommend suitable accounting system for educational institution, it would be imperative to understand the major ingredients of an accounting framework. An accounting framework primarily comprises the following:

(a) Elements of financial statements basically comprising income, expenses, assets and liabilities

The framework aims to identify the items that should be considered as income, expenses, assets and liabilities by educational institution, for the purpose of including the same in the financial statements by defining the aforesaid terms.

Assets are resources controlled by an entity from which future economic benefits or service potential is expected to flow to the entity. It may thus be noted that the definition of 'asset' would remain the same whether an entity is a business enterprise or an educational institution, in so far as expectation of the future economic benefits is concerned. In other words, what is considered as an asset by a commercial entity e.g., Land, Building, Furniture and Equipment etc., would be considered as an asset by an educational institution also. However, in case of an educational institution, certain items which may not have future economic benefits but have service potential would also be considered as assets. The other elements of financial statements, viz., income, expenses and liabilities, will also remain the same for educational institution as in commercial entities.

(b) Principles for recognition of items of income, expenses, assets and Liabilities

These principles lay down the timing of recognition of the aforesaid items in the financial statements of educational institution. In other words, these principles lay down when an item of income, expense, asset or liability should be recognised in the financial statements.

There is no difference in the application of the recognition principles to commercial entities and educational institutions. For example, the timing of the recognition of a grant as an income in the financial statements of an organisation does not depend upon the purpose for which the organisation is run. A grant is recognised as income in the financial statements, under accrual basis of accounting, when it becomes reasonably certain that the grant will be received and that the organisation will fulfill the conditions attached to it. Thus, a commercial entity and an educational institution would both follow the aforesaid criteria for recognition of grant as income. Similarly, principles for recognition of other incomes, expenses, assets and liabilities would be the same for commercial entities and educational institutions.

(c) Principles of measurement of items of income, expenses, assets and Liabilities

These principles lay down at what amount the aforesaid items should be recognized in the financial statements. Ordinarily, the same principles of measurement would be applicable in case of educational institution as those for commercial entities.

In so far as the measurement principles are concerned, the same principles are relevant to a not-for-profit organisation as well as to a commercial entity. For example, depreciation of an asset represents primarily the extent to which the asset is used during an accounting period by an organisation. Thus, whether an asset, such as a photocopying machine, is used by an educational institution or a commercial entity, the measure of charge by way of depreciation depends primarily upon the use of the asset rather than the purpose for which the organisation is run, i.e., profit or not-for-profit motive. Accordingly, the measurement principles for income, assets and liabilities should be the same for commercial entities and not-for-profit organisations such as educational institutions.

(d) Presentation and disclosure principles

These principles lay down the manner in which the financial statements are to be presented by educational institution and the disclosures to be made therein.

In so far as presentation of financial statements is concerned, educational institution generally follow what is known as 'fund based accounting' whereas the commercial entities do not follow this system. This is because educational institution may be funded by numerous grants, donations or similar contributions, which may or may not impose conditions on their usage. In other words, the use of some funds may be restricted by an outside agency such as a donor or self-imposed by the organisation. It, therefore, follows that the financial statements of educational institution should reflect income, expenses, assets and liabilities in respect of such funds separately so as to enable the users of financial statements such as the contributors, to assess the usage of the funds contributed by them. However, it may be noted that fund based accounting is relevant primarily for the purpose of presentation of financial statements and not for the purpose of identification, recognition and measurement of various items of income, expenses, assets and liabilities.

It may be concluded from the above paragraphs that while the identification, recognition and measurement of elements of financial statements are sector neutral, the presentation of financial statements may differ among the two sectors, viz., for-profit sector and not-for-profit sector. Similarly, disclosure principles may also differ. The accounting framework discussed above would apply to all categories and types of educational institution. However, the books of account to be maintained by various educational institutions may depend upon the nature of activities and/or programmes carried on by them.

7. BASIS OF ACCOUNTING

The term 'basis of accounting' refers to the timing of recognition of revenue, expenses, assets and liabilities in accounts.

The commonly prevailing basis of accounting are:
a. Cash basis of Accounting; and
b. Accrual basis of Accounting.

Under the cash basis of Accounting, transactions are recorded when the related cash receipts or cash payments take place. Thus, the revenue of educational Institutions, such as donations, grants, etc. is recognised when funds are actually received. Similarly, expenses on acquisition and maintenance of assets used for rendering services as well as for employee remuneration and other items are recorded when the related payments are made. The end-product of cash basis of accounting is a statement of Receipts and Payments that classifies cash receipts and cash payments under different heads.

Accrual basis of accounting is the method of recording transactions by which revenue; expenses, assets and liabilities are reflected in the accounts in the period in which they accrue. The accrual basis of accounting includes considerations relating to accrual of income, provisioning of expenses, deferral, allocations like depreciation and amortization. This basis is also referred to as 'Mercantile Basis of Accounting'.

Accrual basis of accounting records the financial effects of the transactions and other events of an enterprise in the period in which they occur rather than recording them in the period(s) in which cash is received or paid. Accrual basis recognises that the economic events that affect an enterprise's performance often do not coincide with the cash receipts and payments. The goal of accrual basis of accounting is to relate the accomplishments (measured in the form of revenue) and the efforts (measured in terms of costs) so that the reported net income measures an enterprise's performance during a period rather than merely listing its cash receipts and payments. Apart from income measurement, accrual basis of accounting recognises assets, liabilities or components or revenue and expenses for amount received or paid in cash in past, and amounts expected to be received or paid in cash in future.

In cash basis of accounting, no account is taken of whether the asset is still in use, has reached the end of its useful life, or has been sold. Thus, cash based information fails to show a proper picture of the financial position and performance for the accounting period. A cash based system does not provide information about total costs of an organisation's activities. On the other hand, accrual system of accounting offers the opportunity to the organisation to improve management of assets, and provides useful information about the organisation's actual liabilities, relating to both debts and other obligations such as employee entitlements.

Accrual is the scientific basis of accounting and has conceptual superiority over the cash basis of accounting. It is, therefore, recommended that educational institutions should maintain their books of account on accrual basis.

8. FINANCIAL CONTROL

Keeping in view financial control for good governance of educational institutions and effective and proper end-use of public funds, the following matters have been deliberated. Educational institutions frequently receive grants/donations/ contributions and other forms of revenue, the use of which may be either unrestricted or subject to the restrictions imposed by the contributors i.e. use of funds for specific purposes. Further, there might also be legal/other binding restrictions on educational institution to use certain funds for specific purposes or educational institution may also on their own, earmark or appropriate certain unrestricted funds for specific purposes.

Funds received by educational institutions may be divided into[1]:

- i. Restricted Funds
- ii. Unrestricted Funds
    - a. Corpus Fund
    - b. Designated Funds
    - c. General Fund

For the purpose of appropriate presentation of these funds in the financial statements, it is necessary to understand their nature and characteristics, which is described below:

i. Restricted Funds

These funds are subject to certain conditions set out by the contributor and agreed to by the educational institutions, while accepting the contributions. The restriction

[1] Complete details regarding fund based accounting are given in ***Appendix- II***

may apply to use of the funds received or income earned from the investment of such funds or both.

In case of Endowment Funds, principal sum is not used and the funds received are generally deployed in specific investments. The income earned from investments is utilised for specific purposes.

Funds, which are created because of legal requirements, are also considered as restricted funds.

ii. Unrestricted Funds

These are the funds contributed to educational institutions with no specific restrictions. The obligation of educational institutions while accepting an unrestricted donation or grant is to ensure its usage for general purposes.

Corpus Fund

It refers to funds contributed by founders / promoters generally to start the educational institutions. It also includes donations /contributions received with specific directions. These are non-refundable funds, which can however be increased by additional contribution by the founders / promoters / donors / contributors with specific directions in furtherance of the objects of the educational institutions.

Designated Funds

These are unrestricted funds which have been set aside by the trustees /management of the educational institutions for specific purposes or to meet future requirements. These funds can be categorised as self imposed or restricted funds. However, the educational institutions can modify the designation whenever it wishes and reallocate the funds to some other purpose. These funds are generally created by an appropriation of the surplus for the year.

General Fund

Theses are unrestricted funds other than designated funds and corpus.

9. BOOKS OF ACCOUNT

Books of account should be maintained following the rules of Double Entry Book Keeping System and generally accepted accounting practices prevailing in India. Every educational institution should maintain proper books of account with respect to:

(a) all sums of monies received by the educational institution and the matters in respect of which receipts take place, showing distinctly the amounts received from income generating activities and through grants and donations;
(b) all sums of money expended by the educational institution and the matters in respect of which expenditure takes place;
(c) all assets and liabilities of the educational institution.

The educational institution generally maintain the following books of account –

1. Receipt Book
2. Journal
3. Cash Book / Bank Book
4. Ledger

The books of account of educational institution may be structured in a manner that is suited to its needs and requirements. For instance:
(a) A separate set of books and records may be maintained for foreign and Indian contributions, as per the requirements of the Foreign Contribution (Regulation) Act, 1976.
(b) Similarly, separate sets of books and records may be maintained for the various projects, etc. that the educational institutions may have for implementing its programmes.
(c) Separate ledgers, accounts and records may also be maintained with regard to the various funds representing the grants received from various sources, received with or without stipulations and restrictions. This may also be referred to as Fund Based Accounting, which is discussed in detail in the following paragraphs.

For example – Agricultural (research) University might be selling fertilizers or seeds to farmers or other procurement agencies; many universities are maintaining hostels of their own and the like. Accordingly, educational institution with reference to specific requirements may maintain the following additional books of account, as considered necessary for maintenance of proper books of accounts –

1. Purchase Book
2. Sales Book / Bill Book
3. Inventory Register
4. Other Books as deemed necessary

Moreover, following registers and other records like vouchers should also be maintained so as to give information in relation to:

1. Fees received from students (in respect of admission fee, tuition fee, library fee, examination fee, etc.)
2. Grants-in-aid received from various sources.
3. Scholarship and special stipends.
4. Funds such as building, library, laboratory, sports, furniture, equipments, endowment, provident fund, poor students fund, deposits, etc.
5. Immovable properties and other fixed assets.
6. Investments.
7. Minutes of the meetings of the Managing Committee of the educational institution.
8. Stock (for books, stationery, uniform, etc.)
9. Caution money received from students.

The above list is illustrative only and not exhaustive. Proper books of account would not be deemed to be kept with respect to the matters specified therein:

(a) if such books are not kept as are necessary to give a true and fair view of the state of affairs, income and expenditure and cash flows of the educational institution, and to explain its transactions;

(b) if such books are not kept on accrual basis and according to the double entry system of accounting.

10. FORMATS OF FINANCIAL STATEMENTS UNDER ACCRUAL BASIS OF ACCOUNTING

The accounting process in an organisation culminates in the preparation of its financial statements. The financial statements are intended to reflect the operating results during a given period and the state of affairs at a particular date in a clear and comprehensive manner.

The Group observed that various Acts/laws/bye-laws specify different accounting and reporting requirements for educational institution. Special purpose financial reports, for example, computations prepared for taxation purposes or specialised needs of regulatory bodies, donor agencies, or others having the authority to obtain the type of information they need are outside the scope of this Framework. For instance, a statute/regulation in a state applicable to educational institutions may prescribe certain specific requirements, e.g., utilisation of funds in a particular manner or statement of fees to be charged in each academic year, etc. Where the general purpose financial statements prepared in accordance with the recommendations contained in this report do not provide such requisite information, it would be appropriate to prepare a separate statement for the specific purpose envisaged in the relevant statute/regulation. The recommendations contained in this report may be applied to such specific purpose statements to the extent appropriate.

The Group considered the Common Format of Accounts issued for all central autonomous organisations/institutions by the Department of Secondary and Higher Education, Ministry of Human Resource Development, Government of India vide its letter No. 1703/JS&FA(HRD)/2/2002 dated 18th February, 2002 to bring uniformity and transparency in their accounts. It was felt that they are general purpose financial statements and are not specific to educational institutions; and contain reference to many items which are not relevant for educational institutions like Inventory including Raw material, WIP & Finished Goods; Income from Sales from Finished Goods & Raw Materials; Income from Labour & Processing Charges; Excise duty or Sales Tax, etc.

The Group also considered the formats (recently prepared in the year 2010-11) suggested by the Institute. It was observed that the formats of Financial Statements suggested by ICAI are in accordance with the Fund Based Accounting & disclosure requirements of updated Accounting Standards issued by ICAI. The suggested formats of Financial Statements are based on formats given in ICAI Publication "Guidance Note on Accounting by Schools" which was prepared in consultation with Central Board of Secondary Education (CBSE), Council for Indian School Certificate Examination (CISCE) and Ministry of Human Resource Development (HRD).

Therefore, the group felt that the formats of Financial Statements as suggested by ICAI should be adopted for implementation with suitable modifications.

Accordingly, it is suggested that the following statements should form part of General Purpose Financial Statements of an educational institution:

1. Balance Sheet
2. Income and Expenditure Account
3. Cash Flow Statement
4. Notes forming part of financial statements

They may also include supplementary schedules and information based on or derived from, and expected to be read with such statements. Such schedules and supplementary information may deal with, for example, movement in various funds. Financial statements do not, however, include reports by the governing body, for example, the trustees, statement by the chairman, discussion and analysis by management and similar reports that may be included in a financial or annual report.

Income and expenditure account is prepared by an educational institution in lieu of a profit and loss account. An income and expenditure account should contain all revenues earned and expenses incurred by an educational institution during an accounting period.
Since, the fund based accounting has relevance for educational institutions, it is recommended that the Income and Expenditure Account should have three columns, as given below, to present income and expense in respect of restricted funds as distinguished from unrestricted fund,

(a) 'Unrestricted Funds ', further sub-classified into 'Corpus', 'Designated Funds' and 'General Funds';
(b) 'Restricted Funds'; and
(c) 'Total' column reflecting the total of income and expenses of 'Unrestricted Funds' and 'Restricted Funds'.

Although educational institutions may separate designated funds from other unrestricted funds in its internal accounting records as mentioned above, care must be taken in the published accounts so as not to give the impression that there is some legal distinction between the two, as in fact the educational institutions can use both types of funds at its discretion.

In the Balance Sheet, assets and liabilities should not be set-off against each other, even though these may be related to the same programme/project. Rather these should be disclosed separately. Balance of various funds should be distinctly disclosed in the Balance Sheet.

In the preparation and presentation of financial statements, the overall consideration should be that they give a true and fair view of the state of affairs of the educational institutions and of the surplus or deficit as reflected in the balance sheet and the income and expenditure account, respectively. The financial statements should disclose every material transaction, including transactions of an exceptional and extraordinary nature. The financial statements should be prepared in conformity with relevant statutory requirements, the accounting standards and other recognised accounting principles and practices.

Suggested formats of financial statements for use by educational institutions are given in the ***Appendix III***. It is recommended that the statutes having specific formats for financial reporting by educational institution may also modify the same in line with the suggested formats. It may be emphasised that an educational institution may modify the formats appropriately keeping in view the nature of activities, etc. The formats should be viewed as laying down the minimum rather than the maximum information that educational institution should present in their financial statements. Those educational institutions who wish to present more detailed information are encouraged to do so.

11. TRANSITION TO ACCRUAL BASIS OF ACCOUNTING

An educational institution in the process of moving from cash basis of accounting to accrual basis of accounting may include particular accrual-based disclosures during this process. Such accrual-based disclosures may or may not be audited. The location of such additional information (for example, in the notes to the financial statements or in a separate supplementary section of the financial statements) will depend on the characteristics of the information (for example, reliability and completeness).

A major problem in transition from cash basis of accounting to accrual basis of accounting is determination of opening balances of assets and liabilities.

It is recommended that the balance available in the 'Corpus' at the time of transition from cash to accrual basis should be shown with complete details of corpus contributed by founders/ promoters/ donors/ contributors either as a separate schedule or by way of notes to accounts, to the extent practicable.

Many assets, e.g., those received by way of donations or gifts, may not have been recorded at the time they were acquired. It is necessary to identify such assets and account for them appropriately. In every case where the original cost cannot be ascertained, without unreasonable expense or delay, the valuation shown by the books should be considered. For the purpose of this paragraph, such valuation should be the net amount at which an asset stood in the educational institution's books at the commencement of the application of this guidance after deduction of the amounts previously provided or written off for depreciation. Similarly, the opening balances of current assets like, receivables and loans and advances, should also be determined.

In the case of liabilities, the educational institution should make an assessment on the basis of records available of the amounts payable to creditors, suppliers and others in respect of expenditure incurred for acquisition of assets or to meet revenue expenses.

The difference, if any, between the total debit balances and the credit balances as determined on the basis of above paragraphs should be taken as the balance of the 'General Fund'.

This guidance attempts to facilitate compliance with the Accounting Standards in preparation of accounts in educational institutions through the use of transitional provisions in certain standards. Where transitional provisions exist, they may allow an educational institution additional time to meet the full requirements of a specific Accounting Standard or provide relief from certain requirements when initially applying an Accounting Standard. An educational institution adopting the accrual basis of accounting in accordance with the Accounting Standards, should apply all the Accounting Standards including the transitional provisions in an individual Accounting Standard.

Having decided to adopt accrual accounting in accordance with the Accounting Standards, the transitional provisions would govern the length of time available to make the transition. On the expiry of the transitional provisions, the educational institution should report in full in accordance with all the Accounting Standards.

However, the accounts department in most of the institutions suffer from under and inadequate staff, both quantity and quality wise. Therefore, it is suggested that Ministry of Human Resource Development in coordination with ICAI shall organise capacity building programme to train the staff of educational institution.

12. COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR EDUCATIONAL INSTITUTIONS

Ensuring compliance with the Accounting Standards for educational institution is the responsibility of the appropriate authority which approves the financial statements of the educational institution for the purpose of issuance thereof. Having issued the Accounting Standard for educational institution, various State Governments may require educational institution to follow the Accounting Standards for educational institution issued by the Institute of Chartered Accountants of India. Thus, an Accounting Standard for educational institution becomes mandatory for educational institutions in a State from the date specified in this regard by the State Government concerned.

Financial statements cannot be described as complying with the Accounting Standards for educational institution unless they comply with all the requirements of each applicable Standard.

13. RECOMMENDATIONS

1. All educational institutions should be mandated to apply accrual basis of accounting.

2. Accounting Standards issued by the ICAI should be made mandatory to educational institutions (see ***Appendix I***).

3. Fund based accounting may be introduced for Earmarked / Designated Funds (***Appendix II***)

4. All educational institutions should follow a common format for presentation of its general purpose financial statements (as given in ***Appendix III***) to ensure proper accountability, financial discipline, end-use of funds and to meet the needs of stakeholders. It is also recommended that the statutes having specific formats for financial reporting by educational institution may also modify the same in line with the suggested formats.

5. Ministry of Human Resource Development in coordination with ICAI shall organise capacity building programme to train the staff of educational institutions.

Appendix-I

Applicability of Accounting Standards to educational institutions

Overview of Accounting Standards

The accounting principles and practices, in India, are governed, interalia, by the Accounting Standards, Guidance Notes, etc., issued from time to time by the Institute of Chartered Accountants of India (ICAI). Para 6.1 of "Preface to the Statements of Accounting Standards", lays down that the Accounting Standards will be mandatory from the respective date(s) mentioned in the Accounting Standard(s). The mandatory status of an Accounting Standard implies that while discharging their attest functions, it will be the duty of the members of the Institute to examine whether the Accounting Standard is complied with in the presentation of financial statements covered by their audit. In the event of any deviation from the Accounting Standard, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviation. Ensuring compliance with the Accounting Standards while preparing the financial statements is the responsibility of the management of the enterprise.

Sound accounting principles under accrual basis of accounting, albeit in the context of business, industrial and commercial enterprises have been laid down in the Accounting Standards issued by the Institute of Chartered Accountants of India. With respect to applicability of Accounting Standards to various types of enterprises paragraph 3.3 of "Preface to the Statements of Accounting Standards" states as follows:

"Accounting Standards are designed to apply to the general purpose financial statements and other financial reporting, which are subject to the attest function of the members of the ICAI. Accounting Standards apply in respect of any enterprise (whether organised in corporate, co-operative other forms) engaged in commercial, industrial or business activities, irrespective of whether it is profit oriented or it is established for charitable or religious purposes. Accounting Standards will not, however, apply to enterprises only carrying on the activities which are not of commercial, industrial or business nature, (e.g., an activity of collecting donations and giving them to flood affected people). Exclusion of an enterprise from the applicability of the Accounting Standards would be permissible only if no part of the activity of such enterprise is commercial, industrial or business in nature. Even if a very small proportion of the activities of an enterprise are considered to be commercial, industrial or business in nature, the Accounting Standards would apply to all its activities including those which are not commercial, industrial or business in nature."

List of Accounting Standards issued by the ICAI

AS	Title
1	Disclosure of Accounting Policies
2	Valuation of Inventories
3	Cash Flow Statement
4	Contingencies and Events occurring after the Balance Sheet Date
5	Net Profit or Loss for the period, prior period items and changes in Accounting Policies
6	Depreciation Accounting
7	Accounting for Construction Contracts
9	Revenue Recognition
10	Accounting for Fixed Assets
11	Accounting for the effect of changes in Foreign Exchange rates
12	Accounting for Government Grants
13	Accounting for Investments
14	Accounting for Amalgamations
15	Accounting for Retirement Benefits in the Financial Statements of Employers
16	Borrowing Costs
17	Segment Reporting
18	Related Party Disclosures
19	Leases
20	Earnings per share
21	Consolidated Financial Statements
22	Accounting for Taxes on Income
23	Accounting for investment in Associates in Consolidated Financial Statements
24	Discontinuing operations
25	Interim Financial Reporting
26	Intangible Assets
27	Financial Reporting of Interests in Joint Venture
28	Impairment of Assets
29	Provisions Contingent Assets and Contingent liabilities

30	Financial Instruments: Recognition and Measurement
31	Financial Instruments: Presentation
32	Financial Instruments: Disclosure

It may be noted that that, so far, the Institute of Chartered Accountants of India has formulated 32 Accounting Standards out of which one Standard [viz., Accounting Standard (AS) 8, *Accounting for Research and Development*] is no longer in force and three Standards [viz., Accounting Standard (AS) 30, *Financial Instruments: Recognition and Measurement;* Accounting Standard (AS) 31, *Financial Instruments: Presentation*; and Accounting Standard (AS) 32, *Financial Instruments: Disclosure*] are not mandatory even in case of commercial entities.

It may also be noted that below mentioned Accounting Standards may not be relevant to educational institutions. However, it is suggested that educational institutions should follow such Accounting Standards to the extent applicable to them:

(AS 7) Accounting for Construction Contracts
(AS 14) Accounting for Amalgamations
(AS 20) Earnings per share
(AS 21) Consolidated Financial Statements
(AS 22) Accounting for Taxes on Income etc.
(AS 23) Accounting for investment in Associates in Consolidated Financial Statements
(AS 24) Discontinuing operations
(AS 25) Interim Financial Reporting
(AS 27) Financial Reporting of Interests in Joint Venture

Appendix – II

FUND BASED ACCOUNTING (UNDER ACCRUAL BASIS OF ACCOUNTING)

Educational institution frequently receive grants/donations and other forms of revenue, the use of which may be either unrestricted or subject to the restrictions imposed by the contributors, i.e., such funds can only be used for specific purposes and, therefore, are not available for an educational institution general purposes. Further, there might also be legal/ other binding restrictions on educational institution to use certain specific amounts only for specified purposes or educational institution may also on their own, earmark certain unrestricted funds for specific purposes. For the purpose of appropriate presentation of these funds in the financial statements, it is necessary to understand their nature and characteristics, which are described below:

(a) **Unrestricted funds:** Unrestricted funds refer to funds contributed to an educational institution with no specific restrictions. The obligation of an educational institution while accepting an unrestricted donation or grant is to ensure its usage for general purposes of the educational institution. All incomes (donations, legacies, investment income, fees, etc.) not subject to external restrictions are a part of unrestricted funds. For the purpose of presentation in the Income and Expenditure account and the Balance Sheet, the unrestricted funds can be further classified into three categories viz., Corpus, Designated Funds and General Fund.

(*i*) **Corpus:** Corpus refers to funds contributed by founders/promoters generally to start the educational institutions. They are non-reducible funds which can however be increased by additional contribution by the founders/promoters to further the objects of the educational institutions. These funds need to be distinguished from funds which are in the nature of founders'/promoters' contribution, which are grants given by contributors other than founders/promoters with reference to the total investment in an undertaking or by way of contribution towards outlay. No repayment is ordinarily expected of such grants.

(ii) **Designated funds:** Designated funds are unrestricted funds which have been set aside by the trustees/ management of an educational institution for specific purposes or to meet future commitments. Unlike restricted funds, any designations are self-imposed and are not normally legally binding. The educational institution can lift the designation whenever it wishes and reallocate the funds to some other designated purpose(s).

(iii) **General fund:** Unrestricted funds other than 'designated funds' and 'corpus' are a part of the 'General Fund'.

(b) **Restricted funds:** Restricted funds are subject to certain conditions set out by the contributors and agreed to by the educational institutions when accepting the contributions. The restriction may apply to the use of the moneys received or income earned from the investment of such moneys or both. Funds, the use of which is subject to legal restrictions are also considered as restricted funds.

(c) **Endowment funds:** These funds are another form of restricted funds. Endowment funds are those funds which have been received with a stipulation from the contributor/donor that the amount received should not be used for any purpose. Only the income earned from these funds can be used either for general purposes of the educational institutions or for specific purposes, depending on the terms of the contribution made. Usually, the amount received is invested outside the educational institutions as per the terms of the contribution, if any.

Designated funds are created by appropriation of the surplus for the year for meeting a revenue expenditure or capital expenditure in future. When revenue expenditure is incurred with respect to a designated fund, the same is debited to the income and expenditure account ('Designated Funds' column). A corresponding amount is transferred from the concerned designated fund account to the credit of the income and expenditure account after determining the surplus/deficit for the year since the purpose of the designated fund is over to that extent. Where the designated fund has been created for meeting a capital expenditure, the relevant asset account is debited by the amount of such capital expenditure and a corresponding amount is transferred from the concerned designated fund account to the credit of the Income and Expenditure account after determining surplus/deficit for the year. In respect of the asset, e.g., a building, being constructed by an educational institution, on completion of the same, the entire balance, if any, of the relevant designated fund is transferred to the credit of the Income and Expenditure Account after determining the surplus/ deficit for the year.

In case an educational institution holds specific investments against the designated funds, income earned, if any, on such investments, is credited to the Income and Expenditure Account for the year in which the income is so earned and is shown in 'Designated Funds' column. An equivalent amount may be transferred to the concerned Designated Fund Account after determining the surplus/deficit for the year as per the policy of the educational institution.

All items of revenue and expenses that do not relate to any designated fund or restricted fund are reflected in the 'General Fund' column of the income and expenditure account. The surplus/ deficit for the year after appropriations is transferred and presented as surplus/deficit separately as a part of 'General Fund' in the Balance Sheet. Apart from such surplus/deficit, the 'General Fund' also includes the following which are separately presented in the Balance Sheet:

(a) Grants related to a non-depreciable asset.
(b) Grants of the nature of founders'/promoters' contribution.

Restricted funds, that represent the contributions received the use of which is restricted by the contributors, are credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet. Such funds may be received for meeting revenue expenditure or capital expenditure. Where the fund is meant for meeting revenue expenditure, upon incurrence of such expenditure, the same is charged to the income and expenditure account ('Restricted Funds' column); a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account ('Restricted Funds' column). Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per AS 6. The concerned restricted fund account is treated as deferred income, not exceeding of the cost of the asset, and is transferred to the credit of the Income and Expenditure Account in proportion to the depreciation charged every year (both the income so transferred and the depreciation should be shown in the 'Restricted Funds' column). The unamortised balance of deferred income would continue to form part of the Restricted Fund. Any excess of the balance of the concerned restricted fund account over and above the cost of the asset may have to be refunded to the donor. In case the donor does not require the same to be refunded, it is treated as Income and credited to the Income and Expenditure Account pertaining to the relevant year ('General Fund' column). Where the restricted fund is in respect of a non-depreciable asset, the concerned restricted fund account is transferred to the 'General Fund' in the Balance Sheet when the asset is acquired.

The restricted funds will normally carry a stipulation as to the use of income earned on investments made out of the contributions received. If the terms stipulate that the income earned should be used for the same purpose for which the contribution was made, the income earned should be credited to the concerned Restricted Fund Account. Where the terms stipulate a general use of the income earned, the same should be credited to the

Income and Expenditure Account ('General Fund' column) of the year in which the income is so earned.

With regard to endowment funds, the income earned from investments of these funds is recognised in The Income and Expenditure Account only to the extent of the expenditure incurred for the relevant purpose. Both the income and the expense should be shown in the 'Restricted Funds' column. Any excess of the income not recognised as aforesaid would continue to remain part of the concerned fund.

Appendix - III

Formats of Financial Statements

Name of Educational Institutions ____________________________________
BALANCE SHEET AS AT ____

(₹……………)

SOURCES OF FUNDS	Schedule	Current Year	Previous Year
UNRESTRICTED FUNDS			
Corpus	1		
General Fund	2		
Designated/Earmarked Funds	3		
RESTRICTED FUNDS	4		
LOANS/BORROWINGS	5		
Secured			
Unsecured			
CURRENT LIABILITIES & PROVISIONS	6		
TOTAL			
APPLICATION OF FUNDS			
FIXED ASSETS	7		
Tangible Assets			
Intangible Assets			
Capital Work-In-Progress			
INVESTMENTS	8		
Long Term			
Short term			
CURRENT ASSETS	9		
LOANS, ADVANCES & DEPOSITS	10		
TOTAL			
Notes on Accounts	22		

Name of Educational Institution ___________________________________

INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD/YEAR ENDED _________________________

(₹……………)

	Schedule	Current Year					Previous Year
		Unrestricted Funds			Restricted Fund	Total	Total
		Corpus	Designated fund	General fund			
INCOME							
Academic Receipts	11						
Grants & Donations	12						
Income from investments	13						
Other Incomes	14						
TOTAL (A)							
EXPENDITURE							
Staff Payments & Benefits	15						
Academic Expenses	16						
Administrative and General Expenses	17						
Transportation Expenses	18						
Repairs & maintenance	19						
Finance costs	20						
Other Expenses	21						
TOTAL (B)							
Balance being excess of Income over Expenditure (A-B)							
Transfer to/from Designated fund							
Building fund							
Others (specify)							
Balance Being Surplus (Deficit) Carried to General Fund							
Notes on Accounts	22						

General Instructions

1. The financial statements of educational institutions (viz., Balance Sheet and Income and Expenditure Account) should be prepared on accrual basis.

2. A statement of all significant accounting policies adopted in the preparation and presentation of the Balance Sheet and the Income and Expenditure Account should be included in the educational institution's Balance Sheet. Where any of the accounting policies is not in conformity with Accounting Standards, and the effect of departures from Accounting Standards is material, the particulars of the departure should be disclosed, together with the reasons therefore and also the financial effect thereof except where such effect is not ascertainable.

3. Accounting policies should be applied consistently from one financial year to the next. Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. In case of a change in accounting policies which has a material effect in the current period, the amount by which any item in the financial statements is affected by such change, should also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.

4. The accounting treatment and presentation in the Balance Sheet and the income and expenditure account of transactions and events should be governed by their substance and not merely by the legal form.

5. In determining the accounting treatment and manner of disclosure of an item in the Balance Sheet and/or the Income and Expenditure account, due consideration should be given to the materiality of the item.

6. Notes to the Balance Sheet and the Income and Expenditure Account should contain the explanatory material pertaining to the items in the Balance Sheet and the Income and Expenditure Account.

7. If the information required to be given under any of the items or sub-items in these formats cannot be conveniently included in the Balance Sheet or the Income and Expenditure Account itself, as the case may be, it can be furnished in a separate schedule or schedules to be annexed to and forming

part of the Balance Sheet or the income and expenditure account. This is recommended where items are numerous.

a) The schedules referred to above, accounting policies and explanatory notes should form an integral part of the financial statements.

b) The corresponding amounts for the immediately preceding financial year for all items shown in the balance sheet and the Income and Expenditure Account should also be given in the Balance Sheet or Income and Expenditure Account, as the case may be.

8. A cash flow statement should be annexed to the Balance Sheet, wherever applicable, showing cash flows during the period covered by the income and expenditure account and during the corresponding previous period.

9. Disclosures as suggested in the formats are minimum requirements. An educational institution is encouraged to make additional disclosures.

10. The figures in the Balance Sheet and Income and Expenditure account, if rounded off, shall be rounded off as below:

Amount of Gross Revenue (in Rs.)	**Rounding off to (Rs.)**
Less than One lakh	No rounding off
Ten lakhs or more but less than ten lakhs	Hundred
One lakh or more but less than one crore	Thousand
One crore or more but less than one hundred crore	Lakh / Million
One hundred crore or more but less than one thousand crore	Crore / Billion

SCHEDULES FORMING PART OF BALANCE SHEET AS AT ....

SCHEDULE -1 CORPUS

a) **Includes founders' or promoters' contribution** - all financial resources except those required to be accounted for in another fund, i.e., it includes funds which neither have any restriction on their use nor have been designated for any specific purpose.

	CURRENT YEAR		PREVIOUS YEAR	
Balance as at the beginning of the year				
Add: Contributions towards Corpus				
Deduct: Asset written off during the year created out of corpus				
BALANCE AT THE YEAR-END				

SCHEDULE -2 GENERAL FUND

a) **Those related to non-depreciable assets not requiring fulfillment of any obligation** - Grants and donations relating to non- depreciable assets, e.g., freehold land, which do not require fulfillment of any obligation, are included under this head.

b) The balance, if any, in the income and expenditure account after appropriation, i.e., surplus/(deficit) is transferred to this fund.

	CURRENT YEAR		PREVIOUS YEAR	
Balance as at the beginning of the year				
Add: Contributions towards General Fund				
Add/(Deduct): Balance of net income/(expenditure) transferred from the Income and Expenditure Account				
BALANCE AT THE YEAR-END				

SCHEDULE 3 – DESIGNATED/EARMERKED FUNDS

a) Designated/Earmarked funds are unrestricted funds set aside by the educational institution for specific purposes or to meet specific future commitments.

b) Disclosures shall be made under relevant heads based on self-imposed conditions/restrictions on the grants.

c) Assets, such as investments, bank balances and liabilities related to each designated fund shall be disclosed separately.

d) Plan Funds received from the Central/State Governments are to be shown as separate Funds and not to be mixed up with any other Funds

	FUND WISE BREAK UP				**TOTAL**	
	FUND AA	**FUND BB**	**FUND CC**	**FUND DD**	**CURRENT YEAR**	**PREVIOUS YEAR**
a) Opening balance of the funds						
b) Additions to the Funds:						
i. Donation/grants						
ii. Income from investments made of the funds						
iii. Accrued interest on investments of the funds						
iv. Other additions (specify nature)						
TOTAL (a+b)						
c) Utilisation/Expenditure towards objectives of funds						
i. Capital Expenditure						
- Fixed Assets						
- Others						
Total						
ii. Revenue Expenditure						

- Salaries, Wages and allowances etc.						
- Rent						
- Other Administrative expenses						
Total						
TOTAL (c)						
NET BALANCE AS AT THE YEAR-END (a+b-c)						

SCHEDULE 4 – RESTRICTED FUNDS

1. Restricted funds are funds subject to certain conditions set out by the contributors and agreed to by the educational institution when accepting the contribution or are funds subject to certain legal restrictions. This head includes:

   a) Endowment funds that are received with the stipulation that only the income earned can be used, either for the general purposes of educational institution or for specific purposes
   b) Funds related to depreciable/non- depreciable assets in respect of which assets are still to be acquired
   c) Balances of deferred income, e.g., grants and donations in respect of which specific depreciable assets have been acquired
   d) Funds related to specific items of revenue expenditure not yet incurred.

i. Funds received from the Central/State Governments are to be shown as separate funds and not to be mixed up with any other funds.

ii. Disclosures shall be made under relevant heads based on conditions/restrictions attached to the grants.

iii. Assets, such as investments, bank balances and liabilities related to each restricted fund shall be disclosed separately.

	FUND WISE BREAK UP	**TOTAL**

	FUND AA	FUND BB	FUND CC	FUND DD	CURRENT YEAR	PREVIOUS YEAR
a) Opening balance of the funds						
b) Additions to the Funds:						
i. Donation/grants						
ii. Income from investments made on account of funds						
iii. Accrued interest on investments of the funds						
iv. Other additions (specify nature)						
TOTAL (a+b)						
c) Utilisation/Expenditure towards objectives of funds						
i. Capital Expenditure						
- Fixed Assets						
- Others						
Total						
ii. Revenue Expenditure						
- Salaries, Wages and allowances etc.						
- Rent						
- Other Administrative expenses						
Total						
TOTAL (c)						
NET BALANCE AS AT THE YEAR-END (a+b-c)						

SCHEDULE 5 – LOANS /BORROWINGS

a) The head shall be classified into funds borrowed from Central Government, State Government, Financial Institutions, banks or other institutions or agencies etc. and separately disclosed.

b) Borrowings shall further be sub-classified as secured and unsecured and specified separately in each case. Secured loans and borrowings shall be such as are against hypothecation/pledge/ charge, wholly or partly, against an asset of the Institution. Unsecured loans and borrowings comprise amount in respect of which no asset of entity is charged as security or encumbered.

c) Terms of repayment of term loans and other loans shall be stated.

d) Loans, if any, should also be classified on the basis of due date into the following categories:
   Loans repayable within 12 months
   Loans repayable within 1 to 5 years
   Loans repayable after 5 years

e) Interest free loans should be disclosed separately from interest bearing loans, interest accrued and due on loans should be included under appropriate sub-head.

f) Nature of security and name of State Government shall be specified separately in each case.

g) Caution Money received from students - The amount of caution money refundable to students beyond 12 months from the balance sheet date.

h) loans from Directors or Trustees (interest free or otherwise to be stated)

SECURED LOANS

	CURRENT YEAR		**PREVIOUS YEAR**	
1. Central Government				
2. State Government (Specify)				
3. Financial Institutions				
a) Term Loans				
b) Interest accrued and due				

4. Banks:				
a) Term Loans				
- Interest accrued and due				
b) Other Loans (specify)				
- Interest accrued and due				
5.Other Institutions and Agencies				
6.Debentures and Bonds				
7.Others (Specify)				
Total				
Note: Amounts due within one year				

UNSECURED LOANS

	CURRENT YEAR	PREVIOUS YEAR
1. Central Government		
2. State Government (Specify)		
3. Financial Institutions		
4. Banks:		
a) Term Loans		
b) Other Loans (specify)		
5. Other Institutions and Agencies		
6. Debentures and Bonds		
7. Fixed Deposits		
8. Others (Specify)		
Total		
Note: Amounts due within one year		

SCHEDULE 6 - CURRENT LIABILITIES & PROVISIONS

1. Where any item constitutes ten percent or more of the total current liabilities and provisions, the nature and amount of such item should be shown separately and should not be included under the head 'Others'.

2. Caution Money received from students - The amount of caution money refundable to students during 12 months from the balance sheet date should be shown in the following manner:

   From current students

   From ex-students

	CURRENT YEAR		PREVIOUS YEAR	
A. CURRENT LIABILITIES				
1. Deposits from staff				
2. Deposits from students				
3. Sundry Creditors				
a) For Goods & Services				
b) Others				
3. Advances Received				
4. Interest accrued but not due on:				
a) Secured Loans/borrowings				
b) Unsecured Loans/borrowings				
5. Statutory Liabilities (GPF,TDS,WC TAX,CPF,GIS,NPS):				
a) Overdue				
b) Others				
6. Other current Liabilities				
a) Salaries				
b) Receipts against sponsored projects				
c) Receipts against sponsored fellowships & scholarships				

d) Unutilised Grants				
e) Grants in advance				
f) Other funds				
g) Other liabilities				
TOTAL (A)				
B. PROVISIONS				
1. For Taxation				
2. Gratuity				
3. Superannuation/Pension				
4. Accumulated Leave Encashment				
5. Expenses payable				
6. Trade Warranties/Claims				
7. Others (Specify)				
TOTAL (B)				
TOTAL (A+B)				

3. The receipts against sponsored projects, sponsored fellowships & scholarships and other funds should be shown by way of sub schedule to the above schedule in the following manner:

HEAD OF ACCOUNT	**OPENING BALANCE AS ON 01.04.____**		**TRANSACTIONS DURING THE YEAR ____ - ____**		**CLOSING BALANCE AS ON 31.03.____**	
	DR.	**CR.**	**DR.**	**CR.**	**DR.**	**CR.**
1. University Grants Commission						
2. Ministry ……….						
3. …….						
TOTAL						

4. Grants, unutilized or otherwise, should also be shown as a sub schedule to the above schedule in the following manner:

		Balance brought forward
Add	:	Receipts during the year
Total		
Less	:	Utilised for Capital Expenditure
Balance		
Less	:	Utilised for Revenue Expenditure
		Balance carried forward

SCHEDULE 7 –FIXED ASSETS

Under this head, classification and disclosures shall be as follows:

Land	Includes freehold land and leasehold land.
Buildings	Include Institution's buildings like college buildings, office buildings, staff residential buildings, hostel buildings, temporary structures and sheds.
Plant and machinery	Include air conditioners, water air coolers, generator sets, television sets, fire extinguishers, etc.
Vehicles	Include buses, lorries, vans, cars, scooters, etc.
Office equipments	Include such items as fax machines, photocopiers, EPABX, typewriters, duplicating machines, etc.
Computers/Peripherals	Includes computers, printers and other peripherals like CDs, UPS & Software etc.
Furniture, fixtures and fittings	Includes items such as desks/benches, cabinets, almirahs, tables, chairs and partitions.

Electrical appliances	Include electrical fixtures and fittings such as fans, bulbs and tube lights, etc.
Library Books	In some cases the number of Library Books could be very large or there may be an established Library. In such cases these books may be disclosed as a separate category of assets. Library books will include books/ journals/ information stored in CD ROMs.
Science Equipments	Include such items as microscopes, telescopes, dissection equipment, glass apparatus, measurement instruments and other types of laboratory equipment, etc.
Sports Equipments	Include items such as table tennis table, gym equipment.
Tube wells & water supply system	Tubewells and water supply systems may be shown as a distinct category.
Intangible assets	Include computer software purchased, goodwill, patents, trade marks etc. and shall be specified separately.
Capital Work-In-Progress	Fixed assets in the course of construction should be shown against this head till they are ready for their intended use. Plant, machinery and equipment acquired and pending installation should be included here. Advances to suppliers/contractors on capital account should also be included.

a) Fixed assets are those assets which are held with the intention of being used for the purpose of producing or providing services and not held for sale in the normal course.

b) Under each head, the original cost, the additions thereto and deductions therefrom during the year, depreciation written off or provided during the year, and the total depreciation written off or provided up to the end of the year should be stated.

c) The cost of a fixed asset should be determined by adding to the purchase price any attributable costs of bringing it to its working condition for its intended use.

d) The cost of construction of a fixed asset should be determined by adding to the purchase price of the materials and consumables used, the costs incurred by the educational institution which are attributable to the construction of that asset.

e) Advance payments to contractors and suppliers should not be classified under the specific fixed assets but disclosed as a separate item.

f) Separate disclosure under each of the above heads should be made in respect of donated assets (i.e., assets that have been received free of cost as non- monetary grant/donation by the educational institution) and assets financed under a lease agreement.

g) Fair values of all the donated fixed assets, existing on the Balance Sheet date, should be disclosed in the notes to accounts.

h) Restrictions, if any, on the utilisation of each asset should also be disclosed in the notes to accounts.

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost/valuation As at beginning of the year	Additions during the year	Deductions during the year	Cost/ valuation at the yearend	As at the beginning of the year	On Additions During the year	On Deductions during the year	Total up to the yearend	As at the current yearend	As at the previous yearend
I. Land:										
a) Freehold										
b) Leasehold										
II. Buildings:										
a) On Freehold Land										
b) On Leasehold Land										

c) Ownership Flats/ Premises										
d) Superstructures on Land not belonging to educational institutions										
III. Plants, machinery & equipment										
IV. Vehicle										
V. Furniture & fixtures										
VI. Office Equipment										
VII. Computer/peripherals										
VIII. Electric Installations										
IX. Library books										
X. Tube wells & water supply										
XI. Other fixed assets										
A. Total of CURRENT YEAR										
PREVIOUS YEAR										
XII. Capital Work-in-progress										
TRANSFER TO ASSETS										
B. NET WORK-IN-PROGRESS										
TOTAL (A+B)										

SCHEDULE 8 – INVESTMENTS

a) The investments shall be classified and disclosed under long term investments and current investments.

b) 'Current Investment' means an investment that is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made.

c) 'Long-term Investment' means an investment other than a current investment.

d) Investments shall further be sub-classified as investments from endowment / earmarked funds and other investments in each case and disclosure accordingly.

e) Long-term investments should be measured at cost. The book value of long-term investments should be reduced to recognise a decline, other than temporary, in their value. Such reduction should be determined and made for each investment individually.

f) Aggregate amount of the educational institution's long-term quoted investments and also the market value thereof should be shown. Aggregate amount of the educational institution's unquoted investments should also be shown.

g) 'Quoted investment' for this purpose, means an investment in respect of which a quotation or permission to deal on a recognised stock exchange has been granted, and the expression 'unquoted investment' should be construed accordingly.

h) Current investments should be shown at the lower of cost and fair value, which should be determined either on an individual investment basis or by category of investment.

i) The significant restrictions on the right of ownership, realisability of investment shall be disclosed by way of notes.

j) Both 'Long-term Investment' & 'Current Investment' shall be classified and disclosed as follows:

INVESTMENTS FROM EARMARKED/ENDOWMENT FUNDS

	CURRENT YEAR	PREVIOUS YEAR
1. In Central Government Securities		
2. In State Government Securities		
3. Other approved Securities		

4. Shares		
5. Debentures and Bonds		
6. Others (to be specified)		
TOTAL		

INVESTMENTS OTHERS

	CURRENT YEAR	PREVIOUS YEAR
1. In Central Government Securities		
2. In State Government Securities		
3. Other approved Securities		
4. Shares		
5. Debentures and Bonds		
6. Others (to be specified)		
TOTAL		

SCHEDULE 9 – CURRENT ASSETS

1. If the net realisable value of any current asset, except items held for distributing either free of cost or at a nominal amount, is lower than its book value, the amount to be included in respect of that asset should be the net realisable value.

2. The current assets shall be classified and disclosed as follows:
   - Inventories: Include items that are held in the normal course, or in the form of materials or supplies to be consumed like publications held for sale.
   - Mode of valuation of the Inventories shall be disclosed.

2. Receivables shall be classified and disclosed as:

1. Donations and grants in respect of which is there is a reasonable assurance that (i) the Institution will comply with the conditions attached, and (ii) the donation and grants will be received.
2. Others (specify)
3. Any debts due by the employees of the entity should be separately stated.

3. Balances with Banks & Post office shall be shown in following manner:
   a) Particulars should be given of balances lying on current account, call accounts and deposit accounts shall be given.
   b) Bank deposits with more than 12 months maturity shall be disclosed separately.
   c) Where any deposit accounts are pledged or charged as security or are encumbered, the fact should be disclosed.
   d) Overdue/matured deposits should be separately disclosed.

4. Cash and Cash equivalents shall be classified as cash in hand, cheques and drafts on hand, balance with banks and others (specify) and disclosed accordingly.

5. Other current assets should be classified and disclosed as follows:
   - 'Other current assets' is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories.
   - Interest accrued on investments from Earmarked/Endowment Funds and that on other Investment should be shown separately.
   - Where any item constitutes ten percent or more of the total or more of the total current assets, the nature and amount of such items may be shown separately.

	CURRENT YEAR		**PREVIOUS YEAR**	
1. Stock:				
a) Stores and Spares				
b) Loose Tools				
c) Publications				
2. Sundry Debtors:				

a) Debts Outstanding for a period exceeding six months				
b) Others				
3. Cash balances in hand (including cheques/ drafts and impress)				
4. Bank Balances (to be further classified as pertaining to earmarked fund or otherwise)				
a) With Scheduled Banks:				
-In Current Accounts				
-In term deposit Accounts				
-In Savings Accounts				
b) With non-Scheduled Banks:				
-In Current Accounts				
-In term deposit Accounts				
-In Savings Accounts				
5. Post Office- Savings Accounts				
TOTAL				

SCHEDULE 10 – LOANS, ADVANCES & DEPOSITS

1. These shall be classified and disclosed as follows:
   a) Loans & advances to-
      - Staff (interest bearing and non-interest bearing advance shall be shown separately)
      - Others includes (i) other amounts recoverable in cash or kind for value to be received like to contractors for capital works; to other contractors/suppliers; for services; , and (ii) prepaid expenses

   b) Deposits (other than with bank) such as for telephone and electricity, etc.

   c) Others (specify)

2. Where any item constitutes ten percent or more of total loans, advances and deposits, the nature and amount of such item may be shown separately and the same may not be included under the head Others.

	CURRENT YEAR		PREVIOUS YEAR	
1. Advances to employees: (Non-interest bearing)				
a) Salary				
b) Festival				
c) LTC				
d) Medical Advance				
e) Other (to be specified)				
2. Long Term Advances to employees: (Interest bearing)				
a) Vehicle loan				
b) Home loan				
c) Others (to be specified)				
3. Advances and other amounts recoverable in cash or in kind or for value to be received:				
a) On Capital Account				
b) to suppliers				
c) Others				
4. Prepaid Expenses				
a) Insurance				
b) Other expenses				
5. Deposits				
a) Telephone				
b) Lease Rent				
c) Electricity				
d) AICTE, if applicable				
e) MCI, if applicable				
f) Others (to be specified)				

6. Income Accrued:				
a) On Investments from Earmarked/ Endowment Funds				
b) On Investments-Others				
c) On Loans and Advances				
d) Others (includes income due unrealized-Rs……)				
7. Other receivable				
a) Debit balances in Sponsored Projects				
b) Debit balances in Fellowship & Scholarship				
c) Grants Recoverable				
d) Other receivables				
8. Claims Receivable				
TOTAL				

INCOME AND EXPENDITURE ACCOUNT

1. The Income and Expenditure Account should disclose every material feature and should be so made out as to clearly disclose the result of the working of the educational institution during the period covered by the account.

2. Donations and grants should be recognised only at a stage when there is a reasonable assurance that the educational institution will comply with the conditions attached, and the donations and grants will be received.

3. Any item under which income/expense exceeds 1% of the total fee receipts of the educational institution or Rs. 50,000/- whichever is higher should be shown as a separate and distinct item against an appropriate account head in the Income and Expenditure Account. These items, therefore should not be shown be shown under the head miscellaneous and other income/expense.

4. Depreciation should be provided so as to charge the depreciable amount of a depreciable asset over its useful life.

5. The details of hostel running expenses should be disclosed separately in the notes to the Income and Expenditure Account.

6. An educational institution shall disclose the following additional information by way of notes:
   a. Disclosure in respect of expenditure incurred on objects of the educational institution.
   b. Details of the services rendered by volunteers for which no payment has been made.
   c. Details of items of exceptional and extraordinary nature; and
   d. Prior period items;

SCHEDULE 11 – ACADEMIC RECEIPTS

The Income shall be classified and disclosed as follows:

	CURRENT YEAR	PREVIOUS YEAR
FEE FROM STUDENTS		
Academic		
1. Tuition fee		
2. Admission fee		
3. Enrolment Fee		
4. Library Admission fee		
5. Laboratory fee		
6. Art & Craft fee		
7. Registration fee		
8. Syllabus fee		
Total (A)		
Examinations		
1. Admission test fee		
2. Annual Examination fee		
3. Mark sheet, certificate fee		
Total (B)		
Other fees		
1. Identity card fee		
2. Fine/Miscellaneous fee		
3. Medical fee		
4. Transportation fee		
5. Hostel fee		
Total (C)		
Sale of publications		
1. Sale of syllabus and Question Paper, etc.		
2. Sale of prospectus including admission forms		

Total (D)		
GRAND TOTAL (A+B+C+D)		

In case the fees like entrance fee, subscriptions etc. are in the nature of capital receipts, such amount should be recognised to the General Fund. Otherwise such fees will be appropriately incorporated in this schedule.

SCHEDULE 12 - GRANTS & DONATIONS (Irrevocable Grants & Subsidies Received)

The grants & donations received shall be classified and disclosed as follows:

	CURRENT YEAR	**PREVIOUS YEAR**
1) Central Government		
2) State Government(s)		
3) Government Agencies		
4) Institutions/Welfare Bodies		
5) International Organisations		
6) Others (Specify)		
TOTAL		

SCHEDULE 13- INCOME FROM INVESTMENTS

(Income on Investment from Earmarked/Endowment Funds transferred to Funds)

Investment from Earmarked/Endowment Fund	**CURRENT YEAR**		**PREVIOUS YEAR**	
1) Interest				
a) On Govt. Securities				
b) Other Bonds/Debentures				

2) Income received				
a) Each Fund separately				
3) Income accrued				
a) Each Fund separately				
4) Others (Specify)				
TOTAL				
TRANSFERRED TO EARMARKED/ ENDOWMENT FUNDS				

Investment from Earmarked/Endowment Fund	**CURRENT YEAR**		**PREVIOUS YEAR**	
1) Interest				
a) On Govt. Securities				
b) Other Bonds/Debentures				
2) Income received				
a) Each Fund separately				
3) Income accrued				
a) Each Fund separately				
4) Others (Specify)				
TOTAL				

SCHEDULE 14- OTHER INCOME

Other incomes shall be classified and disclosed as follows:

- Income from major activities of the educational institution should be disclosed as a separate head; e.g. in case major activity of the institution is to publish books, journals, documents etc., then income from royalty & sale of publications should be separately disclosed.
- In case of income from investments, distinction should be made in respect of
  - Owned by the educational institution and
  - those held against earmarked/endowment funds
- Profit on sale of investments

- Items of material amounts included in Miscellaneous Income should be separately disclosed.

	CURRENT YEAR	PREVIOUS YEAR
A. Income from Land & Building		
1. Hostel Room Rent		
2. License fee		
3. Hire Charges of Auditorium/Play ground/Convention Centre, etc		
4. Electricity & water charges		
Total		
B. Sale of Institute's publications		
C. Income from holding events		
1. Gross Receipts from annual function/ sports carnival		
Less: Direct expenditure incurred on the annual function/ sports carnival		
2. Gross Receipts from fetes		
Less: Direct expenditure incurred on the fetes		
3. Gross Receipts for educational tours		
Less: Direct expenditure incurred on the tours		
4. Others (to be specified and separately disclosed)		
Total		
D. Interest on Term Deposits:		
a) With Scheduled Banks		
b) With Non-Scheduled Banks		
c) With Institutions		
d) Others		
E. Interest on Savings Accounts:		
a) With Scheduled Banks		
b) With Non-Scheduled Banks		
c) With Institutions		
d) Others		
F. Interest On Loans:		
a) Employees/Staff		
b) Others		

G. Interest on Debtors and Other Receivables		
H. Others		
1. Income from consultancy		
2. RTI fees		
3. Income from Royalty		
4. Sale of application form (recruitment)		
5. Misc. receipts (Sale of tender form, waste paper, etc.)		
6. Profit on Sale/disposal of Assets:		
a) Owned assets		
b) Assets acquired out of grants, or received free of cost		
Total		
GRAND TOTAL (A+B+C+D+E+F+G+H)		

SCHEDULE 15 – STAFF PAYMENTS & BENEFITS

- These shall be classified separately for teaching and non-teaching staff; adhoc staff.
- Arrears of DA, Salary arrear due to increment shall be shown separately.
- These shall be disclosed as follows:

	CURRENT YEAR	PREVIOUS YEAR
a) Salaries and Wages		
b) Allowances and Bonus		
c) Contribution to Provident Fund		
d) Contribution to Other Fund (specify)		
e) Staff Welfare Expenses		
f) Retirement and Terminal Benefits		
g) LTC facility		
h) Medical facility		
i) Children Education Allowance		
j) Honorarium		

k) TA/DA expenses		
l) Others (specify)		
TOTAL		

SCHEDULE 16 – ACADEMIC EXPENSES

- These shall be classified and disclosed as follows:

	CURRENT YEAR	PREVIOUS YEAR
a) Laboratory expenses		
b) Field work/Participation		
c) Seminar/Workshop		
d) Payment to visiting faculty		
e) Examination		
f) Student Welfare expenses		
g) Admission expenses		
h) Convocation expenses		
i) Publications		
j) Stipend/means-cum-merit scholarship		
k) Subscription Expenses		
l) Others (specify)		
TOTAL		

SCHEDULE 17 – ADMINISTRAIVE AND GENERAL EXPENSES

- These shall be classified and disclosed as follows:

	CURRENT YEAR	PREVIOUS YEAR

a) Electricity and power		
b) Water charges		
c) Insurance		
d) Rent, Rates and Taxes (including property tax)		
e) Postage & telegram		
f) Telephone and Internet Charges		
g) Printing and Stationary		
h) Traveling and Conveyance Expenses		
i) Expenses on Seminar/Workshops		
j) Hospitality		
k) Auditors Remuneration		
l) Professional Charges		
m) Advertisement and Publicity		
n) Magazines & Jornals		
o) Others (specify)		
TOTAL		

SCHEDULE 18 – TRANSPORTATION EXPENSES

- In respect of vehicles owned by the educational institution
- In respect of vehicles not owned by the educational institution including rentals paid and other expense, if any.

	CURRENT YEAR	PREVIOUS YEAR
1. Vehicles (owned by educational institution)		
a) Running expenses		
b) Repairs & maintenance		
c) Insurance expenses		
2. Vehicles taken on rent/lease		
a) Rent/lease expenses		
TOTAL		

SCHEDULE 19 – REPAIRS & MAINTENANCE

- Repairs & maintenance cost shall be classified and disclosed as follows:

	CURRENT YEAR	PREVIOUS YEAR
a) Building		
b) Furniture & Fixture		
c) Plant & Machinery		
d) Office Equipments		
e) Cleaning material & services		
f) Others (specify)		
TOTAL		

SCHEDULE 20 – FINANCE COSTS

Finance cost shall be classified and disclosed as follows:

	CURRENT YEAR	PREVIOUS YEAR
a) Interest on fixed loans		
b) Interest on other loans		
c) Bank charges		
d) Others (specify)		
TOTAL		

SCHEDULE 21 – OTHER EXPENSES

Other expenses shall be classified as write offs, provisions, miscellaneous expenses, loss on sale of investments and fixed assets etc and disclosed as accordingly.

	CURRENT YEAR	PREVIOUS YEAR
a) Provision for Bad and Doubtful Debts/Advances		
b) Irrecoverable Balances Written-off		
c) Others (specify)		
TOTAL		

SCHEDULE 22 – NOTES TO ACCOUNT

1. Educational institutions should disclose their significant accounting policies and this disclosure should be made at one place. An illustrative list of accounting policies that an educational institution could disclose is as follows:

   (a) The basis of recognition of major types of expenses and revenue
   (b) Accounting for income from and expenditure on specialised activities such as research
   (c) Conversion or translation of foreign currency (in case of organisations receiving foreign funds)
   (d) Method(s) of depreciation
   (e) Valuation of inventories
   (f) Valuation of investments
   (g) Treatment of employee benefits
   (h) Valuation of fixed assets
   (i) Treatment of contingent liabilities

2. In respect of funds, educational institutions should disclose the following in the schedules/notes to accounts:

(a) In respect of each major fund, opening balance, additions during the period, deductions/utilisation during the period and balance at the end;

(b) Assets, such as investments, and liabilities belonging to each fund separately;

(c) Restrictions, if any, on the utilisation of each fund balance;

(d) Restrictions, if any, on the utilisation of specific assets.

3. Addition to the 'Corpus' should be shown in the notes to accounts disclosing the amount contributed by the founders/promoters/donors/contributors (along with their names and individual contribution).

4. Educational institutions should host following information in public domain so as to enable all other stakeholders to have a bird's eye view of educational institution's capacity and capability:

(i) No. of students
(ii) Number of teachers
(iii) Collection on account of building fund and expenditure thereof
(iv) Collection for sports activities and expenditure thereof
(v) Collection for co-curricular activities and expenditure thereof
(vi) Collection on account of development charges and expenditure thereof
(vii) Collection for medical expenses and expenditure thereof
(viii) Compliance with statutory dues like EPF and ESI
(ix) Salary structure of teachers

The above information can also be calculated on per student basis.

5. **Related Party Disclosures**

Accounting Standard (AS) 18, 'Related Party Disclosures', issued by the Institute of Chartered Accountants of India, requires disclosures to be made in respect of related party transactions. Keeping in view the involvement of public funds, in the context of an educational institution, the following disclosures should be made in a note to the financial statements of the educational institution:

(i) Transactions between the educational institution and the trust or society managing the educational institution.

(ii) Transactions between the educational institution and the trustees or the members of the governing body of the educational institution.

(iii) Transactions between the educational institution and the author of the trust or the founder of the institution.

(iv) Transactions between the educational institution with another educational institution or any other educational entity managed by the same trust or society, if permitted by the relevant legislation/bye-laws etc.

(v) Transactions between the educational institution and the relatives of the trustees, or members of the governing body managing the educational institution or the author of the trust or the founder of the institution. For this purpose, a relative, in the context of an individual, means "the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or influenced by, that individual in his/her dealing with the educational institution".

(vi) Transactions between the educational institution and its 'key management personnel' or the relatives of the key management personnel. Key management personnel would represent those persons in the educational institution who have the authority and responsibility for planning, directing and controlling the activities of the educational institution. In case of an educational institution, an example of key management personnel is the principal.

If there have been transactions between related parties, during the existence of a related party relationship, the educational institution should disclose the following:

(i) the name of the transacting related party;

(ii) a description of the relationship between the parties;
(iii) a description of the nature of transactions;
(iv) volume of the transactions; either as an amount or as an appropriate proportion;
(v) the amounts or appropriate proportions or outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
(vi) amounts written off or written back in the period in respect of debts due from or to related parties.

The following are examples of the related party transactions in respect of which disclosures may be made by an educational institution:

- purchases or sales of fixed assets;
- rendering or receiving of services;
- leasing or hire purchase arrangements;

Items of a similar nature may be disclosed in aggregate by type of related party except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the educational institution.

Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions, e.g., purchases or sales of books are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure.

Name of Educational Institution
Cash Flow Statement for the year ended ________

(₹…………..)

Cash Flow from Operating Activities:		
Surplus/(deficit) for the year		**xxx**
Adjustments for the non-operating incomes/expenses		
Depreciation	xx	
Write offs	xx	
Interest expenses on loans	xx	
(Interest Income)	xx	
(Dividend Income)	xx	
(Grants relating to assets to the extent recognised as income in the Income & Expenditure Account)	xx	
		xxx
Surplus /(deficit) before changes in the Current Assets/Current Liabilities		**xxx**
(Increase)/Decrease in Current Assets	xx	
Increase/(Decrease) in Current Liabilities	xx	
		xxx
Net Cash from Operating Activities		**xxx**
Cash Flow from Investing Activities:		
(Purchase)/Sale of fixed assets	xx	
(Purchase)/Sale of investments	xx	
Interest received	xx	
Dividend received	xx	
Net Cash from Investing Activities		**xxx**
Cash Flow from Financing Activities:		
Additions to general fund during the year	xx	
Grants/funds in nature of founders'/promoters' contribution	xx	
Grants/funds related to assets not requiring fulfillment of any obligation	xx	
Endowment fund (principal sum)	xx	
Proceeds from long term borrowings	xx	

(Repayment of long-term borrowings)	xx	
Interest paid on loans	xx	
Net Cash Flow From Financing Activities		**xxx**
Net Increase /Decrease in Cash equivalents		**xxx**
Cash and Cash equivalent at the beginning of the period		**xxx**
Cash and Cash equivalent at the end of the period		**xxx**

Note: Guidance for preparation of the cash flow statement can be obtained from AS 3 *'Cash Flow Statement'*. In respect of financing activities, it may be noted that the financing activities of an educational institution may differ from the financing activities of a business enterprise. In case of an educational institution, cash flow arising from financing activities includes corpus, general fund, grants/donations, endowment funds etc. in place of proceeds from shares, as in the case of business enterprises.

Note: It may be noted that these formats are not exhaustive but are illustrative.