

مولانا آزاد نیشنل اردو یونیورسٹی  
مؤلانا آزاد نیشنل اردو یونیورسٹی

MAULANA AZAD NATIONAL URDU UNIVERSITY

(A Central University established by an Act of Parliament in 1998)

(Accredited A+ Grade by NAAC)



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## C I R C U L A R

**Sub:- MANUU - F&A - B&A - Classification of non-consumable items - Reg.**

The procurement in the University has been decentralized in the recent past in accordance with the procurement mechanism through GeM. As it is well aware, that the Government of India has mandated the procurements through GeM under the provisions of GFRs 2017.

In this regard, it has come to notice that quite often the GeM users confront the difficulty in classifying the non-consumable items and the budgetary head under which the items are to be procured.

The Ministry of Education (the then MHRD), vide letter No.29-4/2012-IFD dated 17-04-2015 introduced implementation of Common Format of Financial Statements in the Central Higher Educational Institutions wherein Schedule 4 - Fixed Assets and Schedule 23 - Significant Accounting Policies give the insight of the classification of various non-consumable items.

For the benefit of the all concerned, the said Schedules are uploaded on the University website for reference and to enable the end-user to avoid any misclassification of non-consumable items.

Finance Officer I/c

Copy to:

1. O/o the Vice Chancellor, Registrar
2. O/o OSD - I, OSD - II
3. All Section Heads - Teaching/Non-Teaching
4. CIT - for uploading on the University website.

**SCHEDULE 4 –FIXED ASSETS**

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

1. Land	Includes freehold land and leasehold land, to be shown distinctly
2. Site Development	
3. Buildings	Include Institution's buildings like college buildings, office buildings, staff residential buildings, hostel buildings, temporary structures and sheds.
4. Plant and machinery	Include air conditioners, water/air coolers, generator sets, television sets, fire extinguishers, etc.
5. Electrical Installation	Include electrical fixtures and fittings such as fans, and tube light fittings
6. Tube wells & water supply system	Tubewells and water supply systems may be shown as a distinct category
7. Office equipment	Include such items as fax machines, photocopiers, EPABX, typewriters, duplicating machines, etc.
8. Laboratory & Scientific Equipment	Include such items as microscopes, telescopes, dissection equipment, glass apparatus, measurement instruments and other types of laboratory equipment,
9. Audio Visual Equipment:	Include Television sets, overhead projector, Tape Recorders, DVD/ VCD Player, Camera, Movie Projectors etc

<b>10. Furniture, fixtures and Fittings</b>	Include items such as desks/benches, cabinets, almirahs, tables, chairs, partitions, etc
<b>11. Computers/Peripherals</b>	Include computers, printers and other peripherals like , UPS etc.
<b>12. Sports Equipment</b>	Include items such as table tennis table, gym equipment.
<b>13. Vehicles</b>	Include Buses, lorries, vans, Cars, scooters, etc.
<b>14. Library Books and Scientific Journals</b>	Library books will include books/ Scientific Journals
<b>15. Intangible assets</b>	Include computer software, patents & trade marks, E Journals specified separately.
<b>16. Capital Work-In- Progress</b>	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 and commissioning should also be included here.

**APPLICATION OF FUNDS**

**SCHEDULE 4-FIXED ASSETS:**

**1. LAND**

- a) Freehold
- b) Leasehold

Where immovable properties are purchased/acquired by paying a composite cost (e.g. Land and Buildings) a reasonable/reliable estimate should be made of the land cost and shown separately. Leasehold land should be amortized over the period of lease unless the lease is in perpetuity

**2. BUILDINGS**

- a) On freehold land
- b) On leasehold land
- c) Ownership Flats/  
Premises
- d) Superstructures on  
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". As far as practicable, distinction may be made between factory and office buildings, Residential Buildings, Hostel Buildings etc for purposes of provision for depreciation at different rates. Superstructures on leasehold lands should be depreciated to be co-terminus with the amortisation of land, unless the superstructures have shorter life. Freehold/Leasehold to be disclosed.

Buildings shall include roads, bridges, and Culverts belonging to the Entity. Alternatively these could be included in a separate head.

**3. PLANT AND MACHINERY:**

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 contracts, 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.

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

**7. COMPUTER/PERIPHERALS**

Computers, Printers and their peripherals like the Software etc. would be the items under this head. Software will be treated as an intangible asset.

**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 of information under the above sub-heads is encouraged for material amounts.

**9. LIBRARY BOOKS AND SCIENTIFIC JOURNALS**

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.

E-Journals will be treated as Intangible Assets.

## 10. LABORATORY AND SCIENTIFIC EQUIPMENT

- 1) NMR
- 2) XRD
- 3) ICPMS
- 4) Particle size Analyzer
- 5) Floor Standing Preparative ultracentrifuge
- 6) Table Top GC MS
- 7) Thermal Ionization Mass Spectrometer
- 8) CD Spectrometer
- 9) Tunable Amplified Femtosecond Laser System
- 10) 24 Capillary genetic Analyzer
- 11) Stable Isotope Ratio Mass Spectrometer.
- 12) 100 Watt YB Fibre lase System
- 13) Inverted Research Microscope
- 14) Lexsys Smart -Automated TL-OSL Reader
- 15) 4K Pulse Tube close cycle Cryostat

These are few representative names. The Institution may add or delete the names of the equipment according to their Accounting policy.

## 11. TUBEWELLS & WATER SUPPLY SYSTEM

Tube wells and Water Supply Systems may be shown as a distinct category.

## 12. 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. Those works in progress, (opening balance plus additions during the year) which get completed in the current year, are transferred to the respective Fixed Assets, by using the 3<sup>rd</sup> column in the Gross Block of the Schedule. As no depreciation is charged on works-in-progress, the net figure of works in progress in the 4<sup>th</sup> column of the Gross Block, is shown as the Net Block for the current year. While computing the capital expenditure met out of grants during the year (for the purpose of crediting to Capital Fund) care should be taken to exclude from the additions during the year (column 2 of Gross Block) the work in progress transferred to the Asset Accounts during the year.

## 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 beginning 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 up to the previous year-end, Depreciation for the year and the total accumulated depreciation upto 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 by way of grants or at concessional rates), or constructed should be disclosed along with the method adopted for depreciation/amortisation.
4. The cost of a Fixed Asset should be determined by adding to the purchase price any attributable costs of bringing it to its working condition for its intended use.
5. Advance payments to contractors and suppliers should not be classified under the specific fixed assets or as Capital Work – in – Progress.
6. The Accounting Policy should disclose the method of valuation of gifted / Donated Assets.

## 7. 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 changes. It includes amortisation 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 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.
8. No Depreciation is provided on Free-hold Land.
9. In the year in which an asset is sold/ condemned as scrap and written off, the book value of the asset gets reduced/ written off. It is necessary to simultaneously remove from the Fixed Assets Schedule, the corresponding original cost of the asset and the depreciation provided up to that year. This is done through entries in the 3<sup>rd</sup> column of the Gross Block and 3<sup>rd</sup> column of the Depreciation Block (proforma entries).
10. The classification of Assets as indicated above, could be changed, if a different classification has already been followed by the Institution. For e.g. Air conditioners, Air coolers, Water coolers, Voltage stabilizers could be classified as Electrical Equipment, while Air conditioning Plant may be classified under Plant and Machinery.

**SCHEDULE: 23**  
**SIGNIFICANT ACCOUNTING POLICIES (ILLUSTRATIVE)**

**1. BASIS FOR PREPARATION OF ACCOUNTS**

The accounts are prepared under the Historical Cost Convention unless otherwise stated and generally on the Accrual method of accounting.

**2. REVENUE RECOGNITION**

- 2.1 Fees from Students (except Tuition Fees), Sale of Admission Forms, Royalty and Interest on Savings Bank account are accounted on cash basis. Tuition Fees collected separately for each semester is accounted on accrual basis.
- 2.2 Income from Land, Buildings and Other Property and Interest on Investments are accounted on accrual basis.
- 2.3 Interest on interest bearing advances to staff for House Building, Purchase of Vehicles and Computers is accounted on accrual basis every year, though the actual recovery of interest starts after the full repayment of the Principal.

**3. FIXED ASSETS AND DEPRECIATION**

- 3.1 Fixed assets are stated at cost of acquisition including inward freight, duties and taxes and incidental and direct expenses related to acquisition, installation and commissioning.
- 3.2 Gifted / Donated assets are valued at the declared value where available; if not available, the value is estimated based on the present market value adjusted with reference to the physical condition of the asset. They are set-up by credit to Capital Fund and merged with the Fixed Assets of the Institution. Depreciation is charged at the rates applicable to the respective assets.
- 3.3 Books received as gifts, are valued at selling prices printed on the books. Where they are not printed, the value is based on assessment.

3.4 Fixed assets are valued at cost less accumulated depreciation. Depreciation on fixed assets is provided on Straight line method, at the following rates:

**Tangible Assets:**

1.	Land	0%
2.	Site Development	0%
3.	Buildings	2%
4.	Roads & Bridges	2%
5.	Tube wells & Water Supply	2%
6.	Sewerage & Drainage	2%
7.	Electrical Installation and equipment	5%
8.	Plant & Machinery	5%
9.	Scientific & Laboratory Equipment	8%
10.	Office Equipment	7.5%
11.	Audio Visual Equipment	7.5%
12.	Computers & Peripherals	20%
13.	Furniture, Fixtures & Fittings	7.5%
14.	Vehicles	10%
15.	Lib. Books & Scientific Journals	10%

**Intangible Assets (amortization):**

1.	E-Journals	40%
2.	Computer Software	40%
3.	Patents and Copyrights	9 years

3.5 Depreciation is provided for the whole year on additions during the year.

- 3.6 Where an asset is fully depreciated, it will be carried at a residual value of Re.1 in the Balance Sheet and will not be further depreciated. Thereafter, depreciation is calculated on the additions of each year separately at the rate of depreciation applicable for that asset head.
- 3.7 Assets created out of Earmarked Funds and funds of Sponsored Projects, where the ownership of such assets vests in the Institution, are setup by credit to Capital Fund and merged with the Fixed Assets of the Institution. Depreciation is charged at the rates applicable to the respective assets. Assets created out of Sponsored Project funds, where the ownership is retained by the sponsors but held and used by the Institution are separately disclosed in the Notes on Accounts.
- 3.8 Assets, the individual value of each of which is Rs. 2000 or less (except Library Books) are treated as Small Value Assets, 100% depreciation is provided in respect of such assets at the time of their acquisition. However physical accounting and control are continued by the holders of such assets.
- 4 **Intangible Assets:** Patents and copy rights, E Journals and Computer Software are grouped under Intangible Assets.
- 4.1. **PATENTS:** The expenditure incurred from time-to-time (application fees, legal expenses etc.) for obtaining Patents is temporarily capitalized and shown as part of intangible Assets in the Balance Sheet. If applications for patents are rejected, the cumulative expenditure incurred on the particular patent is written off to the Income & Expenditure Account in the year the application is rejected.  
The expenditure on Patents granted is written off over a life of 9 years on a conservative basis.
- 4.2 Electronic Journals (E-Journals) are separated from Library Books in view of the limited benefit that could be derived from the on-line access provided. E-journals are not in a tangible form, but temporarily capitalized and in view of the magnitude of expenditure and the benefit derived in terms of perpetual knowledge acquired by the Academic and Research Staff; Depreciation is provided in respect of E-journals at a higher rate of 40% as against depreciation of 10% provided in respect of Library Books.
- 4.3 Expenditure on acquisition of software has been separated from computers and peripherals, as apart from being intangible assets, the rate of obsolescence in respect of these is very high. Depreciation is provided in respect of software at a higher rate of 40% as against depreciation of 20% provided in respect of Computers & Peripherals.

5. **STOCKS:** Expenditure on purchase of chemicals, glassware, publications and other stores is accounted as revenue expenditure, except that the value of closing stocks held on 31<sup>st</sup> March is set up as inventories by reducing the corresponding Revenue Expenditure on the basis of information obtained from Departments. They are valued at cost.

6. **RETIREMENT BENEFITS**

Retirement benefits i.e., pension, gratuity and leave encashment are provided on the basis of actuarial valuation. Capitalized Value of pension and gratuity received from previous employers of the Institution's employees, who have been absorbed in the Institution, is credited to the respective Provision Accounts. Pension contribution received in respect of employees on deputation is also credited to the Provision for Pension Account. The Actual payments of Pension, Gratuity and Leave encashment are debited in the Accounts to the respective provisions. Other retirement benefits viz. Deposit Linked Insurance, Contribution to New Pension Scheme, Medical reimbursement to retired employees and Travel to Home Town on retirement are accounted on accrual basis (actual payments plus outstanding bills at the end of the year).

7. **INVESTMENTS**

- a. Long term investments are carried at their cost or face value whichever is lower. However any permanent diminution in their value as on the date of the Balance Sheet is provided for.
- b. Short Term investments are carried at their cost or market value (if quoted) whichever is lower.

8. **Earmarked/Endowment Funds**

The following long terms funds are earmarked for specific purposes. Each of the funds has a separate bank account. Those with large balances also have investments in Government Securities, Debentures and Bonds and Term Deposits with Banks. The income from investments / advances (House Building Conveyance and computer) on accrued basis and interest on savings Bank Accounts are credited to the respective Funds. The expenditure and advances (in the case of House Building & Conveyance/Computer) are debited to the fund. The assets created out of Earmarked Funds where the ownership Vests in the Institution, are merged with the assets of the Institution by crediting an equal amount to the Capital Fund. The balance in the respective funds is carried forward and is represented on the assets side by the balance at Bank , Investments and accrued interest.

**8.1 CORPUS FUND** was established in (year). Matching contribution from University Grants Commission, Recognition /Affiliation fee received from Colleges and other academic institutions, Institution's share of Consultancy fees and contributions from Research Projects are treated as additions to Corpus fund.

Income from investments of the fund is added to the Fund. The Corpus Fund is utilized for both Revenue and Capital expenditure based on the guidelines by the University Grants Commission and the Executive council of the Institution from time to time. The assets created out of the Corpus Fund are merged with the assets of the Institution by crediting an equal amount to the Capital Fund. The balance in the Corpus Fund which is carried forward is represented by the balance in a separate Bank account, investment in RBI Bonds and Fixed Deposits with the Bank and Accrued interest on investments.

**8.2 A. D Fund**

This fund was established on 1<sup>st</sup> February 2006. The fund is to be utilized for some of the innovative Programmes, and for sustenance of its research and such other development activities as laid down by the Executive Council from time to time.

**8.3 House Building Advances Fund**

A revolving fund for the purpose of paying interest bearing advances to the officers & staff for House Building.

**8.4 JRF/SRF Fund**

Fund provided by the UGC/Government for the purpose of paying Fellowships to Junior/ Senior Research Fellows.

**8.5 Conveyance Fund (including Computer advances)**

A revolving fund for the purpose of paying interest bearing advances to officers & staff for the purchase of motor cars, two wheelers and computers.

**8.6 Rajiv Gandhi National Fellowship Fund**

Fund provided by University Grants Commission for fellowship to SC/ST Students of the University.

8.7

**Endowment Funds**

Endowments are funds received from various individual donors, Trusts and other organizations, for establishing Chairs and for Medals & Prizes, as specified by the Donors. While each of the Endowment funds has its own investment there is one savings Bank Account for all the Endowment funds, as the uninvested balances against them are negligible.

The income from investment of each Endowment Fund is added to the Fund. The interest on Savings Bank a/c is allocated to all the Endowment funds in the ratio of the year end closing balances in each fund. The expenditure on Medals & Prizes is met from the interest earned on investment of the respective Endowment Funds and the balance is carried forward. In respect of Chairs, however, the corpus of the Endowment is also used.

The balances are represented by Investment in RBI Bonds and Fixed Deposits and balance in the Saving Bank Account common for all Endowments, and Accrued Interest on Investments.

**9 GOVERNMENT AND UGC GRANTS**

- 9.1 Government Grants and UGC grants are accounted on realization basis. However, where a sanction for release of grant pertaining to the financial year is received before 31<sup>st</sup> March and the grant is actually received in the next financial year, the grant is accounted on accrual basis and an equal amount is shown as recoverable from the Grantor.
- 9.2 To the extent utilized towards capital expenditure, (on accrual basis) government grants and grants from UGC are transferred to the Capital Fund.
- 9.3 Government and UGC grants for meeting Revenue Expenditure (on accrual basis) are treated, to the extent utilized, as income of the year in which they are realized.
- 9.4 Unutilized grants (including advances paid out of such grants) are carried forward and exhibited as a liability in the Balance Sheet.

## 10 INVESTMENTS OF EARMARKED FUNDS AND INTEREST INCOME ACCRUED ON SUCH INVESTMENTS:

To the extent not immediately required for expenditure, the amounts available against such funds are invested in approved Securities & Bonds or deposited for fixed term with Banks, leaving the balance in Savings Bank Accounts.

Interest received, interest accrued and due and interest accrued but not due on such investments are added to the respective funds and not treated as income of the Institution.

## 11 SPONSORED PROJECTS

11.1 In respect of ongoing Sponsored Projects, the amounts received from sponsors are credited to the head "Current Liabilities and Provisions -Current Liabilities -Other Liabilities -Receipts against ongoing sponsored projects." As and when expenditure is incurred /advances are paid against such projects, or the concerned project account is debited with allocated overhead charges, the liability account is debited.

11.2 In addition to the Earmarked Fund for the Junior Research Fellowships funded by the University Grants Commission, Fellowships and Scholarships are also sponsored by various organizations. These are accounted in the same way as Sponsored Projects except that the expenditure generally is only on disbursement of Fellowships and Scholarships, which may include allowances for contingent expenditure by the Fellows and scholars.

11.3 The Institution itself also awards Fellowships and Scholarships, which are accounted as Academic expenses.

## 12 INCOME TAX

The income of the Institution is exempt from Income Tax under Section 10(23c) of the Income Tax Act. No provision for tax is therefore made in the accounts.