Accounting of Special Authorities under Central or State Acts

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

Accounting of Special Authorities under Central or State Acts

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

New Delhi

Edition	:	February, 2013
Committee/Department	:	Committee for Co-operatives & NPO Sectors (CCONPO)
E-mail	:	congos@icai.org
Website	:	www.icai.org
Price	:	₹ 50/-
ISBN	:	978-81-8441-622-0
Published by	:	The Publication Department on behalf of the Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi - 110 002.
Printed by	:	Sahitya Bhawan Publications, Hospital Road, Agra - 282 003. February/2013/1,000 Copies

Foreword

Accounting and Auditing of Special Authorities is a complex issue considering their objects, rules & regulations governing their operations, organizational structure and volume of their operations. Special Authorities have their own Acts and Rules and are funded through Central or State Government grants. Various authorities such as Airports Authorities of India, National Highways Authority of India, Coir Board, TRAI, etc. maintain their accounts in accordance to the formats specified in statute governing them. As an auditor one should be well versed with the provisions of statute governing such authorities, accounting standards applicable to them, format prescribed by the government for presentation of their accounts and so on.

I am pleased that Committee for Cooperatives & NPO Sectors (CCONPO) of the Institute of Chartered Accountants of India (ICAI) has come up with a publication on Accounting of Special Authorities under Central or State Acts for assistance of members and other stakeholders. The book contains the brief information about authorites set up under Central & State Acts, Auditing of their accounts, Accounting and Financial Reporting in Authorities and Applicability of Accounting Standards to Authorities.

I congratulate CA. Vijay Kumar Garg, Chairman, CA. V. Murali, Vice-Chairman, and other members of the CCONPO for publishing this book. The Committee has been taking initiatives to update the knowledge of the members and other stakeholders through various publications and conducting of seminars, workshops, etc. This publication is another step towards imparting knowledge in the field.

I wish all the readers a fruitful, professionally enriching experience from this publication. I hope readers will be greatly benefitted by this book.

Date: Jan 14, 2013
Place: Delhi

CA. Jaydeep Narendra Shah
President, ICAI

Preface

Autonomous bodies are formed where there is required the existence of an entity, outside much governmental intervention, to perform certain functions. Thousands of autonomous bodies are functioning within the country governed by Central as well as various State Government Acts. Ministry of Finance, GOI has prescribed a uniform format of accounts for preparation and presentation of financial statements of Central autonomous organizations. As an auditor we are required to gather full information about governing statue of these bodies, format of reporting, reporting standards applicable to them etc.

Auditor has to be aware of accounting standards applicable to these authorities and report on any deviation in measuring, recognition and disclosure from the accounting standards issued by ICAI.

In the above background, this publication is presented with a focus on accounting of Special Authorities under Central or State Acts.

I would like to take this opportunity to place on record my deep appreciation to CA. Umesh Chand Goyal, FCA, CA. Sunita Umesh, FCA, CA. Arihant Jain, ACA, and Ms. Swati Agarwal, who prepared the basic draft of this publication.

I compliment the members of Committee for Co-operatives & NPO sectors for their valuable suggestions and comments.

I also thank CA. Jaydeep Narendra Shah President, ICAI and CA. Subodh Kumar Agrawal, Vice-President, ICAI for their able guidance.

I wish to extend my sincere thanks to Dr. Amit Kumar Agrawal, Secretary, CCONPO and CCONPO secretariat, who were instrumental in giving final shape to this document.

I am sure that this publication will be of great help to the reader.

Date: Jan 14, 2013
Place: Delhi

CA. Vijay Kumar Garg,
Chairman
Committee for Co-operatives & NPO sectors (CCONPO)

Table of Contents

Chapter 1
Introduction

Authorities set up under Central and State Acts

There are thousands of Autonomous bodies under union and state government. A large number of them have been created by the nodal ministries under The Registrar of Societies Act, 1860, some as Trust, Section 25 companies under Company Act and others have been constituted as Authority under Central Acts or State Acts.

These authorities have their own Acts and rules which can be compared with MOA and AOA of the companies incorporated under the companies Act. The Authorities constituted under Central Acts and State Acts can be classifed under two categories.

- Authorities for regulatory and administrative purpose like TRAI (Telecom Regulator Authority of India), provides the service *"Toregulate the telecommunication and services, and for matters connected therewith or incidental thereto."* etc.
- Authorities in the nature of commercial enterprises. These are primary involved in the area of infrastructure development like Airport Authority of India in the field of development of airport, NHAI in the field of highway development, CWC in the field of logistics facilities of warehousing, DDA in the field of housing, DVC in the field of power. In general, these authorities have been assigned the role of government by giving specific role in the field where private sector in not coming forward.

Area of operation of the Autorities

These organizations cover the wide range of activities from Telecommunication, Agriculture research, Medical Research, Prasar Bharti, Universities, Medical Council, Development of Airport, Protection of Human Rights, Collection of Cess and Promotion of Coir Products, Protection of Child rights, Disaster Management, Insurance Regulation and Development, AIDS Control, Industrial & Scientific Research, Automotive Research, Hotel Management, Human Rights, Cancer Research, Nuclear Physics, Technical Education, Productivity Improvement etc.

Rules and Regulations applicable on Authorities

Each one of them has their respective Acts and Rules &Regulations. Acts and Rules are like memorandum of association and Articles of Association applicable in of case of company, defining their objects, rules, regulations governing their operations, organizational structure, (Governing Body and the Executive head of the organization) Powers of the general body, Governing Body (Council) and the Executive heads etc., Procedures.

Accounting and Reporting of these Authorities

Procedures for preparation of Finance and Accounts, Reporting Framework for preparation of Annual Financial statements, Time lines for preparation of Annual financial statements and their placements before the Governing Body or General Body for the approval, are laid down generally in their respective Acts or Rules or Regulations.

Chapter 2
Auditing of Accounts

In these Authorities, funds are invested by the Central or State governments through capital and Grant in Aid. Therefore, in most of the cases, Accounts are audited by the Comptroller and Auditor General of India. The Rules and regulations related to Auditing are prescribed in their respective Acts, Rules & Regulations. From the view point of who can audit, these Authorities may be divided into three categories.

1. First category of the autonomous organizations are where accounts can be audited by the Comptroller and Auditor General of India as the sole auditor. For example, in case of authorities like FCI (Food Corporation of India), NHAI (National Highway Authority of India) etc. accounts are audited by CAG as sole Auditor.
2. Second category of the authorities are where the Accounts of the Authority are audited by a person qualified to Act as an Auditor under section 226 of the Companies Act and is appointed by appropriate Government on consultation with the Comptroller and Auditor General of India. For example, in case of Authorities like CWC (Central Warehousing Corporation), MSWC (Maharashtra State Warehousing Corporation) etc. accounts are audited by a Chartered Accountant appointed by the appropriate government.
3. Third category of the authorities are where Auditors are appointed directly by the concerned Authorities and accounts are audited by a person qualified to act as an Auditor under section 226 of the Companies Act. For example In case of Authorities like LIC (Life Insurance Corporation of India) accounts are audited by Chartered Accountant appointed by the appropriate government.

As discussed above these authorities has been divided in three categories from the view point of who can audit them. Relevant abstracts from their Acts and Rules & Regulations are as follow:

Abstracts related to first category of Authorities, where CAG is sole Auditor of the Authority:

1. Airports Authority of India

Section 28 (2) of Airport Authority of India Act 1994 states as follows *"The* *accounts of the authority shall be audited annually by the Comptroller and Auditor-General of India or any person appointed by the CAG and any expenditure incurred by him in connection with such audit shall be payable by the Authority to the Comptroller and Auditor-General of India"*

2. Coir Board

Section 17 (2) of the Coir Industry Act 1953 states as follows *"The accounts of the Board shall be audited by the Comptroller and Auditor- General of India at such intervals as may be prescribed by him and any expenditure incurred in connection with such audit shall be payable by the Board to the Comptroller and Auditor General."*

3. Telecom Regulatory Authority of India

Section 23 (2) of the Telecom Regulatory Authority of India Act, 1997 states as follows "*The accounts of the Authority shall be audited by the Comptroller and Auditor- General of India at such intervals as may be specified by him and any expenditure incurred in connection with such auditor shall be payable by the Authority to the Comptroller and Auditor-General of India."*

4. Bureau of Indian Standards

Section 22 (2), (3), (4) of the Bureau of Indian Standards Act 1986 states as follows

Section 22 (2)*"The accounts of the Bureau shall be audited by the incurred in connection with such audit shall be payable by the Bureau to the Comptroller and Auditor-General."Comptroller and Auditor-General of India at such intervals as may be specified by him and any expenditure*

Section 22 (3) says"The Comptroller and Auditor-General of India and any person appointed by him in *connection with the audit of the accounts of the Bureau shall have the same rights and privileges and the authority in connection with such audit as the Comptroller and Auditor-General generally has in connection with the audit of Government accounts and, in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Bureau."*

Section 22 (4) says,*"The accounts of the Bureau as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before each House of Parliament."*

Abstracts related to second category of Authorities, where accounts are audited by a person qualified to Act as auditor under Companies Act 1956 and are appointed by appropriate government with consultation of CAG:

1. Central Warehousing Corporation

Section 31 (2), (3), of The Warehousing Corporation Act 1962 states:

Section 31 (2) "*The accounts of a Warehousing Corporation shall be audited by an auditor duly qualified to act as an auditor of companies under section 226 of the Companies Act, 1956 (1 of 1956).*"

Section 31 (3) "*The said auditor shall be appointed by the appropriate*

Government on the advice of the Comptroller and Auditor- General of India."

2. Maharashtra warehousing corporation

Maharashtra warehousing corporation is also governed by The Warehousing Corporation Act 1962, and provisions relating to appointment of auditors are the same as in case of Central Warehousing Corporation.

Abstracts related to third category of Authorities, where Auditors are appointed directly by the Management of concerned Authority and accounts are audited by a person qualified to act as an Auditor under section 226 of the Companies Act.

1. Life Insurance corporation of India

Section 25 (1) of the Insurance Corporation Act, 1956 states: *"The Accounts of the corporation shall be audited by auditors duly qualified to act as auditors of companies under the law for time being in force related to companies, and the auditors shall be appointed by the Corporation with the previous approval of Central Government and shall receive such remuneration from the corporation as the central Government may fix."*

2. Institute of Chartered Accountants of India

Section 18 (5) of The Chartered Accountants Act 1949, states: "*Annual accounts of the Council shall be prepared in such manner as may be prescribed and be subject to audit by a chartered accountant in practice to be appointed annually by the Council:*

*Provided that no member of the Council or a person who has been a member of the Council during the last four years or a person who is in partnership with such member shall be eligible for appointment as an auditor under this sub-section:***"**

Auditors of the Authorities have to report that proper format has been followed in preparation of the financial statements. If the Format is prescribed in the Act and Bye-laws of the Authority, then financial statements should be prepared in the prescribed format otherwise uniform format of the accounts prescribed by Government of India, Ministry of finance for autonomies bodies should be followed.

An Auditor has to report if there is deviation in measuring, recognition and disclosure from the Accounting Standard issued by ICAI.

Chapter 3

Accounting and Financial Reporting in Authorities

1. Procedures for Accounting and Reporting

Financial Reporting and other matters related to their Finance, Accounts & Audit are prescribed in their Acts, Rules & Regulations. Bylaws also include the matters related to the laying of Accounts in their governing body, time limit for placing Accounts in parliament etc. Procedures related to banking, finance, Investments, budget are also prescribed by their Acts, Rules & Regulations. According to their Acts annual expenditures of these organizations should be in line with the budgeted figures approved at the beginning of the year.

Formats provided by their respective Acts and Rules and Regulations include the format for Balance Sheet, Income & Expenditure Account (Profit & Loss Account), Schedules Annexed to Balance sheet and Income & Expenditure Account (Profit & Loss Account), Notes to Accounts etc. Formats prescribed by their Acts or Rules or regulations are similar to old formats of schedule VI of companies Act or H- Shape formats used by partnership firms, Society etc.

While preparing Annual Accounts according to their prescribed formats, some organizations have provided comparative Accounts in accordance with the format prescribed by the Schedule VI of Companies Act 1956. The format of financial statements prescribed in Schedule VI (revised Schedule VI) of The Companies Act is a known format, a well understood and, well accepted format among various stake- holders in the society. The requirements of financial report, Accounts and audit in the Acts, Rules & Regulations of the concerned authority is very limited, as can be seen in the bylaws of the concerned authority. Requirements of Accounts of some of the authority are as under:

1. Airports Authority of India (AAI):-

Para No 28 of the Act of the Airport Authority of India stipulates provisions relating to Accounts :

(1) The Authority shall maintain proper accounts and other relevant

records and prepare an annual statement of accounts including the profit and loss account and the Balance-sheet in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor-General of India.

2. National Highways Authority of India.

Para No 23 of the Act of the National Highways Authority of India details provisions relating to Accounts :

23. Accounts and audit.

The accounts of the Authority shall be maintained and audited in such a manner as may, in consultation with the Comptroller and Auditor-General of India, be prescribed and the Authority shall furnish, to the Central Government before such date as may be prescribed, its audited copy of accounts together with the auditor's report thereon.

3. Coir Board.

Para No 17 of the Act of the Coir Board of India gives provisions relating to Accounts:

17. Accounts and Audit:- (1) The Board shall maintain proper accounts and other relevant records and prepare an annual statement of accounts, including the profit and loss account and the balance sheet in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor-General of India.

4. The Telecom Regulatory Authority of India (TRAI)

Accounts and Audit 23. (1) The Authority shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor General of India.

Accounting requirements in the bylaws as above of the Authorities in general depends on the requirements set or approve by CAG in consultancy with Central Government. Authorities vary in the nature and size. In case of some Authorities where there is huge investment and activities are being carried out on commercial basis though promotional and development objectives as motto , there are various stake holders whose need for information on financial reporting requires details financial information ,which can be understood like that of a corporate financial statement.

Authorities have to follow format prescribed by CAG unless they have format in their Act and Bye Lease.

Formats prescribed by these authorities under their Act, Rules and Regulations are similar to the old schedule VI of companies Act. If you follow format of Schedule VI, similarity in the formats facilitates the comparison of accounts of the Autonomous bodies with those of other organizations. Now, Schedule VI has been revised and introduced as revised schedule VI, Reporting requirements have been changed in Companies Act 1956. It may be noted that, since formats prescribed by their Bye-laws have not been amended after the introduction of revised schedule VI of companies Act 1956, these authorities will have to follow old format unless and until there is change in the existing format provided in the Act and Bye- laws of an Authority,

It is recommended that Authorities or any autonomous body created under Central and state Act should be allowed to follow Revised Schedule VI of The Companies Act in preparation of financial statement. Since companies incorporated under the Companies Act have all sorts of business similar to that of Authorities and Autonomous bodies created under Central and State Acts,, they are able to provide financial statement with compliance of Accounting Standard prepare by ICAI. In the case of Authorities, CAG has made it mandatory to follow Accounting Standard issued by ICAI. Accounting Standard provides uniformity in measuring, recognition, treatment and disclosure. If a format like that of Revised Schedule VI is also there, it will be easy for the various stakeholders to understand a financial statement. The Revised Schedule VI format will also be helpful when any authority goes to market to raise funds for the projects. In case of NHAI, at the time of raising of funds through public issue of Bonds of Rs. Ten Thousands crores , NHAI has to prepare its financial statements for various past years on the basis of Schedule VI. The format of Revised Schedule VI is based on International reporting frame work and IND AS being converge version of IFRS for India , when implemented will make financial statement as per Revised Schedule VI understandable in India as well as in abroad.

2. Uniform format of Accounts issued by Government of India, Ministry of Finance.

Uniform format of Accounts has been prescribed by the Government of India, Ministry of finance with the objective of bringing uniformity in the approach towards preparation and presentation of financial statements of central autonomous organizations and encourage comparability.

Manual for Audit of Autonomous Bodies, Issued by the Comptroller and Auditor general of India, states:

Para 7.4 "The autonomous bodies under Government of India are required to compile their accounts from the accounting year 2001-02 in a Uniform Format of accounts as prescribed by Government of India, Ministry of Finance. In case of autonomous bodies governed by separate Acts, where CAG is the sole auditor, this format has been made applicable which were exempted earlier.

Non-Compilation of annual accounts in the uniform format may be commented upon in the SAR after ascertaining the Status of switch over from the autonomous body concerned. The autonomous bodies under State Governments may follow the format of accounts as prescribed in the respective Acts governing the bodies."

It is clear from the above-mentioned paragraph that uniform format of Accounts issued by Government of India, Ministry of Finance, is required to be followed by all the Autonomous organizations registered under separate Acts except those who are registered under Acts of State Government. It may also be noted that the Comptroller and Auditor General of India has directed its auditors to comment in their SAR (Separate Audit Report), in case of Non- compliance of uniform format of Accounts for reporting by autonomous bodies.

On the basis of above Para, It is advisable for autonomous bodies that, while preparing their Annual Accounts, Authorities should follow Uniform format of Accounts prescribed by the Government of India, Ministry of finance. Uniform format of Accounts includes the following:

1. Balance Sheet
2. Income & Expenditure Account
3. Schedules to the above financial statements
4. Instructions and Accounting Principals
5. Notes and Instructions for the Schedules
6. Statement of Receipt and Payment

Uniform format for financial Reporting issued by Government of India, Ministry of finances enclosed in Annexure-2.

3. Requirement of consistency for the financial Statements

A reliable, consistent and uniform financial reporting is an important part of good governance worldwide. Different countries have different sets of accounting standards to regulate financial reporting by their organization. However with the advent of globalization, cross border Investment and trading has increased. The Investors, therefore needs a uniform set of globally accepted set of Accounting Standards followed by the organization so that comparison among the organizations globally, is facilitated.

Consistency can be obtained in the financial statements by following methodologies:

1. Accounting Standards
2. Common Framework for reporting
3. Generally Accepted Accounting Assumptions

Reporting Standards generally used/Available for government and other organizations for reporting are:-

- Accounting Standards Issued by ICAI.
- IGAS (Indian Government Accounting Standards).
- IGFRS (Indian Government Financial Reporting Standards).
- IPSAS (International Public Sector Accounting Standards).
- Accounting for local Bodies.

Chapter 4

Applicability of Accounting Standards to Authorities

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

"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 organized in corporate, cooperative 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."

From the above Paragraph, it is apparent that the Accounting Standards formulated by the ICAI do not apply to an organisation *if no part of the activity of such entity is commercial, industrial or business in nature*. The Standards would apply even if *accounting for the Organizations covers a* very small proportion of activities is considered to be commercial, industrial or business in nature. For example, where an Authority is engaged in the commercial activity of granting loans/credit to small entrepreneurs at nominal rates of interest or in the industrial activity of manufacturing clothes for the rural poor, Accounting Standards formulated by the ICAI would apply to such an Organizations.

It is clear from above paragraph that accounting standards will be applicable in the cases where the member will use its attest function for General Purpose Financial Statements and other Financial Reporting; however as mentioned earlier with the illustrative list of Authorities these accounts may or may not be audited by a member of Institute of Chartered Accountants of India. In case where CAG is sole Auditor of these Authorities the applicability of Accounting Standard issued by ICAI become applicable with the direction of CAG in its manual vide Para No 7.7.

It may be mentioned that since the Accounting Standards contain wholesome principles of accounting, these principles provide the most appropriate guidance even in case of those organizations to which Accounting Standards do not apply. It is, therefore, recommended that all Authorities, irrespective of the fact that no part of the activities is commercial, industrial or business in nature, should follow Accounting Standards. This is because following the Accounting Standards laid down by ICAI would help Authorities 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 Authorities.

The institute of 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 recommendatory from April 1, 2009.

The ICAI has classified entities other than companies into three categories, viz .Level I, Level II and Level III, where the entities that fall within the meaning of the latter two categories are Small and Medium-sized Enterprises (SMEs). The criteria for classification of non-corporate entities and companies into different categories, and the applicability of the individual Accounting Standards to non-corporate entities and companies are given in Annexure-1. Given their resources and scale of operations, entities falling within the category of SMEs/SMCs are given relaxations/exemptions under certain Accounting Standards that contain onerous requirements. This is relevant for small and medium- sized organizations which meet the criteria of SMEs/SMCs. In this context it may be mentioned that one of the criteria for categorizing SMEs/SMCs is ‘turnover’, and turnover in respect of Authorities would mean their gross

Receipts.

In a nutshell, it can be said that Accounting Standards do not apply to these authorities, otherwise than stated in their respective Acts and Rules & Regulations. It may be noted that in case books of Accounts are audited by a Member of Institute of Chartered Accountants of India then the member should report on Accounting Standards irrespective of whether management is bound to follow the Accounting standards or not.

Manual for Audit of Autonomous Bodies (Edition 2009), Issued by the Comptroller and Auditor general of India, states:

Para 7.7"*The common format of accounts has been prepared keeping in view of the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI), relating to various requirements of recognition, measurement, presentation and disclosure of accounting transactions and events.*

The purpose of accounting standards is to ensure that financial statements are prepared

in accordance with generally accepted accounting principles and practices and to ensure, to the extent possible, comparability of information contained in the financial statements of various entities. It is, therefore, necessary for the auditors of autonomous bodies to have the knowledge of these Accounting Standards.

It is clear from the above paragraph that Accounting Standards issued by the ICAI are required to be complied with by the autonomous bodies.

International Public Sector Accounting Standards

Developments in the area of Reporting for these entities includes introduction of International Public Sector Accounting Standards.

IPSASs are designed to apply to the general purpose financial statements of all public sector entities. Public sector entities include national governments, regional governments (for example, state, provincial, territorial), local governments (for example, city, town) and their component entities (for example, departments, agencies, boards, commissions), unless otherwise stated. The Standards do not apply to Government Business Enterprises.

Government Business Enterprises

Government Business Enterprises (GBEs) are profit-oriented entities and accordingly are required to comply with the other Accounting Standards. It has all the following characteristics:

(a) Is an entity with the power to contract in its own name;

(b) Has been assigned the financial and operational authority to carry on a business;

(c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;

(d) "*Is not reliant on continuing government funding to be a going Concern"* (other than purchases of output at arm's length); and

(e) Is controlled by a public sector entity.

The Institute of the International Public Sector Accounting Standards board has formulated 26 IPSAS, Following IPSAs have been issued by the IPSAS Board:-

IPSAS No.	Name of IPSAS
IPSAS 1	Presentation of Financial Statements
IPSAS 2	Cash Flow Statements
IPSAS 3	Net Surplus or Deficit for the Period - Fundamental Errors and Changing in Accounting Policies
IPSAS 4	The Effects of changes in Foreign Exchange Rates
IPSAS 5	Borrowing Costs
IPSAS 6	Consolidated Financial Statements – Accounting for Controlled Entities
IPSAS 7	Accounting for Investments in Associates
IPSAS 8	Financial Reporting of Interests in Joint Ventures
IPSAS 9	Revenue from Exchange Transactions
IPSAS 10	Financial Reporting in Hyperinflationary Economies
IPSAS 11	Construction Contracts
IPSAS 12	Inventories

IPSAS 13	Leases
IPSAS 14	Events after the Reporting Date
IPSAS 15	Financial Instruments: Disclosure and Presentation
IPSAS 16	Investment Property
IPSAS 17	Property, Plant and Equipment
IPSAS 18	Segment Reporting
IPSAS 19	Provisions, Contingent Liabilities, Contingent Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-cash-generating Assets
IPSAS 22	Disclosure of Financial Information About the General Government Sector
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 25	Employee Benefits
IPSAS 26	Impairment of Cash-Generating Assets

Authorities created by the Central or State Act include entities whose primary objective is not to carry on a business and operations, but to provide the utility to general public at large; use of these standards for Autonomous Authorities may help to improve the reporting framework in India.

However, the Central Government has not notified any IPSASs for the Authorities created by the Central or State Act. It is recommended that the IPSASs be converted according to Indian scenarios to provide for and facilitate the transparent and comparative Financial Reporting to Authorities.

Indian Government Accounting Standards

GASAB is developing two types of Accounting Standards for the Government to address the issues related to the existing cash system of accounting and its migration to the accrual system of accounting in future. The standards being developed to make existing cash system of accounting more transparent are called Indian Government Accounting Standards (IGAS).

Indian Government Financial Reporting Standards

Government Accounting in India follows cash basis of accounting.

Government Accounting Standards Advisory Board (GASAB) constituted by Comptroller and Auditor General of India, with the support of Government of India, has been working on migration to accrual basis accounting in Union and States. There is a felt need for an accounting framework and accounting standards on accrual basis to facilitate pilot studies and research efforts on migration to accrual accounting at Union and State level. To facilitate such pilot studies and to scale up activities, GASAB decided to develop accrual basis accounting standards alongside cash basis standards. This is based on the need expressed by many stakeholders. The accrual basis standards will be issued under the title 'Indian Government Financial Reporting Standards (IGFRS)'

Accounting Standards for Local Bodies

Treatment of Various Items of in the Financial Statements of different entities

Compliance of Accounting Standards

1. Accounting Standard-3 (Related to Cash Flow Statements)

Information about the cash flows of an enterprise is useful in providing users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows. The economic decisions that are taken by users require an evaluation of the ability of an enterprise to generate cash and cash equivalents and the timing and certainty of their generation. The Standard deals with the provision of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

We have reviewed the Applicability of Accounting Standards on Nine authorities and it was observed that out of nine authorities studied, five organizations had prepared the Cash flow statement, while other four had not prepared the Cash Flow Statement. Out of these four, one is exempted from compliance of AS 3, while other three fall in Level-1 classification of organizations which are required to prepare cash flow statement in accordance with applicability of Accounting standards issued by Accounting standards but they have not prepared the cash flow statement.

Following are the names of authorities which had prepared cash flow statements:

(i) Airport Authority of India

(ii) National Highway Authority of India

(iii) Central Warehousing corporation

(iv) Food Corporation of India

Following are the names of authorities which had not prepared cash flow statement but were covered by the scope of applicability of Accounting standard

(i) Coir Board

(ii) Telecom Regulatory Authority of India

(iii) Bureau of Indian Standards

(iv) Damodar Valley Corporation

2. Accounting Standrd-6 (Depreciation of Fixed Assets)

Depreciation is a measure of the wearing out, consumption or other loss of value of depreciable assets arising from use, effluxion of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset. Depreciation includes amortization of Assets whose useful life is predetermined.

Applying different polices in respect of depreciation by different organizations will provide an Inconsistent and Incomparable Reporting, Various Authorities are following different methods of depreciation in respect of fixed assets. Some organizations are charging depreciation according to provisions of companies Act 1956, while some others have adopted the policies for depreciation according to the provisions of Income Tax Act 1961. Some of the organizations have provided depreciation on the rates specified by their technical evaluation.

We have also observed that organizations covered by same Act have followed different policies for depreciation; for example, M/s Central Warehousing Corporation has provided depreciation according to technical evaluation while M/s Maharashtra Warehousing Corporation has used rates prescribed by the Income Tax Act 1961. Major variance has also been observed in the rates of depreciation used by authorities. For example, National Highways Authority has charged depreciation on buildings @ 5%

while Coir Board has used rate of 2.5% in case of buildings. Organizations are charging depreciation for full year.

An illustrative abstract from the Accounting policies of the various organisations is as follows:-

1. Airports Authority of India (AAI):-

1. Depreciation is provided on Straight Line method based on technical and useful life at the following rates.

   (a) Roads & Bridges 5% (b) Buildings 5%

   (c) Electrical Installations 10% (d) Motor Vehicles 20%

   (e) Air Conditioners/Heaters 25% (f) Office Equipment 25%

   (g) Computers 60%

2. Depreciation on additions to fixed assets at any time during the year is charged for the full year.

3. No depreciation is charged in the year of disposal of the fixed asset.

3. National Highways Authority of India (NHAI)

   i) Depreciation is provided on the assets on written down value (WDV) method.

      No depreciation is provided on the assets or the portion of the assets financed out of the capital grant.

   ii) An item of asset costing Rs.5,000/- or less is charged off to Revenue in the year acquisition/purchase/commission/ available for use and such items of assets with written down value of Rs. 5000/- or less as at the beginning of the year is also fully depreciated during the year.

   iii) Full year depreciation is charged on an item of fixed asset irrespective of the period of acquisition/purchase/commission/ available for use/ sale/write-off.

   iv) Depreciation on adjustment to an item of fixed asset on account of exchange rate fluctuations/ additions to asset is provided on such increased cost.

v) Stationery and other items of consumable nature are written- off in the year of purchase.

vi) Depreciation is provided at the following rates adopted by the Authority:-Item of Fixed Asset Rate of Depreciation(%) per annum Roads and Bridges 5%

(a) Building 5%

(b) Computers 60%

(c) Furniture & Fixtures and Electrical Fittings & Installations 10%

(d) Motor Vehicles 20%

(e) Air Conditioners & Heaters 25%

(f) Office Equipments 25%

(g) Laboratory and survey Equipments 25%

4. Coir Board

1. Depreciation is provided on Written - down Value method on the rates consistently applied year after year. Half of the normal rates are applied on Fixed Assets, which are used for less than 182 days. The rate of depreciation provided is as follows:-

(a) Fixed Assets Rate of Depreciation

(b) Building 2.50%

(c) Library Books 10%

(d) Computer / Peripherals 40% (e) Furniture and Fixtures 6%

(f) Machine Tools 15%

(g) Plant, Machinery &Equipments 15% (h) Office Equipments 15%

(i) Vehicles 15%

(j) Lab Equipments 15%

(k) Electric Installations 15% (l) Sundry Assets 10%

(m) Tools and Equipments 15%

2. Subsidies/grants utilized for capital expenditure are not considered for the calculation of depreciation.

5. The Telecom Regulatory Authority of India (TRAI)

Depreciation on Fixed Assets is provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956 except for the categories mentioned below on which higher rates of depreciation have been applied, as applied in the Accounts for preceding years:

a) Office Equipments: 10.00%

b) Furniture and Fixtures: 10.00%

c) Electrical Appliances: 10.00%

d) Air conditioners: 10.00%

e) Books and Publications: 20.00%

2. Office Equipments includes Mobile Handsets provided to the officers for official purposes.

It has been decided by the Competent Authority vide Order No. 2-1/97-LAN dated 04.05.2007 to provide/write off these handsets in three years on the same pattern as DoT. Accordingly depreciation on Mobile Handsets from the year 2007-08 onwards have been charged off @ 33.33%.Further, It has also decided by Authority, vide order no 23-24/2008/GA (LT) dated 19/03/2009 that life span for the Laptop issued to TRAI officers will henceforth be of four years . Accordingly, depreciation on Laptop has been provided @ 25%].

3. In respect of additions to Fixed Assets during the year, depreciation is considered on Prorata basis.

4. Assets costing Rs. 5,000/- or less, each are fully provided.

6. Bureau of Indian Standards

Depreciation is provided on written down value method as per the rates specified in the Income Tax Act, 1961.

7. Central Warehousing Corporation

1. Depreciation on Fixed Assets is charged on Straight Line Method at rates determined by the Corporation (based on Technician's report on life of assets)

2. Fixed assets are charged at Historical cost less accumulated depreciation. However, the fully depreciated asset is retained at Rupee one

3. Depreciation on assets purchased during the year whose cost is up to Rs.5000/- has been charged @ 100% leaving a nominal value of Re. 1/- for each such asset

4. Depreciation is charged for full year on assets acquired and put to use by the Corporation irrespective of its period of use during the year. No depreciation is charged in the year of sale.

5. Keeping in view the life and also technical certification, the warehouses/buildings constructed over the leasehold lands, above rate of depreciation is charged, irrespective of the period of lease since the lease is generally renewed on its expiry. In case the lease of the land is not renewed, the compensation received on the handing over of the warehouse/building is adjusted against the written down value and profit or loss if any, in the transaction will be accounted in the books.

AS-12 Accounting for Government Grants.

1. Airports Authority of India.

Grants/ Subsidies received from the Government and Foreign Financial institutions for acquisition of assets under agreements approved by the Government are treated as Capital Grants. Grants are deducted from the gross value of the assets at the time of capitalization of assets in arriving at its book value. When the grant is equal to the cost of the asset, the asset should be shown in the balance sheet at nominal value at Rs.1/-

2. National Highways Authority of India.

i) External Assistance (EA) , other than loans, provided by the Government of India to execute various Externally Aided Projects is accounted for as Capital Grant.

ii) Fixed Assets created out of the grant are not subjected to depreciation and accordingly, the full value of the fixed assets is shown as a deduction from the amount of grant or the amount of grant is shown as a deduction from the value of the fixed assets, as the case may be.

iii) Interest earned on the unutilized grant is credited to the Capital Grant account.

3. Coir Board.

Government grants received towards capital expenditure are treated as Capital Reserve.

4. The Telecom Regulatory Authority of India (TRAI).

i) No grant in respect of specific fixed assets has been received during the current year.

ii) Govt. grants are accounted for on the basis of sanctioned amount.

5. Bureau of Indian Standards

i) Government Grants/Assistance are accounted on realization basis.

ii) All Government Grants/Assistance from Ministries and their utilization are shown in the Earmarked/ Endowment Fund Schedule.

iii). The Government Grants/Assistance utilized towards Capital Cost of setting of projects and acquisition of Fixed Assets are shown as addition to Corpus/Capital Fund.

6. Central Warehousing Corporation.

1. As regards Govt. Grants, Capital approach method is followed where the same relate to specific Fixed Assets.

2. In case of Govt. Grant related to Revenue, the same are reduced from related expense.

7. Maharastra Warehousing Corporation.

1. Amount of subsidy received is reduced from the cost of corresponding Asset, This approach is suggested by AS 12.

8. Damodar Valley Corporation.

1. Grants related to revenue are shown in reporting by deducting from the related expenses.

2. Grants related to procurement of capital assets is shown as a deduction from the gross value of assets concerned in the book value of assets.

3. Grants received for expenses incurred in a previous accounting period is disclosed separately in Revenue Account.

9. Food Corporation of India.

The difference between the economic cost and sales realization is reimbursed by the Govt. of India as Consumer Subsidy. In addition, carrying cost of buffer stock is also reimbursed to the Corporation by the Govt. of India. The subsidy reimbursable by the Govt. of India is computed in accordance with the instructions in force. Transit and storage shortages of food grains are reimbursed to the Corporation by the Govt. of India after investigation and write-off as per the prescribed procedure. The shortages pending regularization are shown separately as recoverable from the Govt. of India.

AS-11 The Effects of changes in Foreign Exchange Rates.

1. Airports Authority of India

1. Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction.

2. The Assets and Loans/Other Liabilities as on the date of the balance sheet in foreign currency are reflected at the exchange rate prevailing at the end of the year except the balance in Exchange Earners Foreign Currency Account which is accounted for at the rate prescribed for such Account.

2. National Highways Authority of India

1. Foreign exchange transactions relating to purchase of/ acquisition of or in relation to fixed assets, goods and services are accounted for at the exchange rates prevailing as on the date of the transaction.

2. Foreign Currency loans outstanding at the end of the year are translated at the exchange rate as indicated by the BC selling rate prevailing on the last date of the financial year or the most proximate previous working day. Since the Authority is only an implementing agency and all the capital expenses are incurred on behalf of the Government of India, losses or gains, if any, due to exchange fluctuations relating to the loans utilized for acquisition of fixed assets/ Capital work- in- progress are adjusted to the carrying cost of the relevant assets/ Capital Work in Progress (instead of recognizing in the profit and loss account).

3. Coir Board

Transactions denominated in foreign currency are accounted at the exchange rate prevailing on the date of transaction.

4. The Telecom Regulatory Authority of India (TRAI).

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction.

5. Bureau of Indian Standards

1. Transactions denominated in Foreign Currency are accounted at the exchange rate prevailing on the date of transaction.

2. Current Liabilities are converted at the exchange rate prevailing as at the end of the year and the relevant gain/loss is transferred to Income & Expenditure Account.

6. Central Warehousing Corporation.

1. Revenue transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.

2. The costs of tangible fixed assets are recorded at the exchange rate prevailing on the date of transaction and depreciation charged on the same.

3. The Current assets and current liabilities are recorded at the prevailing rate on the last date of the financial year.

4. The exchange differences on the transaction of foreign currency are recognized in the Profit & Loss account.

7. Damodar Valley Corporation

Foreign Currency Transactions are initially recorded at the Exchange Rate ruling on the date of transaction. Foreign currency loans are reported with reference to the exchange rates ruling at the year end and the difference resulting in such transaction as well as due to payment/discharge of liabilities in foreign currency related to Fixed assets/Work-in-progress is adjusted in their carrying cost and that related to current assets is recognized as Revenue/Expenditure during the year.

8. Food Corporation of India

Notes to Accounts do not cover any policy on Foreign Exchange Fluctuations, However, books of Accounts cover Rs. 5000/- as foreign Exchange fluctuation loss.

AS-13. Accounting for Investments

1. Airports Authority of India

Long-term investments are stated at cost.

2. National Highways Authority of India

Long-term investments are stated at cost unless there is a permanent fall in the value thereof.

3. Coir Board

Not Required

4. The Telecom Regulatory Authority of India (TRAI)

Not Required

5. Bureau of Indian Standards

1. The Investments are usually carried at cost.

2. The premium paid on acquisition of permanent investment is amortized on a time proportion basis up to the date of maturity.

6. Central Wareshousing Corporation

Investments, being long term, are carried at cost.

7. Maharastra Warehousng Corporation

1. Basis for valuation of Investment is not covered by Accounting Policies.

8. Damodar Valley Corporation

1. Investments are intended for long term and valued at cost.

9. Food Corporation of India

1. The investments are carried at cost.

AS-15. Employee Benefits (Accounting for Retirement Benefits in the Financial Statement of Employers)

1. Airports Authority of India

The provision for Gratuity, Earned leave, Half-pay leave, medical benefits for employees including retired employees and settlement benefits is made on the basis of actuarial valuation.

2. National Highways Authority of India

The liability for retirement benefits of the regular employees and employees on contract(long term) of the Authority in respect of gratuity and leave encashment is accounted for based on the accrued liability and is not funded separately.

3. Coir Board

1 Actuarial liability to pensioners under this scheme is not accounted for since actual amount provided is more than that of actuarial valuation .

2. Provision for accumulated leave encashment benefit to the employees is not provided in the accounts.

4. The Telecom Regulatory Authority of India (TRAI)

1. Provision for Leave Salary and Pension Contribution up to 31.03.2011 in the case of employees on deputations have been provided in

the Books of Accounts at the rates prescribed by Government of India under Fundamental Rules from time to time.

2. In the case of regular employees, provision for Leave Encashment and Gratuity for the year 2010-11 have been made on the basis of report furnished by the actuary.

5. Bureau of Indian Standards

1. Liability towards Pension and gratuity of retired employees based on the Actuarial Valuation is accrued and provided in the Pension/Gratuity Liability Fund Account shown under the Schedule –Earmarked/Endowment Fund.

2. Liability towards future service pension and gratuity of present employees based on the Actuarial Valuation is accrued and provided every year in the Income and Expenditure Account by corresponding credit to Pension/Gratuity Liability Fund Account.

3. The actual payments of all pensionary benefits during the year are debited to Pension/Gratuity Liability Fund Account.

4. The surplus/deficit in the GPF Account of employees are treated as income/expense of the Bureau.

6. Central Wareshousing Corporation.

1. Employees are not covered under any Group Insurance Scheme. However, the Corporation in case of death of any employee while on duty pays ex-gratia which is accounted for on actual payment basis

2. The provision for Gratuity, Leave Encashment including Half Pay (Sick) Leave, Post Retirement Medical Benefits, and Lump-sum compensation to the family of deceased employees is made on actuarial valuation, and the actuarial gains and losses on the above are recognized in the profit and loss account.

3. Provision for LTC Liability is made based on past experience and estimate of expenditure likely to be incurred.

4. The termination benefits (including expenditure on Voluntary Retirement) are accounted for in the year they are incurred

7. Maharastra Warehousing Corporation.

1. The provision for Gratuity is considered as per actuarial valuation given by LIC.

2. Non disclosure of information as required by Accounting Standard 15 “Retirement Benefits”. Also, the liability for leave encashment is provided on actual basis instead of actuarial basis.

8. Damodar Valley Corporation

1. All retirement benefits in the form of Gratuity, Pension, Superannuation, Leave Encashment or any other benefits to employees on leaving service or retiring are accounted for on Actuarial Basis.

2. The current contribution payable by the employer towards the Pension & Gratuity Fund will be accounted for as expenses and charged to Profit & Loss Account. However, for providing arrear accumulated actuarial liabilities for Pension & Gratuity and Leave Salary, a consistent practice is being followed to provide over a number of years based on the Tariff order.

3. For payment of Pension and gratuity to the employees and pensioners, Corporation has created DVC Pension and Gratuity Trust in the year 2006-07.

4. On superannuation. DVC makes payment to employees which is reimbursed by DVC Pension & Gratuity Trust,

5. Any shortfall in liability as- intimated by DVC Pension & Gratuity Trust, is to be provided.

6. Expenses relating to employees (viz. LTA, re-imbursement of medical expenses and other expenses) is considered on cash basis.

9. Food Corporation of India

1. The Gratuity & Leave Encashment are accounted on cash basis.

2. Payment under Voluntary Retirement Scheme excepting one- fifth of the amount so paid, are treated as Deferred Revenue Expenditure and equally claimed as expenditure in succeeding four years.

AS-26. Intangible Assets

1. Airports Authority of India

1. Intangible assets like software which are expected to provide future enduring economic benefits are capitalized and amortized over a period of five years.

2. National Highways Authority of India

1. No Intangible assets as per Fixed Assets Schedule.

3. Coir Board

No Intangible assets as per Fixed Assets Schedule.

4. The Telecom Regulatory Authority of India (TRAI)

No Intangible assets as per Fixed Assets Schedule.

5. Bureau of Indian Standards

No Intangible assets as per Fixed Assets Schedule.

6. Central Wareshousing Corporation

No policy

7. Maharastra Warehousng Corporation

No policy

8. Damodar Valley Corporation

1. Intangible assets are recognized only if it is probable that future economic benefits that are attributable to the asset will flow to the Corporation and the cost of the asset can be measured reliably and such asset should be measured initially at cost.

2. Expenditure having medium term benefit for sustenance of operation is amortized over a period of five years.

3. Lump sum compensation paid on compassionate ground in lieu of employment are amortized over a period of five years.

9. Food Corporation of India

1. Intangible assets comprising of softwares are stated at cost less amortized value. The amortization is done over a period of 6 years. Any expense on such software for support and maintenance payable annually are charged to the Profit & Loss Account.

Annexure 1

Applicability of Accounting Standards

(1) Criteria for classification of non-corporate entities as decided by the Institute of Chartered Accountants of India

Level I Entities

Non-corporate entities which fall in any one or more of the following categories, at the end of the relevant accounting period, are classified as Level I entities:

(i) Entities whose equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.

(ii) Banks (including co-operative banks), financial institutions or entities carrying on insurance business.

(iii) All commercial, industrial and business reporting entities, whose turnover (excluding other income) exceeds rupees fifty Crore in the immediately preceding accounting year.

(iv) All commercial, industrial and business reporting entities having borrowings (including public deposits) in excess of rupees ten Crore at any time during the immediately preceding accounting year.

(v) Holding and subsidiary entities of any one of the above.

Level II Entities (SMEs)

Non-corporate entities which are not Level I entities but fall in anyone or more of the following categories are classified as Level IIentities:85.

Accounting for Non-for-Profit Organizations

(i) All commercial, industrial and business reporting entities, whose turnover (excluding other income) exceeds rupees forty lakh but does not exceed rupees fifty Crore in the immediately preceding accounting year.

(ii) All commercial, industrial and business reporting entities having borrowings (including public deposits) in excess of rupees one Crore but not in excess of rupees ten Crore at any time during the immediately preceding accounting year.

(iii) Holding and subsidiary entities of any one of the above.

Level III Entities (SMEs)

Non-corporate entities which are not covered under Level I and Level II are considered as Level III entities.

Additional requirements

(1) An SME which does not disclose certain information pursuant to the exemptions or relaxations given to it should disclose (by way of a note to its financial statements) the fact that it is an SME and has complied with the Accounting Standards insofar as they are applicable to entities falling in Level II or Level III, as the case may be.

(2) Where an entity, being covered in Level II or Level III, had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be covered in Level II or Level III, as the case may be. The fact that the entity was covered in Level II or Level III, as the case may be, in the previous period and it had availed of the exemptions or relaxations available to that Level of entities should be disclosed in the notes to the financial statements.

Accounting for Non-for-Profit Organizations

(3) Where an entity has been covered in Level I and subsequently, ceases to be so covered, the entity will not qualify for exemption/relaxation available to Level II entities, until the entity ceases to be covered in Level I for two consecutive years. Similar is the case in respect of an entity, which has been covered in Level I or Level II and subsequently, gets covered under Level III.

(4) If an entity covered in Level II or Level III opts not to avail of the exemptions or relaxations available to that Level of entities in respect of any but not all of the Accounting Standards, it should disclose the Standard(s) in respect of which it has availed the exemption or relaxation.

(5) If an entity covered in Level II or Level III desires to disclose the information not required to be disclosed pursuant to the exemptions or relaxations available to that Level of entities, it should disclose that information in compliance with the relevant Accounting Standard.

(6) An entity covered in Level II or Level III may opt for availing certain

exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard, provided that such a partial exemption or relaxation and disclosure should not be permitted to mislead any person or public.

(7) In respect of Accounting Standard (AS) 15, *Employee Benefits*, exemptions/relaxations are available to Level II and Level III entities, under two sub- classifications, viz., (i) entities whose average number of persons employed during the year is 50 or more, and (ii) entities whose average number of persons employed during the year is less than 50. The requirements stated in paragraphs (1) to (6) above, *mutatis mutandis*, apply to these sub-classifications.

(2) Criteria for classification of companies under the Companies (Accounting Standards) Rules, 2006 *Small and Medium-Sized Company (SMC) as defined in Clause 2(f) of the Companies (Accounting Standards) Rules, 2006:*

"Small and Medium Sized Company" (SMC) means, a company,

(i) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;

(ii) which is not a bank, financial institution or an insurance company;

(iii) whose turnover (excluding other income) does not exceed rupees fifty Crore in the immediately preceding accounting year;

(iv) which does not have borrowings (including public deposits) in excess of rupees ten Crore at any time during the immediately preceding accounting year; and

(v) which is not a holding or subsidiary company of a company which is not a small and medium-sized company.

Explanation: For the purposes of clause (f), a company shall qualify as a Small and Medium Sized Company, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

Non-SMCs

Companies not falling within the definition of SMC are considered as Non-SMCs.

Instructions

A. General Instructions

1. SMCs shall follow the following instructions while complying with Accounting Standards under these Rules:-

1.1 The SMC which does not disclose certain information pursuant to the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an SMC and has complied with the Accounting Standards insofar as they are applicable to an SMC on the following lines: "The Company is a Small and Medium Sized Company (SMC) as defined in the General Instructions in respect of Accounting Standards notified under the Companies Act, 1956. Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company."

1.2 Where a company, being an SMC, has qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be an SMC. The fact that the company was an SMC in the previous period and it had availed of the exemptions or relaxations available to SMCs shall be disclosed in the notes to the financial statements.

1.3 If an SMC opts not to avail of the exemptions or relaxations available to an SMC in respect of any but not all of the Accounting Standards, it shall disclose the standard(s) in respect of which it has availed the exemption or relaxation.

1.4 If an SMC desires to disclose the information not required to be disclosed pursuant to the exemptions or relaxations available to the SMCs, it shall disclose that information in compliance with the relevant accounting standard. The SMC may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard, provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead any person or public.

B. Other Instructions

Rule 5 of the Companies (Accounting Standards) Rules, 2006, provides: "5. An existing company, which was previously not a Small and Medium Sized Company (SMC) and subsequently becomes an SMC, shall not qualify for exemption or relaxation in respect of Accounting Standards available to an SMC until the company remains an SMC for two consecutive accounting periods."

(3) Applicability of Accounting Standards to Companies

(I) Accounting Standards applicable to all companies in their entirety for accounting periods commencing on or after December 7, 2006

AS 1 Disclosures of Accounting Policies

AS 2 Valuation of Inventories

AS 4 Contingencies and Events Occurring After the Balance Sheet Date

AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

AS 6 Depreciation Accounting

AS 7 Construction Contracts (revised 2002) AS 9 Revenue Recognition

AS 10 Accounting for Fixed Assets

AS 11 The Effects of Changes in Foreign Exchange Rates (revised 2003) AS 12 Accounting for Government Grants

AS 13 Accounting for Investments

AS 14 Accounting for Amalgamations

AS 16 Borrowing Costs

AS 18 Related Party Disclosures

AS 22 Accounting for Taxes on Income

AS 24 Discontinuing Operations

AS 26 Intangible Assets

(II) Exemptions or Relaxations for SMCs as defined in the Notification

(A) Accounting Standards not applicable to SMCs in their entirety: AS 3 Cash Flow Statements *AS 17 Segment Reporting*

(B) Accounting Standards not applicable to SMCs since the relevant Regulations require compliance with them only by certain Non-SMCs6:

(i) AS 21, Consolidated Financial Statements

(ii) AS 23, Accounting for Investments in Associates in Consolidated Financial Statements (iii) AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements)

(C) Accounting Standards in respect of which relaxations from certain requirements have been given to SMCs:

(i) Accounting Standard (AS) 15, Employee Benefits(revised 2005)

(a) Paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

(b) Paragraphs 46 and 139 of the Standard which deal with discounting of amounts that fall due more than 12 months after the balance sheet date;

(c) Recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such companies should actuarially determine and provide for the accrued liability in respect of defined benefit plans by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard. Such companies should disclose actuarial assumptions as per paragraph 120(l) of the Standard; and

(d) Recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. However, such companies should actuarially determine and provide for the accrued liability in respect of other long-term employee benefits by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard.

(ii) AS 19, Leases Paragraphs 22 (c), (e) and (f); 25 (a), (b) and (e); 37 (a) and (f); and 46 (b) and (d) relating to disclosures are not applicable to SMCs.

(iii) AS 20, Earnings Per Share Disclosure of diluted earnings per share (both including and excluding extraordinary items) is exempted for SMCs.

(iv) AS 28, Impairment of Assets SMCs are allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if an SMC chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an SMC. Further, such an SMC need not disclose the information required by paragraph 121(g) of the Standard.

(v) AS 29, Provisions, Contingent Liabilities and Contingent Assets Paragraphs 66 and 67 relating to disclosures are not applicable to SMCs.

(D) AS 25, Interim Financial Reporting, does not require a company to present interim financial report. It is applicable only if a company is required or elects to prepare and present an interim financial report. Only certain Non-SMCs are required by the concerned regulators to present interim financial results, e.g., quarterly financial results required by the SEBI.

Therefore, the recognition and measurement requirements contained in this Standard are applicable to those Non-SMCs for preparation of interim financial results.

(4) Applicability of Accounting Standards to Non-corporate Entities (As on 1.4.2008)

(I) Accounting Standards applicable to all Non-corporate Entities in their entirety (Level I, Level II and Level III)

AS 1 Disclosures of Accounting Policies

AS 2 Valuation of Inventories

AS 4 Contingencies and Events Occurring After the Balance Sheet Date

AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

AS 6 Depreciation Accounting

AS 7 Construction Contracts (revised 2002) AS 9 Revenue Recognition

AS 10 Accounting for Fixed Assets

AS 11 The Effects of Changes in Foreign Exchange Rates (revised 2003) AS 12 Accounting for Government Grants

AS 13 Accounting for Investments

AS 14 Accounting for Amalgamations

AS 16 Borrowing Costs

AS 22 Accounting for Taxes on Income

AS 26 Intangible Assets

(II) Exemptions or Relaxations for Non-corporate Entities falling in Level II and Level III (SMEs)

(A) Accounting Standards not applicable to Non-corporate Entities falling in Level II in their entirety:

AS 3 Cash Flow Statements

AS 17 Segment Reporting

(B) Accounting Standards not applicable to Non-corporate Entities falling in Level III in their entirety:

AS 3 Cash Flow Statements

AS 17 Segment Reporting

AS 18 Related Party Disclosures

AS 24 Discontinuing Operations

(C) Accounting Standards not applicable to all Non-corporate Entities since the relevant Regulators require compliance with them only by certain Level I entities:7

AS 21, Consolidated Financial Statements

AS 23, Accounting for Investments in Associates in Consolidated Financial Statements

AS 27, Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements)

(D) Accounting Standards in respect of which relaxations from certain requirements have been given to Non-corporate Entities falling in Level II and Level III (SMEs): (a) Accounting Standard (AS) 15, Employee Benefits (revised2005)

(i) Level II and Level III Non-corporate entities whose average number of persons employed during the year is 50 or more are exempted from the applicability of the following paragraphs:

(a) Paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

(b) Paragraphs 46 and 139 of the Standard which deal with discounting of amounts that fall due more than 12 months after the balance sheet date;

(c) Recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such entities should actuarially determine and provide for the accrued liability in respect of defined benefit plans by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard. Such entities should disclose actuarial assumptions as per paragraph 120(l) of the Standard; and

(d) Recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. However, such entities should actuarially determine and provide for the accrued liability in respect of other long-term employee benefits by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard entities whose average number of persons employed during the year is less than 50 are exempted from the applicability of the following paragraphs:

    (a) Paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

    (b) Paragraphs 46 and 139 of the Standard which deal with discounting of amounts that fall due more than 12 months after the balance sheet date;

(c) Recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such entities may calculate and account for the accrued liability under the defined benefit plans by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year; and

(d) Recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. Such entities may calculate and account for the accrued liability under the other long-term employee benefits by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year.

(ii) AS 19, Leases Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a) and (f); and 46 (b) and (d) relating to disclosures are not applicable to non-corporate entities falling in Level II. Paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); and 46 (b), (d) and (e) relating todisclosures are not applicable to Level III entities.

(iii) AS 20, Earnings Per Share Diluted earnings per share (both including and excluding extraordinary items) is not required to be disclosed by non-corporate entities falling in Level II and Level III and information required by paragraph 48(ii) of AS 20 is not required to be disclosed by Level III entities if this standard is applicable to these entities.

(iv) AS 28, Impairment of Assets Non-corporate entities falling in Level II and Level III are allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if a non-corporate entity falling in Level II or Level III chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an entity. Further, such an entity need not disclose the information required by paragraph 121(g) of the Standard.

(v) AS 29, Provisions, Contingent Liabilities and Contingent Assets Paragraphs 66 and 67 relating to disclosures are not applicable to non-corporate entities falling in Level II and Level III. *(E).*

AS 25, Interim Financial Reporting, does not require a non-corporate entity to present interim financial report. It is applicable only if a non-corporate entity is required or elects to prepare and present an interim financial report. Only certain Level I non-corporate entities are required by the concerned regulators to present interim financial results, e.g., quarterly financial results required by the SEBI. Therefore, the recognition and measurement requirements contained in this Standard are applicable to those Level I non-corporate entities for preparation of interim financial results.

Annexure 2

Uniform Form of Accounts

Balance Sheet ____

FORM OF FINANCIAL STATEMENTS (NON-PROFIT ORGANISATIONS)

Name of Entity ____

BALANCE SHEET AS AT

CORPUS/ CAPITAL FUND AND LIABILITIES	Schedule	Current Year	Previous Year
Corpus/capital fund reserves and surplus earmarked/ endowment funds secured loans and borrowings Unsecured loans and borrowings deferred credit liabilities Current liabilities and provisions	1 2 3 4 5 6 7	... ...	... ...
Total		...	...
Assets Fixed assets investments-from earmarked/endowment funds investments-others Current assets, loans, advances etc Miscellaneous expenditure (to the extent not written off or adjusted)	8 9 10 11 24 25		 ... ...
Total		...	...
SIGNIFICANT ACCOUNTING POLICIES CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS			

FORM OF FINANCIAL STATEMENTS (NON-PROFIT ORGANISATIONS)

Name of Entity ______________________________

INCOME	Schedule	Current Year	Previous Year
Income from Sales / Services Grants/Subsidies Fees/Subscriptions Income from Investments (Income on Invest. from earmarked/endow. Funds transferred to Funds) Income from Royalty, Publication etc. Interest Earned Other Income Increase/(decrease) in stock of Finished goods an works-in-progress	12 13 14 15 16 17 18 19	....	....
TOTAL(A)		....	....
EXPENDITURE Establishment Expenses Other Administrative Expenses etc. Expenditure on grants, subsidies etc. Interest Depreciation(Net Total at the year-end-corresponding to Schedule8)	20 21 22 23	....	....
TOTAL(B)		....	....
Balance being excess of Income over Expenditure (A-B) Transfer to Special Reserve (Specify each) Transfer to/ from General Reserve		....	....
BALANCE BEING SURPLUS/(DEFICIT) CARRIED TO CORPUS/CAPITAL FUND	24	....	....
SIGNIFICANT ACCOUNTING POLICIES CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS	25		

Name of Entity ____

SCHEDULES FORMING PART OF BALANCE SHEET AS AT ___________

(Amount- Rs)

	Current Year		Previous Year	
SCHEDULE 1- CORPUS/CAPITAL FUND:	....	....	....	....
Balance as at the beginning of the year	....		....	
Add: Contributions towards Corpus/ Capital Fund				
Add/(Deduct): Balance of net income/ (expenditure) transferred from the Income and Expenditure Account		....		....
BALANCE AT THE YEAR END		....		....

SCHEDULE-2:- RESERVES AND SURPLUS	Current Year		Previous Year	
1. Capital Reserve:	...		...	
As per last Account	... (...)		... (...)	
Addition during the year				
Less: Deduction During the year			...	
2. Revaluation Reserve:	...		... (...)	
As per last Account	... (...)	...		...
Addition during the year			...	
Less: Deduction During the year			... (...)	
3. Special Reserve	...			
As per last Account	... (...)		...	
Addition during the year	...		...	
Less: Deduction During the year	...	...	(...)	...
4. General Reserve	(...)			...
As per last Account		...		

Addition during the year Less: Deduction During the year		...		...
TOTAL		**...**		**...**

SCHEDUEL 3: EARMARKED/ENDOWMEN FUNDS	FUND-WISE BREAK UP				TOTAL	
	Fund WW	Fund XX	Fund YY	Fund ZZ	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) Other additions (Specify Nature)	....	....				
TOTAL(a+b)		_				
c) Utilization/ 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)	____	____				
1) Disclosures shall be made under relevant heads based on conditions attaching to the grants. 2) Plan funds received from the Central/State Governments are to be shown as separate 0066unds and not be mixed						

SCHEDULE 4: SECURED LOANS AND BORROWINGS:	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				

SCHEDULES 5- UNSECURED LOANS AND BORROWINGS	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- DEFERRED CREDIT LIABILITIES:	Current Year	Previous Year
a) Acceptances secured by hypothecation of capital equipment and other assets b) Others		
TOTAL		
Note: Amounts due within one year		

SCHEDULE 7- CURRFENT LIABILITIES AND PROVISIONS	Current Year		Previous Year	
A. CURRENT LIABILITIES 1. Acceptances 2. Sundry Creditors: a) For Goods				

b) Others 3. Advances Received 4. Interest accrued but not due on: a) Secured Loans/borrowings b) Unsecured Loans/borrowings 5. Statutory Liabilities: a) Overdue b) Others 6. Other current Liabilities				
TOTAL(A)				
B.PROVISIONS 1. For Taxation 2. Gratuity 3. Superannuation/Pension 4. Accumulated Leave Encashment 5. Trade Warranties/Claims 6. Others (Specify)				
TOTAL (B)				
TOTAL (A+B)				

SCHEDULE 8- FIXED ASSETS										
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 Year-end	As at the beginning of the year	On Additions During The year	On Deductions During the year	Total up to the year-end	As at the current year-end	As at the previous year-end
FIXED ASSETS:										
LAND a) Freehold b)										

Leasehold BUILDINGS a) On Freehold Land b) On Leasehold Land c) Ownership Flats/ Premises. d) Superstructures on Land not belonging to the entity Plant, Machinery &Equipments Vehicles Furniture, fixtures, office equipment computer/peripherals electric installations library books tubewells & w.supply other fixed assets										
TOTAL OF CURRENT YEAR										
PREVIOUS YEAR										
CAPITAL WORK-IN PROGRESS										
TOTAL										
Date to be given as to cost of assets on hire purchase basis included above)										

SCHEDULE 9-INVESTMENTS FROM EARMARKED/ENDOWMENT FUNDS	Current Year	Previous Year
1. In Government Securities	.....	.....
2. Other approved Securities	.....	.....
3. Shares	.....	.....
4. Debentures and Bonds	.....	.....

5. Subsidiaries and Joint ventures	.....	.....
6. Others (to be specified)	.....	.....
TOTAL	.....	.....

SCHEDULE10- INVESTMENTS AND OTHERS	Current Year	Previous Year
1. In government securities.	.....	.....
2. Other approved securities	.....	.....
3. Shares	.....	.....
4. Debentures and Bonds	.....	.....
5. Subsidiaries and Joint Ventures	.....	.....
6. Others (to be specified)	.....	.....
TOTAL	.....	.....

SCHEDULE 11- CURRENT ASSETS, LOANS, ADVANCES ETC.	Current Year		Previous Year	
A. CURRENT ASSETS: 1. Inventories: a) Stores and Spares. b) Loose Tools. c) Stock in trade i. Finish Goods ii. Work in progress. iii. Raw Materials.				
2. Sundry Debtors: a) Debts Outstanding for a period exceeding six months b) Others 3. Cash balances in hand (including cheques /drafts and imprest) 4. Bank Balances: a) With Scheduled bank: - On current Accounts. - On Deposit Accounts.(includes margin money).				

- On Savings Accounts. b) With Non- Scheduled Banks: - On Current Accounts. - On Deposit Accounts. - On Savings Accounts. 5. Post Office- Savings Accounts B. LOANS, ADVANCES AND OTHER ASSETS 1. Loans: a) Staff b) Other Entities engaged in activities/objectives similar to that of the Entity c) Other (specify) 2. Advances and other amounts recoverable in cash or in kind or for value to be received: a) On Capital Account b) Prepayments c) Others 3. 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……) 4. Claims Receivable				
TOTAL(A)				

SCHEDULE 12-INCOME FROM SALES/SERVICE	Current Year	Previous Year
1) Income from sales a) Sale of Finished Goods b) Sale of Raw Material c) Sale of Scraps 2) Income from Services a) Labour and Processing Charges b) Professional/Consultancy Service c) Agency Commission and Brokerage d) Maintenance Services (Equipment/Property) e) Other (Specify)		
Total		

SCHEDULE 13- GRANTS/SUBSIDIES (Irrevocable Grants & Subsidies Received)	Current Year	Previous Year
1) Central Government 2) State Government(s) 3) Government Agencies 4) Institutions/Welfare Bodies 5) International Organizations 6) Others (Specify)		
Total		

SCHEDULE 14- FEES/SUBSCRIPTIONS	Current Year	Previous Year
1) Entrance Fees 2) Annual Fees/Subscriptions 3) Seminar/Program Fees 4) Consultancy Fees 5) Others (Specify)		
TOTAL		
Note- Accounting Policies towards each item are to be disclosed Investment		

SCHEDULE 15- INCOME FROM INVESTMENTS (Income on Invest. from Earmarked/Endowment Funds transferred to Funds)	Investment from Earmark Fund		Investment-Others	
	Current Year	Previous Year	Current Year	Previous Year
1) Interest a) On Government Securities. b) Other Bonds/ Debentures. 2) Dividends: a) On Shares. b) On Mutual Funds Securities. 3) Rent. 4) Others(Specify)				
TOTAL				
TRANSFERRED To EARMARKED/ENDOWMENT FUNDS				

SCHEDULE 16- INCOME FROM ROYALTY, PUBLICATION ETC.	Current Year	Previous Year
1) Income from Royalty 2) Income from Publications 3) Others (specify)		
TOTAL		

SCHEDULE 17- INTEREST EARNED	Current Year	Previous Year
1) On Term Deposits:		
a) With Scheduled Banks		
b) With Non-Scheduled Banks		
c) With Institutions		
d) Others		
2) On Savings Accounts:		
a) With Scheduled Banks		
b) With Non-Scheduled Banks		
c) With Institutions		
d) Others		
3) On Loans:		
a) Employees/Staff		
b) Others		
4) Interest on Debtors and Other Receivables		
TOTAL		
Note- Tax deducted at source to be indicated		

SCHEDULE 18- OTHER INCOME	Current Year	Previous Year
1) Profit on Sale/disposal of Assets:		
a) Owned assets		
b) Assets acquired out of grants, or received free of cost		
2) Export Incentives realized		
3) Fees for Miscellaneous Services		
4) Miscellaneous Income		
Total		

SCHEDULE 19- INCREASE/(DECREASE) IN STOCK OF FINISHED GOODS & WORK IN PROGRESS	Current Year	Previous Year
a) Closing stock - Finished Goods -Work-in-progress b) Less: Opening Stock -Finished Goods - Work-in-progress		
NET INCREASE/(DECREASE) [a-b]		

SCHEDULE –20 ESTABLISHMENT EXPENSES	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) Expenses on Employees Retirement and Terminal Benefits g) Others (specify)		
TOTAL		

SCHEDULE 21- OTHER ADMINISTRATIVE EXPENSES ETC.	Current Year	Previous Year
a) Purchases		
b) Labor and processing expenses		
c) Cartage and Carriage Inwards		
d) Electricity and power		
e) Water charges		
f) Insurance		
g) Repairs and maintenance		
h) Excise Duty		
i) Rent, Rates and Taxes		
j) Vehicles Running and Maintenance		
k) Postage, Telephone and Communication Charges		
l) Printing and Stationary		
m) Travelling and Conveyance Expenses		
n) Expenses on Seminar/Workshops		
o) Subscription Expenses		
p) Expenses on Fees		
q) Auditors Remuneration		
r) Hospitality Expenses		
s) Professional Charges		
t) Provision for Bad and Doubtful Debts/Advances		
u) Irrecoverable Balances Written-off		
v) Packing Charges		
w) Freight and Forwarding Expenses		
x) Distribution Expenses		
y) Advertisement and Publicity		
z) Others (specify)		
TOTAL		

SCHEDULE 22- EXPENDITURE ON GRANTS, SUBSIDIES ETC.	Current Year	Previous Year
a) Grants given to Institutions/Organizations b) Subsidies given to Institutions/Organizations		
TOTAL		
Note - Name of the Entities, their Activities along with the amount of Grants/Subsidies are to be disclosed.		

SCHEDULE 23 INTEREST	Current Year	Previous Year
a) On Fixed Loans b) On Other Loans (including Bank Charges) c) Others (specify)		
TOTAL		

SHEDULE 24- SIGNIFICANT ACCOUNTING POLICIES (Illustrative)

1. ACCOUNTING CONVERSION

The financial statements are prepared on the basis of historical cost convention ,unless otherwise stated and on the accrual method of accounting

2. INVENTORY VALUATION

2.1 Stores and Spares (including machinery spares) are valued at cost.

2.2 Raw materials, semi-finished goods are valued at lower of cost and net realizable value. The costs are based on weighted average cost. Cost of finished goods and semi- finished goods is determined by considering material, labour and related overheads.

3. INVESTMENTS

3.1 Investments classified as ”long term investments” are carried at cost. Provision for decline, other than temporary, is made in carrying cost of such investments.

3.2 Investments classified as “Current” are carried at lower of cost and fair value. Provision for shortfall on the value of such investments is made for each investment considered individually and not on a global basis.

3.3 Cost includes acquisition expenses like brokerage, transfer stamps.

4. EXCISE DUTY

Liability for excise duty in respect of goods produced by the entity, other than for exports, is accounted upon completion of manufacture and provision is made for excisable manufactured goods as at the year-end.

5. FIXED ASSETS

5.1. Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties and taxes and incidental and direct expenses related to acquisition. In respect of projects involving construction, related pre-operational expenses (including interest on loans for specific project prior to its completion), form part of the value of the assets capitalized.

5.2. Fixed Assets received by way of non-monetary grants,(other than towards the Corpus Fund), are capitalized at values stated, by corresponding credit to Capital Reserve.

6. DEPRECIATION

6.1. Depreciation is provided on straight-line method as per rates specified in the Income-tax Act, 1961expect depreciation on cost adjustments arising on account of conversion of foreign currency liabilities for acquisition of fixed assets, which is mortised over the residual life of the respective assets.

6.2. In respect of additions to/deductions from fixed assets during the year, depreciation is considered on pro-rata basis.

6.3. Assets costing Rs.5, 000 or less each are fully provided.

7. MISCELLANEOUS EXPENDITURE

Deferred revenue expenditure is written off over a period of 5 years from the year it is incurred.

8. ACCOUNTING FOR SALES

Sales include excise duty and are net of sales returns, rebate and trade discount.

9. GOVERNMENT GRANTS/SUBSIDIES

9.1. Government grants of the nature of contribution towards capital cost of setting up projects are treated as Capital Reserve.

9.2. Grants in respect of specific fixed assets acquired are shown as a deduction from the cost of the related assets.

9.3. Government grants/subsidy are accounted on realization basis.

10. FOREIGN CURRENCY TRANSACTIONS

10.1. Transactions denominated in foreign currency are accounted at the exchange rate prevailing on the date of the transaction.

10.2. Current assets , foreign currency loans and current liabilities are converted at the exchange rate prevailing as at the year end and the resultant gain/loss is adjusted to cost of fixed assets, if the foreign currency liability relates to fixed assets, and in other cases is considered to revenue.

11. LEASE

Lease rentals are expensed with reference to lease terms.

12. RETIREMENT BENEFITS

12.1. Liability towards gratuity payable on death/retirement of employees is accrued based on actual Valuation.

12.2. Provision for accumulated leave encashment benefit to the employees is accrued and computed on the assumption that employees are entitled to receive the benefit as at each year end.

SCHEDULE 25-CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS

1. CONTINGENT LIABILITIES

1.1 Claims against the Entity not acknowledged as debts–Rs. _______________ (Previous year Rs_______________).

1.2 In respect of:

- Bank guarantees given by/on behalf of the Entity-Rs. _______________(Previous year Rs. _______________).
- Letters of Credit opened by Bank on behalf of the Entity - Rs_______________ (Previous year Rs. _______________).
- Bills discounted with banks Rs. _______________ (Previous year Rs_______________).

1.3 Disputed demands in respect of:

Income-tax Rs. _______________ (Previous year Rs. _______________).

Sales tax Rs._______________ (Previous year Rs. _______________).

Municipal Taxes_______________ (Previous year Rs. _______________).

1.4 In respect of claims from parties for non-execution of orders, but contested by the Entity-Rs. ________________ (Previous year Rs________________).

2. CAPITAL COMMITMENTS

Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances) Rs________________ (Previous year Rs________________).

3. LEASE OBLIGATIONS

Future obligations for rentals under finance lease arrangements for plant and machinery amount to Rs. ________________ (Previous year Rs. ________________).

4. CURRENT ASSETS, LOANS AND ADVANCES

In the opinion of the Management, the current assets, loans and advances have a value on realization in the ordinary course of business, equal at least to the aggregate amount shown in the Balance Sheet.

5. TAXATION

In view of there being no taxable income under Income-tax Act 1961, no provision for

Income tax has been considered necessary.

6. FOREIGN CURRENCY TRANSACTIONS

6.1. Value of Imports Calculated on C.I.F Basis:

- Purchase of finished Goods
- Raw Materials & Components (Including in transit)
- Capital Goods
- Stores, Spares and Consumables

6.2 . Expenditure in foreign currency:

a) Travel

b) Remittances and Interest payment to Financial Institutions/Banks in Foreign Currency

c) Other expenditure:

- Commission on Sales
- Legal and Professional Expenses

- Miscellaneous Expenses

6.3. Earnings:

Value of Exports on FOB basis

6.4. Remuneration to auditors: As Auditors

- Taxation matters

- For Management services

- For certification

Others

7. Corresponding figures for the previous year have been regrouped/ rearranged, wherever necessary.

8. Schedules 1 to 25 are annexed to and form an integral part of the Balance Sheet as at __and the income and Expenditure Account for the year ended on that date.

INSTRUCTIONS AND ACCOUNTING PRINCIPLES

1. NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTRUCTIONS AND ACCOUNTING PRINCIPLES

1) The financial statements of nonprofit and other similar organization (viz., Balance Sheet and Income and Expenditure Account) shall be prepared on accrual basis and shall be in the form suggested, or as near thereto as possible. If the information required to be given under any of the items or sub-items in this Form cannot be conveniently included in the Balance Sheet of the Income and Expenditure Account itself, as the case may be, it can be furnished in a separate Schedule or Schedules to annexed to and forming part of the Balance Sheet or the Income and Expenditure Account. This is recommended where item are numerous.

2) A statement of all significant accounting policies adopted in the preparation of the Balance Sheet and the Income and Expenditure Account shall be included in the financial statements and the significant Accounting Policies should be disclosed at one place. Accounting Policies refer to the specific accounting principles and the method of applying those principles adopted by the entity in the preparation of the financial Statements. Where any of the accounting policies is not conformity with accounting Standards, and the effect of the departures from accounting standards is material, the particulars of the departure shall be disclosed, together with the reasons

therefore and the financial effect thereof, except where such effect is not ascertainable.

3) Accounting Policies shall 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 letter periods, shall 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 statement is affected by such change shall also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact shall be disclosed.

4) The accounting treatment and presentation in the Balance Sheet and the Income and Expenditure Account of transactions and events shall 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 shall be given to the concept of materiality.

6) Provision shall be made for all known liabilities and losses even though the amount cannot be determined with substantial accuracy (and the amount of provision represents only a best estimate in the light of available. Information). 'Provision' means any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, or retained by way of providing for any known liability, the amount of which cannot be determined with substantial accuracy. Provision shall be made for contingent loss if:

a) it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability has been incurred at the balance sheet date, and,

b) a reasonable estimate of the amount of the resulting loss can be made. If either of the above conditions is not met, the existence of the contingent loss shall be disclosed by way of anote to the Income and Expenditure account, unless the possibility of the loss is remote.

7) Where any amount written off or retained by way of providing for depreciation, renewals or diminution in the valueof assets or retained by way of providing for any known liability is in excess of the amount which is considered reasonably necessary for the purpose, the excess shall be treated as a reverse and not as a provision .

8) Revenue shall not be recognized unless:

a) The related performance has been achieved;

b) No significant uncertainty exists regarding the amount of consideration; and c) It is not unreasonable to expect realization and ultimate collection.

9) Separate disclosure shall be made in the income and expenditure Account in respect of:

a) "prior period" items, which comprise material items of Income or expanses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.

b) "Extra-ordinary" items, which are material items of income or expanses that arise from events or transactions that are clearly distinct from the ordinary activities of the entity and, therefore, are not expected or do not recur frequently or regularly.

c) Any item under the head "Miscellaneous Income" which exceeds 1 per cent of the total turnover/gross income of entity or Rs. 50,000/- whichever is higher. This shall be shown against an appropriate account head in the income and expenditure Account.

d) Any item under the head "Miscellaneous Expenses" which exceeds 1 per cent of the total turnover/gross income of entity or Rs. 50,000/- whichever is higher. This shall be shown as a separate and distinct item against an appropriate account head in the Income and Expenditure Account.

10) The Schedules referred to in the form, the accounting policies and explanatory notes shall form an integral part of the financial statements.

11) Notes to the Balance Sheet and the Income and Expenditure Account shall contain the explanatory material pertaining to the items in the Balance Sheet and the Income and Expenditure Account.

12) The figures in the Balance Sheet and Income and Expenditure Account, if rounded off, shall be rounded off as below:

Amount of turnover(in Rs.)	Rounding off to(Rs.)
Less than one lakh	Hundred
One lakh or more but less than one Crore	Thousand
One Crore or more but less than one hundred Crore	Lakh
One hundred or more but less than one thousand Crore	Crore

13) Reference may also be made to the enclosed Notes and Instructions for compilation in the formats suggested.

31 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS CORPUS/CAPITAL FUND AND LIABILITIES:

SCHEDULE 1-CORPUS/CAPITAL FUND

(a) Corpus/Capital Fund is akin to Capital, Share Capital or Owners' Funds. It comprises amounts received by way of contributions specifically to the Corpus, as increased/decreased by the net operating results shown in the Income and Expenditure Account (other than surplus, if any, transferred to any Reserves or Earmarked Funds).

(b) The opening Balance, Additions to, Deductions from and the Closing Balance of the Corpus/Capital Fund shall be shown under this head.

(c) Additions to the Corpus Fund shall be net of transfers, if any, to any Reserve or Earmarked Fund required under statute or as per applicable regulations.

NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NONPROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONSCORPUS/CAPITAL FUND AND LIABILITIES:

SCHEDULE 2- RESERVES AND SURPLUS

1. CAPITAL RESERVES: The expression capital reserves shall not include any amount

- Opening balance regarded as free for distribution through the Income and

- Additions during the year Expenditure Account. Surplus on revaluation should be
- Deductions during the Year treated as Capital Reserves and shown separately. Surplus on translations of financial statements of foreign branches, if any, is not a revaluation reserve.

2. REVALUATION RESERVE: To reflect effects of changing prices, fixed assets otherwise stated at historical costs, are revalued and the historical cost

- opening balance substituted by a revaluation, normally done by competent valuers. Such
- Additions during the year
- Deductions during the year: substitution resulting in an upward revaluation is required to be shown as a "Revaluation Reserve". This reserve is an unrealized gain and should not be credited as income in the Income and Expenditure Account.

3.SPECIAL RESERVE (S):

Opening balance

Additions during the year

Deductions during the year

These would comprise Special reserves requires to be created pursuant to any statutory or regulatory requirement applicable to the Entity; and if so, should be clarified in the Notes on Accounts in Schedule 27.

4. GENERAL RESERVE: Opening balance Additions during the year.

Deductions during the year.

The expression 'General Reserve' shall mean any reserve other than capital reserve and revaluation reserve. This item will include all reserves, other than those separately classified

Notes –General

(a) Movements in various categories of reserves should be shown as indicated in the schedule.

(b) The expression 'reserve' shall not include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability.

32 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS CORPUS/CAPITAL FUND AND LIABILITIES:

SCHEDULE 3- EARMARKED/ENDOWMENT FUNDS

Amounts received as grants or assistance, or retained by the entity to be utilized for specific or Earmarked purposes and remaining to be expended/utilized for the specific purpose for which these are intended, are required to be disclosed under this head. Such funds may be received in cash or kind from Government, Govt. agencies, institutions and other agencies etc. and are subject to compliance by the entity, of certain stipulated terms and conditions. For this reason, the balances available and their utilization should be disclosed in the manner suggested in the Schedule. The Plan Funds received from the Central and/or State Governments are to be shown As distinct category of Fund. Other plan funds earmarked/endowed for any chair, house, building, Trust etc. are to be shown as distinct category of Fund. The following shall not be reckoned as part of Earmarked Funds:

a) Grants/funds which have the characteristics of promoters' contribution which are of the nature of additions/accretion to the Corpus Fund.

b) Funds/grants received by the Entity as compensation for expenditure/losses incurred in the earlier years, as these would be reckoned only in the Income and Expenditure Account for the year.

c) Non-monetary grants by way of capital assets or other resources, corresponding credit of which is of the nature of capital reserve, unless such grants are specified as irrevocable contribution to the Corpus.

Notes-General

a) It is appropriate to ensure that the accretions to and utilization of earmarked funds is in accordance with the terms and conditions attaching to the same.

b) Earmarked Funds, considering their nature, are represented by specifically earmarked investments or other assets.

c) 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.

d) Records relating to fixed assets acquired/constructed should be maintained for each earmarked fund. However, for the purpose of the annual financial statements disclosure may be made of the aggregate accumulated cost up to each year and of such fixed assets in respect of each fund, unless the assets are taken over and are incorporated in Schedule8.

33 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NONPROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS CORPUS/CAPITAL FUND AND LIABILITIES:

SCHEDULE 4- SECURED LOANS AND BORROWINGS

1. Central Govt. Indicate the nature of security and terms of repayment. Indicate the name of State Govt. and nature of security

2. State Government and terms of repayment.

3. Financial Institutions Includes borrowings/refinance obtained from Industrial Development Bank of India, Export-Import Bank of India, National Bank for Agriculture and Rural Development(including liability against participation certificates, if any).Normally these may be in the form of Term Loans.

4. Bank Includes borrowings/refinance obtained from commercial banks (including co- operative banks).

a) Term Loans Term Loans need to be segregated from other facilities.

b) Other Loans

5. Other institutions & agencies: Includes institutions/agencies other than those mentioned above.

6. Debentures and Bonds: The terms of redemption of debentures and bonds should be stated with the earliest date of their redemption.

Notes-General

(a) Information shall be given in each case as regards the nature of security given.

(b) Secured Loans and borrowings shall be such as are against hypothecation/pledge/charge on the assets of the entity.

(c) The Aggregate amount of loans under each head, as are guaranteed by the Central/State Govt. may also be mentioned along with the fact that these are so guaranteed.

(d) Loans and borrowings include refinance from Institutions and agencies and liability against participation certificates.

(e) Amounts received by way of discount of debtors or receivables or rediscount of bills shall not be shown as borrowings.

(f) Interest accrued and due shall be included under each sub-head. Interest accrued but not due shall not be included under this head, but shall be shown as part of Current Liabilities.

(g) Unreconciled Inter-branch outstanding entries at credit should not be shown as borrowings.

(h) Amounts due within a period of less than 12 months as at the Balance Sheet date need to be disclosed.

34 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON-PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS CORPUS/CAPITAL FUND AND LIABILITIES:

SCHEDULE 5 –UNSECURED LOANS AND BORROWINGS

1. Central Government: Indicate the terms of repayment.

2. State Government (s): Indicate name of the State Government and the terms of repayment.

3. Financial Institutions: Includes borrowings obtained from Industrial Bank of India. Export-Import Bank of India. National Bank for Agriculture and Rural Development. Normally these may be in the form of Term Loans. Pending Creation of a charge on assets, bridge loans may be given as 'unsecured' Loans.

4. Banks: Includes borrowings obtained from Commercial Banks (including Cooperative Banks). Indicate the nature of facilities. Overdrawn balances as per books do not constitute loans and generally arise due to cheques issued in excess of book balances. Such balances can be shown as loans only where the Entity enjoys or is granted overdraft facility.

5. Other Institutions and Agencies: Includes Loans from Institutions/Agencies other than those mentioned above.

6. Debentures and Bonds: The terms of redemption of Debenture and Bonds should be stated with the earliest date of their redemption.

7. Fixed Deposits: These comprise deposits received from Public or otherwise for fixed periods and against no security.

Notes-General

a) Unsecured loans and borrowings comprise amounts in respect of which no assets of the entity is charged as security or encumbered.

b) Interest accrued and due shall be included under each sub-head. Interest accrued but not due shall not be included under this head, but shall be shown as part of Current Liabilities.

c) Amount due within a period of less than 12 months as at the Balance Sheet date need to be disclosed.

35 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTSOF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONSCORPUS/CAPITAL FUND AND LIABILITIES:

SCHEDULE 6 –DEFERRED CREDIT LIABILITIES

1) Acceptances and other similar long-term obligations contracted in respect of acquisition of Assets, the liability for payment of which falls in periods longer than 12 months as at the date of the Balance Sheet should be included here.

2) If the assets are charged as security or encumbered corresponding to the liability, this fact should be stated.

3) If the acceptances are also guaranteed for repayment by the Government, any Govt. Agency, Bank, Institution or other body/entity, this fact should also be stated.

4) Amounts due within one year of the date of the Balance Sheet need to be separately disclosed.

36 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS CORPUS/CAPITAL FUND AND LIABILITIES:

SCHEDULE 7 – CURRENT LIABILITIES AND PROVISIONS

A. CURRENT LIABILITIES

1. Acceptances: Included under this sub-head would be the drawer’s assent on bills of exchange to the order of the drawer

2. Sundry Creditors: The amounts to be shown against this sub-head shall comprise amounts owed by the entity in favor of others on accounts of

a) Goods purchased or services rendered or in respect of contractual

b) Others obligations: These need to be segregated for goods' and shown separately.

3. Advances Received: The liability against this sub-head shall comprise amounts received in respect of which goods or services have yet to be supplied/rendered or for which value has yet to be given, and includes advance subscriptions.

4. Interest accrued but not due: Includes interest accrued up to the year-end but not due on

a) Secured Loans/Borrowings secured/ unsecured loans and borrowings

b) Unsecured Loans/Borrowings

5. Statutory Liabilities: These comprise liabilities in terms of the Central/State laws

a) Overdues governing the Entity: Includes unpaid liability for tax

b) Others: deducted at source under the Income Tax Act, 1961, statutory bonus, provident fund, pension, gratuity, ESI, interest to SSI Units on their overdue, sales tax, excise, customs duty , and other statutory levies. Overdue liabilities are undisputed amounts which are due and remain unpaid beyond the normal due date/stipulated period. Those are in default.

6. Other Current Liabilities: These would include amounts not covered by the other subheads. Any material amount included under this sub-head maybe separately shown indicating the nature thereof. Overdrawn bank balances as per books, where the entity does not have any sanctioned limits/ overdraft facilities, shall also be included under this sub-head, or separately disclosed as "Overdrawn bank balances in excess of book balances". Notes – General A Current Liability is one which falls due for payment within a relatively short period, normally not more than 12 months.

37 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON-PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS CORPUS/CAPITAL FUND AND LIABILITIES:

SCHEDULE 7 – CURRENT LIABILITIES AND PROVISIONS:

B. PROVISIONS

1. For Taxation: Provision needs to be made and retained based on the status of Tax matters as at the year-end.

2. Gratuity Provision for liability towards gratuity payable on death/retirement of employees needs to be accrued on actuarial basis, and provided up to the year-end.

3. Superannuation/Pension Provision for liability payable towards superannuation of employees needs to be accrued on actuarial basis, and provided up to the year-end.

4. Accumulated Leave: Provision for liability towards accumulated leave encashment of employees needs to be accrued on actuarial basis, and provided up to the year-end.

5. Trade Warranties/Claims: Where the entity is manufacturing/ Processing goods for sale, it may be liable to trade warranty risks, which need to be provided for on a reasonable/rational basis

6. Others: These need to be specified, and shall not include provision for doubtful debts/advances, which shall be reduced from the relevant asset heads.

Notes-General Provision is an amount written off or retained by way of providing for depreciation or diminution in the value of assets, or retained by way of providing for a known liability, the amount of which cannot be determined with substantial accuracy.

38 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS ASSETS:

SCHEDULE 8- FIXED ASSETS:

1. LAND

a) Freehold where immovable properties are purchased/acquired by paying a composite cost, a reasonable/reliable estimate should be made of the land cost and shown separately.

b) Leasehold land should be amortized over the period of lease unless the lease is in perpetuity

2. BUILDINGS

a) On freehold land: As far as practicable, distinction may be made between factory and office buildings for purposes of provision for depreciation at different rates.

b) On leasehold land: Buildings/premises shall be those which are intended to be wholly/partly used for the purposes of the activities of the Entity and would not include "Investment Properties".

c) Ownership Flats/ Superstructures on leasehold lands should be depreciated to be coterminous Premises with the amortization of land, unless the superstructures have a shorter life.

d) Superstructures on Buildings shall include roads, bridges, and culverts, Land not belonging to the Entity

3. PLANT, MACHINERY &EQUIPMENT

Included under this Sub-head would be items like:

- Earth moving Machinery
- Boilers
- Furnaces
- Generators
- Dyes/Mould
- Machinery used for specific industry/services like Building construction in hospitals/clinics, processing units, hydraulic works (including pipelines), Tool rooms
- Other items used for manufacture/processing etc: Separate Account heads should be maintained in the Ledgers and kept reconciled with the Fixed Assets Registers. Disclosure of information under the above Sub-heads is encouraged.

4. VEHICLES

Included under this sub-head would be items like:

- Tractors/Trailers
- Trucks, Jeeps and Vans
- Motor Cars
- Motor Cycles, Scooters, Three Wheelers and Mopeds
- Rickshaws

Separate Account heads should be maintained in the ledgers and kept reconciled with the Fixed Assets registers. Disclosure of information under the above sub-heads is encouraged.

39 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS ASSETS:

SCHEDULE 8- FIXED ASSETS:

5. FURNITURE FIXTURES: Included under the above sub-head would be items like:

a) Cabinets/Almirahs /Filing Racks

b) Air-conditioners/Air conditioning Plant

c) Air Coolers

d) Water Coolers

e) Tables/Chairs/Sofas/Carpets

f) Wooden partitions/temporary structures g) Voltage Stabilizers, UPS systems

h) Other Items

Separate Account heads should be maintained in the ledgers and kept reconciled with the Fixed Assets registers. Disclosure of information under the above sub-heads is encouraged, for material amounts

6. OFFICE EQUIPMENT: Included under the above sub-head would be items like:

a) Typewriters

b) Photocopies/duplicators

c) Fax Machines

Separate Accounts heads should be maintained in the ledgers and kept reconciled with the Fixed Assets registers, Disclosure of information under the above sub-heads is encouraged, for material amounts

7. COMPUTER/PERIPHERALS Computers, Printers and their peripherals like the

Floppies, CDs, Software etc. would be the items under this head.

Separate Accounts heads should be maintained in the ledgers and kept reconciled with the Fixed Assets registers. Disclosure of information under the above sub-heads is Encouraged, for material amounts

8. ELECTRIC INSTALLATIONS Included under the above sub-head would be items like:

a) Electrical Machinery

b) Electric Lights/Fans

c) Switch gear instruments

d) Transformers

e) Electric Wiring and fittings

Separate Account heads should be maintained in respect of the above items and kept reconciled with the Fixed Assets registers. Disclosure information under of the above sub-heads is encouraged for material amounts.

9. 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.

40 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON-PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS

ASSETS: SCHEDULE 8- FIXED ASSETS:

10. TUBEWELLS & W. SUPPLY SYSTEM Tube wells and Water Supply Systems may be shown as a distinct category.

11. 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 also be included here.

Notes- General

1. 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 of trade.

2. Under each sub-head should be shown:

a) the cost or the valuation as at the begging of the year.

b) additions during the year (both acquisitions and by way of grants)

c) deductions (including sales, disposals, write-offs) during the year.

d) the total cost/valuation as at the year-end.

e) depreciation upto the previous year-end, that on additions deductions during the year and the total accumulated depreciation up to the year-end.

f) the net block of the assets as at the year-end.

3. The accounting policy relating to accounting for fixed assets acquired (including byway of grants or at concessional rates), or constructed should be disclosed along with the method adopted for depreciation/ amortization.

4. Where sums have been written up for any assets due to their revaluation the basis there of should be disclosed; and every balance sheet after the first Balance Sheet subsequent to the revaluation should show the revised figures for a period of five years with the date and amount of revision.

5. Where grants relating to specific fixed assets are received and these are equal to the whole or virtually the whole of the cost of the asset, the Fixed assets should be shown in the Balance Sheet at a nominal value. Alternatively, grants relatable to depreciable fixed assets may be treated as deferred income and recognized in the Income and Expenditure Account on a systematic and rational basis over the useful life of such assets i.e. such grants should be allocated to income over the periods and in the proportions in which depreciation is charged. Grants relatable to non-depreciable assets should be credited to "Capital Reserve", unless there are preconditions requiring fulfillment.

41 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS ASSETS :

SCHEDULE 8- FIXED ASSETS:

Notes – General

6. Depreciation

Depreciation shall be provided so as to charge the depreciable amount of a depreciable asset over its useful life. Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market charges. It includes amortization of assets, the useful life of which is determined and depletion of wasting assets.

For this purpose:

a) depreciable asset means an asset which

i. is expected to be used during more than one accounting period, and

ii. has a limited useful life; and

iii. is held by the entity for use in the production or supply of goods and services, for rental to others, or for administrative purpose and not for the purpose of sale in the ordinary course of its business/operating activities.

b) depreciable amount of a depreciable asset means its original cost, or other amount substituted for original cost in the financial statements less the residual value;

c) useful life means either

I. The period over which a depreciable asset is expected to be used by the Entity, or

ii. the number of production or similar units expected to be obtained from the use of the asset by the Entity.

42 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS ASSETS:

SCHEDULE 9- INVESTMENTS- FROM EARMARKED/ENDOWMENT FUNDS:

1. Government Securities: Includes Central and State Government securities and Government Treasury Bills.

These securities should be shown at cost/book value. However, the difference between such value and market value should be given in the notes to the Balance Sheet.

2. Other approved Securities: Other than Government Securities, treated as approved securities (such as Trustee securities), should be included here.

3. Shares: Investments in shares of companies and corporations not included in item 2 should be included here.

4. Debentures and Bonds: Investments in debentures and bonds of companies and Corporations not included in item 2 should be included here.

5. Subsidiaries and/or joint ventures: Investments in subsidiaries/ associate entities should be included here. An entity shall be treated as a 'subsidiary' or joint venture, if the entity exercises control over the composition of management/governing body, with or without any financial investment therein. An entity will be considered as subsidiary for the purpose of this classification if more than 25%of the corpus of that entity is held by the entity as at the beginning of the year.

6. Others: Includes residual investments, if any, like commercial paper, (to be specified) investments (to be specified)in Mutual Funds and other instruments not being in the nature of shares/ debentures /bonds. Investment in Properties, if any, would also be included here.

Notes – General

1. The Gross value in aggregate, the depreciation in aggregate and net value of Investments are to be separately disclosed. Approved securities [covered by 1and 2 above] are required to be bifurcated into "permanent" and "current" categories for valuation and determination of shortfall in value.

43 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS ASSETS:

SCHEDULE 9- INVESTMENTS-FROM EARMARKED/ENDOWMENT FUNDS:

Notes- General

2. a) Investments can either be "Long term" or "permanent" or "Current".

b) "Current Investment" means an investment which is by its very nature, readily realizable and is intended to be held for not more than one year from the date on which it is made. Such investments should be shown at lower of cost or their fair value, which shall be determined on individual investment basis and the shortfall shall be provided, while appreciation shall be ignored.

c) Long-term investments are those investments which are other than current investments, and these are intended to be held for the purposes of capital appreciation any yield. Such investments are held at cost and shall be reduced when there is a decline, other than temporary, in their value-reduction being made for each investment.

3. Investments held against earmarked/endowment funds need to be separately disclosed.

4. Investment in properties, if held, shall be shown at cost less depreciation in the same manner as in the case of fixed assets.

5. The entity shall disclosed the Accounting Policy in relation to investments, their cost, depreciation and carrying value –both for long term & current investments.

6. Any premium paid on acquisition of permanent investments shall be amortized on a time proportion basis up to the date of their maturity. Discount on acquisition shall not be amortized.

7. Matured investments, not realized may be separately disclosed.

44 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS ASSETS:

SCHEDULE 10- INVESTMENTS- OTHERS:

1. Government Securities Includes Central and State Government securities and Government Treasury Bills.

These securities should be shown at cost/book value. However, the difference between such value and market value should be given in the notes to the Balance Sheet.

2. Other approved Securities: Securities other than Government Securities, treated as approved securities (such as Trustee securities), should be included here.

3. Shares: Investments in shares of companies and corporations not included in item 2 should be included here.

4. Debentures and Bonds: Investments in debentures and bonds of companies and Corporations not included in item 2 should be included here.

5. Subsidiaries and/or joint. Investments in subsidiaries/associate entities should be included ventures here. An entity shall be treated as a 'subsidiary' or joint venture, if the entity exercises control over the composition of management/governing body, with or without any financial investment therein. An entity will be considered as subsidiary for the purpose of this classification if more than 25%of the corpus of that entity is held by the entity as at the beginning of the year.

6. Others: Includes residual investments, if any, like commercial paper,(to be specified) investments (to be specified)in Mutual Funds and other instruments not being in the nature of shares/ debentures /bonds.

Investment in Properties, if any, would also be included here.

Notes – General

1. The Gross value in aggregate, the depreciation in aggregate and net value of Investments are to be separately disclosed. Approved securities [covered by 1and 2 above] are required to be bifurcated into "permanent" and "current" categories for valuation and determination of shortfall in value.

45 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS ASSETS:

SCHEDULE 10- INVESTMENT-OTHERS:

Notes- General

2. a) Investments can either be "Long term" or "permanent" or "Current".

b) "Current Investment" means an investment which is by its very nature, readily realizable and is intended to be held for not more than one year from the date on which it is made. Such investments should be shown at lower of cost or their fair value, which shall be determined on individual investment basis and the shortfall shall be provided, while appreciation shall be ignored.

c) Long term investments are those investments which are other than current investments, and these are intended to be held for the purposes of capital appreciation any yield. Such investments are held at cost and shall be reduced when there is a decline, other than temporary, in their value-reduction being made for each investment.

3. Investments held against earmarked/endowment funds need to be separately disclosed.

4. Investment in properties, if held, shall be shown at cost less depreciation in the same manner as in the case of fixed assets.

5. The entity shall disclosed the Accounting Policy in relation to investments, their cost, depreciation and carrying value –both for long term & current investments.

6. Any premium paid on acquisition of permanent investments shall be amortized on a time proportion basis up to the date of their maturity. Discount on acquisition shall not be amortized.

7. Matured investments, not realized may be separately disclosed.

46 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS ASSETS

SCHEDULE 11- CURRENT ASSETS, LOANS, ADVANCES ETC:

A. CURRENT ASSETS:

1. Inventories: Inventories comprise tangible property held for sale in the ordinary

a) Stores and Spares course of business, or in the process of production for such sales,

b) Loose Tools or for consumption in the production of goods or services for sale,

c) Stock-in-trade including maintenance supplies and consumables other than machinery parts. Basis of valuation of inventories should be disclosed

- Finished Goods Finished goods would include goods purchased/produced and lying
- Work-in-progress in hand at all locations of the entity.
- Raw Materials Raw materials would also include parts or components used or consumed in the process of production of goods for sale.

2. Sundry Debtors: Debtors comprise persons from whom amounts are due for goods

a) Debts Outstanding for sold or services rendered or in respect of contractual obligations. A period exceeding six months

b) Others: Debts considered good for recovery and those considered doubtful shall be shown separately. Provision for doubtful debts, if made, should be shown as a reduction from the amount of debts considered doubtful

3. Cash balances in hand:(including cheques /drafts and imprest)

4. Bank Balances: Amounts held as bank balance against earmarked/endowment funds a) With Scheduled Banks

- On Current Accounts should be separately disclosed. Where any deposit accounts are
- On Deposit Accounts pledged or charged as security or are

encumbered, the fact should(includes margin money) be disclosed . Overdue/Matured Deposits should be separately

- On Savings Accounts disclosed. b) With Non-Scheduled Banks
- On Current Accounts
- On Deposit Accounts
- On Savings Accounts

5. Post Office- Saving Accounts:

47 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS ASSETS:

SCHEDULE 11- CURRENT ASSETS, LOANS, ADVANCES ETC:B. LOANS, ADVANCES AND OTHER ASSETS:

1. Loans: Loans and Advances as are considered good & recoverable should be disclosed. Doubtful amounts, if any, should be stated under each sub-head, and provision, if made, should be shown as a reduction therefrom.

a) Staff Interest accrued on interest bearing staff loans should be accounted notwithstanding that actual recoveries of interest might commence after repayment of principal.

b) Other Entities engaged in activities\objective similar to that of entity : Irrevocable grants/subsidies/donation to such entities shall not be included here. If interest-bearing, the amount of interest earned up to the year end should be adjusted.

c) Other (specify)

2. Advances and other amounts recoverable in cash or in kind or for value to be received:

a) On Capital Account: Advances to suppliers/ contractors for capital works should be shown against this sub-head.

b) Prepayments: This includes prepaid expenses

c) Others: This would comprise receivables other than the debtors.

3. Income Accrued: Both ‘Income accrued and due’ and ‘Income accrued but not due’ up to year end should be included under this head.

a) On Investments from the year-end should be included under this head. Earmarked/Endowment Funds Income on Investment from

Earmarked/ Endowment Funds and that on

b) On Investments-Others Other Investment should be shown separately.

c) On Loans and Advances

d) Others: If uncertainty attaches to realization or ultimate collection, income (includes income due should not be recognised, and if recognized, should be provided for. unrealised -Rs..)

Dividends should be recognized based on the date (s) of their declaration. Separate disclosure should be made in respect of income accrued, due but not realized.

4. Claims Receivable: Only claims, which are considered good and realizable, should be included.

48 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON-PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT- INCOME

SCHEDULE 13 – GRANTS/SUBSIDIES:

(Irrevocable Grants & Subsidies Received)

1) Central Government Grants Subsidies or other similar assistance received for the general purposes and objectives of the Entity, on an irrevocable basis, or

To cover expenditure incurred in prior periods, shall be included in this schedule.

2) State Government(s)

3) Government Agencies. These grants etc. are without any conditions attached utilization and are of the nature of non-refundable amounts which are to be appropriated to income .

4) Institutions/Welfare Bodies .

5) International Organisations. The gross receipts shall be shown against each sub-head, and grants/Subsidies which are given in turn to other institutions/organizations on irrevocable basis, as expenditure should be considered inSchedule22.

6) Others: (Specify).

49 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT- INCOME

SCHEDULE 14 – FEES/SUBSCRIPTIONS:

1) Entrance Fees Accounting policies on each item will have to be disclosed.

2) Annual Fees/Subscriptions In case the Fees like Entrance Fee, Subscriptions etc. are in the nature of capital receipts, such amount should go to the Corpus/Capital Fund.

3) Seminar/Program Fees Otherwise such fees will be incorporated in this schedule.

4) Consultancy Fees In case the major activities of the Entity are to organize seminar/workshop and/or provide consultancy services, such income should

5) Others: (Specify) form part of the Schedule 12.The gross receipts should be shown here. Expenditure incurred on seminar/workshop, consultancy etc. should be shown as 'other administrative expenses' in Schedule 21.

50 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT- INCOME

SCHEDULE 15 – INCOME FROM INVESTMENTS:

1. Interest 1. Income from Investments shall be disclosed at gross figures and tax deducted at source is to be stated separately.

a) on Govt. Securities

   2. Interest on Govt. securities shall comprise

   a) interest earned at coupon rate up to the last applicable date of interest i.e. interest accrued & due; and

   b) interest accrued thereafter up to the year-end at the coupon rate.

b) other Bonds/Debentures 3. Income on bonds and debentures would include discount accrued up to the year end on bonds issued at a discount, to be redeemed at par or on premium, based on the terms of their issue.

2. Dividends 4. Dividends shall be accrued, based on the dates of declaration thereof i.e.

a) own Shares when the entity has a right to receive the same.

b) on Mutual Fund Securities

3. Rents 5. Rents shall be shown as income on Investment on properties, if any.

4. Others (Specify) 6. Interest claimed on overdue/matured investments shall not be recognised unless pre conditions for such recognition are satisfied.

7. Distinction should be made in respect of income on Investments:

a) Owned by the Entity; and

b) those held against earmarked/endowment funds

8. At the year-end total of the income on investment from earmarked/endowment funds should be transferred to the Funds through schedule 3.

51 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT-INCOME

SCHEDULE 16–INCOME FROM ROYALTY, PUBLICATION ETC:

1) Income from Royalty Accounting policies on each item will have to be disclosed.

2) Income from Publications In case the major activities of the Entity are to publish books, journals, documents etc., such income should form part of the Schedule 12.

3) Others (Specify) The gross receipts should be shown here. Expenditure incurred on publication etc. should be shown as ‘other administrative expenses’ in the schedule 21.

52 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT- INCOME

SCHEDULE 17 – INTEREST EARNED:

1. On Term Deposits 1. Interest income earned should be shown at gross figures and tax

a) With Scheduled Banks deducted at source is to be stated separately.

b) With Non-Scheduled Banks

c) With Institutions

d) Others

2. On Savings Accounts: 2. Distinction should be made in respect of income;

a) With Scheduled Bank

a) on assets owned by the Entity; and

b) With Non-Scheduled Bank

b) those held against earmarked/endowment funds;

c) Post Office Savings Accounts

d) Others

3. On Loans:

a) Employees/Staff

b) Others

4. Interest on Debtors & Other Receivables

53 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON-PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT- INCOME

SCHEDULE 18 – OTHER INCOME:

1. Profit on Sale/disposal of Assets Sales proceeds/realization, net of the book value of the assets shall, if a surplus, be included under this sub-head.

a) Owned assets

b) Assets acquired out of grants or received free of cost

2. Export Incentives realized Export incentives claimed and not realised upto the year- end shall not be included in Income.

3. Fees for Miscellaneous Services Items of material amounts included in Miscellaneous Income should be separately disclosed.

4. Miscellaneous Income

54 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT- INCOME

SCHEDULE 19 – INCREASE/(DECREASE) IN STOCK OF FINISHED GOODS & WORK-IN-PROGRESS:

a) Closing stock Accounting policies regarding valuation of stock should be declared.

- Finished Goods
- Work-in-progress

b) Less: Opening Stock

- Finished Goods
- Work-in-progress

55 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTSOF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT- EXPENDITURE:

SCHEDULE 20 – ESTABLISHMENT EXPENSES:

a) Salaries and Wages The gross expenditure against each head including in respect of

b) Allowances and Bonus staff on deputation should be disclosed.

c) Contribution to Provident Fund

d) Contribution to Other Fund (specify) Statutory obligations of the Entity towards provident fund,

e) Staff Welfare Expenses Employees' state insurance, retirement benefits etc. should be

f) Expenses on Employees' Retirement disclosed clearly and item-wise, and Terminal Benefits

g) Others: (specify) In case of recoveries like fines, penalties etc. the same should not be deducted from the expense heads but included under' Other Income' in the Schedule

Notes-General: Prior period items Prior period and Extraordinary Items shall be separately disclosed so that the effect thereof on the net expenditure

56 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT- EXPENDITURE:

SCHEDULE 21 – OTHER ADMINISTRATIVE EXPENSES ETC:

a) Purchases

b) Labour and processing expenses

c) Cartage and Carriage Inwards

d) Electricity and power

e) Water charges

f) Insurance

g) Repairs and maintenance

h) Excise Duty

i) Rent, Rates and Taxes

j) Vehicles: Running and Maintenance

k) Postage, Telephone and Communication Charges

l) Printing and Stationary:

m) Travelling and Conveyance)

n) Expenses on Seminar/Workshops

o) Subscription Expenses p) Expenses on Fees

q) Auditors Remuneration

r) Hospitality Expenses

s) Professional Charges

t) Provision for Bad and Doubtful Debts/Advances u) Irrecoverable Balances Written-off

v) Packing Charges

w) Freight and Forwarding Expenses

x) Distribution Expenses

y) Advertisement and Publicity

z) Others (specify)

* The gross expenditure against each head should be disclosed.

In case of recoveries e.g. rent recoveries, freight charges recovered, fines, penalties, damages from suppliers etc., the amount of such recoveries should not be deducted from the expense heads but included under "Schedule 16-"Other Income".

Prior period and Extraordinary Items shall be separately disclosed so that the effect thereof on the net Expenditure for the year is known.

The list of heads is not exhaustive but illustrative. As far as possible only these heads of accounts should be used unless there is compelling reasons to add or delete any of these heads.

* Purchases should be segregated between Raw Materials and Stores for manufacture and for Finished Goods traded in. In case of manufacturing entities, 'Consumption of Raw Materials' and 'Stores' may be given instead of 'Purchases'

57 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT- EXPENDITURE:

SCHEDULE 22 – EXPENDITURE ON GRANTS, SUBSIDIES ETC:

a) Grants given to Grants, Subsidies or other similar assistance given to the Institutions/Institutions/Organisations Organisations for general purposes and objectives of the Entity, on an irrevocable basis, shall be included in this Schedule. Name of the Institutions/Organisations, their activities along with the amounts in each case should be disclosed.

b) Subsidies given to These grants etc. are with or without any conditions attached as to their Institutions/Organisations utilization and are of the nature of non-refundable amounts which are to be appropriated as expenditure. The gross receipts shown against each sub-head in the schedule-13,could be the sources of these grants/subsidies that are given, in turn, to other institutions/organizations on irrevocable basis.

The gross expenditure against each head should be disclosed.

58 :NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS INCOME AND EXPENDITURE ACCOUNT-

EXPENDITURE:SCHEDULE 23 – INTEREST:

a) On Fixed Loans 1. Interest would include commitment charges.

b) On Other Loans (including Bank Charges) 2. Fixed Loans are loans which are for fixed period, like term Loans.

c) Others (specify) 3. Expenditure by way of Interest as per Schedule 23 is the minimum disclosure requirement. The Entity should be encouraged to disclose interest expended based on the sources of loans and borrowings as per the heads in Schedules 4 and 5.

59 NOTES AND INSTRUCTIONS FOR COMPILATION OF FINANCIAL STATEMENTS OF NON PROFIT ORGANISATIONS AND OTHER SIMILAR INSTITUTIONS

SCHEDULE 25- CONTINGENT LIABILITIES AND NOTES ON ACCOUNTS:

A. CONTINGENT LIABILITIES

1. Claims against the Entity not acknowledged as debts

2. Liability for partly-paid investments Liability on partly paid shares, debentures etc. is required to be stated.

3. Liability on account of outstanding forward Amount of outstanding forward exchange contracts at the exchange rates applicable as at the year-end should be stated.

4. Guarantees and Letters of credit outstanding Liability towards Guarantees given by the entity or on its behalf and Letter of Credits outstanding as at the year-end are required to be disclosed.

5. Bills discounted Bills discounted outstanding as at the year-end need to be disclosed.

6. Other items for which the entity is Included here would be disputed statutory and contingently liable other demands/claims, Bills rediscounted, commitments under under-writing contracts another items for which the entity is contingently liable.

B. NOTES ON ACCOUNTS

1. Commitments on capital Account not provided for this would arise in terms of contracts/arrangements in terms of which amounts would have to be paid for acquisition/construction of assets. The amount, net of advances, is required to be disclosed.

2. Other Notes

STATEMENT OF RECEIPTS AND PAYMENTS

FORM OF FINANCIAL STATEMENTS (NON-PROFIT ORGANISATIONS)

Name of Entity ____________________

RECEIPTS AND PAYMENTS FOR THE PERIOD/YEAR ENDED ________

(Amount-Rs.)

Receipts	Current Year	Previous Year	Payments	Current Year	Previous Year
I. Opening Balance a) Cash in hand b) Bank Balances i) In current accounts ii) In deposit accounts iii) Savings accounts			I. Expenses a Establishment Expenses (corresponding to Schedule 20) b) Administrative Expenses (corresponding to Schedule 21)		
II. Grants Received a) From Government of India b) From State Government c) From other sources (details) (Grants for capital & revenue exp. To be shown separately)			II. Payments made against funds for various projects (Name of the fund or project should be shown along with the particulars of payments made for each project)		
III. Income on Investments from a) Ear-marked/ Endow. Funds b) Own Funds. Investment			III. Investments and deposits made a) Out of Earmarked/Endowment funds		

			b) Out of Own Funds (Investments-Others)		
IV. Interest Received a) On Bank deposits b) Loans. Advances etc.			IV. Expenditure on Fixed Assets &Capital Work-in- Progress a) Purchase of Fixed Assets b) Expenditure on Capital Work-in-progress		
V. Other Income (Specify)			V. Refund of surplus money/ Loans a) To the Government of India b) To the State Government c) To other providers of funds		
VI. Amount Borrowed			VI. Finance Charges (Interest)		
VII. Any other receipts (give details)			VII. Other Payments (Specify)		
			VIII. Closing Balances a) Cash in hand b) Bank Balances i) In current accounts ii) In deposit accounts iii) Savings accounts		
Total			Total		