Annexure

ACCOUNTING POLICY

(W.E.F. 1ST DECEMBER, 2017)

Introduction

1. This policy deals with the disclosure of significant accounting policies followed in preparing and presenting financial statements of MDI.

2. The accounting policies refer to the specific accounting principles and the methods of applying those principles adopted by the enterprise in the preparation and presentation of financial statements.

3. Accounting Policies are at present regularly and fully disclosed in all financial statements under Notes on the Accounts, description of some of the significant accounting policies is given in this document. The purpose of this document is to promote better understanding of financial statements by establishing in accordance with accounting standards notified by Institute of Chartered Accountants of India. Disclosures as per accounting policies would facilitate a more meaningful comparison of MDI campus at Gurugram and Murshidabad.

Fundamental Accounting Assumptions

Certain fundamental accounting assumptions underlie the preparation and presentation of financial statements of MDI. They are usually not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed.

The following have been generally accepted as fundamental accounting assumptions:—

a.Going Concern

MDI Society is normally viewed as a going concern, that is, as continuing in operation for the foreseeable future. It is assumed that MDI has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the operations.

b. Consistency

It is assumed that accounting policies are consistent from one period to another.

c. Accrual

Revenues and costs of MDI are accrued, that is, recognized as they are earned or incurred (and not as money is received or paid) and recorded in the financial statements of the periods to which they relate. Revenue and Expenses are account for in compliance with matching concept.

Siginificant Accounting Policies

The following significant policies are disclosed in annual accounts under Notes to Accounts every year.

i. Basis of preparation

The financial statements are prepared under the historical cost convention, on accrual basis, in accordance with Generally Accepted Accounting Principles and to comply with the applicable accounting standards. The accounting policies have been consistently applied by the Institute unless otherwise stated.

ii. Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized in the current and future periods.

iii. Fixed assets and depreciation

a) Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition or construction is inclusive of freight, duties, taxes and other incidental expenses.

b) Depreciation is provided on written down value method at the rates given below:

Fixed assets	Rate of depreciation
Buildings	5%
Furniture and fixtures	25%
Air conditioners and coolers	20%
Furnishings	20%
Typewriters and duplicators	20%
Library equipment	20%
Books	50%
Office equipment	20%
Telephone installations	20%
Electrical equipment	20%
Teaching aid equipment	40%
Vehicles	25%
Canteen equipment	20%
Hostel equipment	20%
Electrical installation and electrical installation (Internal)	20%
Sign boards	25%
Generators	20%
Colony equipment	20%
Films	50%
Computers, Servers & IT installations including Software	40%
Gym equipment	50%
Lifts	20%

These rates are indicative of expected useful lives of the assets. Assets costing less than Rs.5,000/- are directly charged to Income & Expenditure Account. Assets funded by grants from IFCI and other agencies are credited to Campus and Fixed Assets fund and depreciation on such assets are debited to the fund.

In respect of additions to fixed assets made during the year, depreciation is provided for the full year and in respect of sale/disposal of fixed assets, no depreciation is provided for in the year of sale / disposal.

iv. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost; however, provision for diminution in value, other than temporary, is made.

Profit / loss on sale of investments are computed with reference to their average cost.

v. Inventories

Stock of paper, stationery and other stores & spares is valued at cost. Cost is determined on a weighted average basis.

vi. Revenue recognition

Revenue is recognized as under:

- Fees from programs on an accrual basis.

- Research and technical advisory fees in the year of completion of the projects on the basis of the completed service contract method on acceptance of services by the client.
- Interest on investments in deposits, bonds and saving bank balances on a time proportion basis.

vii. **Accounting for grants related to specific fixed assets**

Grants related to depreciable fixed assets are recognized in the Income and Expenditure Account over the useful life of the assets to which they relate.

viii. **Employee Benefits - *Gratuity***

Gratuity is a post employment benefit and is in the nature of defined benefit plan. The liability recognized in the balance sheet in respect of gratuity is the present value of the defined benefit obligation as at the balance sheet date together with adjustments for unrecognized actuarial gains or losses.

The defined benefit/ obligation is calculated at the balance sheet date by an independent actuary using projected unit credit method. The actuarial gains or losses arising from past experience and

Change in actuary assumptions are charged or credited to in the Income and Expenditure Account. The payment of gratuity is made as per the provisions of the Gratuity Act, 1972.

Provident fund

Contribution towards provident fund is a post employment benefit and is in the nature of defined contribution plan is charged to the income and expenditure account on accrual basis.

Compensated absences/ contribution to leave fund

Liability in respect of compensated absences becoming due and expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on March 31, 2016.

ix. Foreign exchange transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Institute monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

x. Income and expenditure of earmarked funds

Donations/Capital grants are directly credited to the earmarked/general funds. Other income (including interest on earmarked funds) is routed through the Income and Expenditure Account and credited to respective earmarked fund. Expenditure relatable to earmarked funds is directly charged to such funds.

As per the directions of Board, 25% of the income from investments of additional corpus of Rs. 8 crores received from IFCI vide letter No.PAD/45 (ii)/94-446 dated 3rd January, 1994 is transferred to the Corpus Fund of the Institute.

xi. <u>Contingent liabilities</u>

The Institute makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of the obligation can be made. A disclosure is made for a contingent liability when there is a:

- possible obligation, the existence of which will be confirmed by the occurrence/non-occurrence of one or more uncertain events, not fully with in the control of the Institute;
- present obligation, where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- Present obligation, where a reliable estimate cannot be made.

Assets policy guidelines

PURPOSE

To set forth procedural instructions for permanent identification of equipment valued at Rs. 5000 or more having a useful life exceeding one year.

OBJECTIVES

1) To maintain positive identification of assets upon receipt in campus.

2) To provide an accurate method of identifying individual assets.

3) To ensure the assignment of accountability and provide a common ground of communication for both the Finance department and the asset's users.

4) To improve security of the campus property.

5) To control the location of all physical assets.

6) To aid in the maintenance of Fixed Assets.

7) To aid in the annual inventory and verification.

RESPONSIBILITY

Taking the initial inventory: The Estate Officer in charge is responsible for ensuring that newly acquired equipment are tagged with the MDI tag. The following data should be recorded when the initial inventory is taken: the asset tag number, date of receipt, purchase order number, description, serial number, model number, user department and the location of the asset.

Inventory Certification: The Estate Officer in charge has the responsibility for maintaining a computerized data file on all Institutes owned equipment having a useful life exceeding one year. Additionally, this office will also provide the following services:

A. Issue asset tag numbers.

B. Classify equipment in accordance with Codes.

C. Prepare documented descriptions, locations, and costs of property.

D. Maintain records of transferred equipment requests.

E. Provide documentation for financial statements.

F. Perform spot audits to ensure compliance with policy.

PROCUREMENT

The assets are to be purchased as per the procedure approved by Board of Governors and notified to the Institute in July 2015. The purchases of consumable items maintained in general store are to be procured through centralized purchase department in administration under charge of Chief Administration Officer (Administration) and the purchase of campus infrastructure items recorded as assets would be procured by Estate Department under charge of Estate Officer (Resident Engineer or as the case may be).

The purchase of assets would be as per Capital and Revenue Budget approved by the Board of Governors. Capital Budget to be proposed and planned in advance by Estate Officer simultaneously with budget of maintenance by the civil engineer under Estate Department. In case of, exigencies, Director will have power to procure items and services of routine nature required for immediate maintenance and may not be deferred till next meeting of Board of Governors. However, Board of Governors would be informed of the matter of emergency and the expenditure in next meeting.

Disposing of Fixed Assets

Each program in charge from administration is responsible for identifying assets for disposal and notifying it to the Estate Officer and Chief Administration Officer (Finance) of the intention to dispose by completing a Disposal/Transfer of Asset form – at Appendix A. A copy of this completed form should be forwarded to the Finance Office and the original retained by the Custodian for inspection by internal or external auditors. Finance Officer will record the depreciated value and further send it to Estate Officer and a copy to Chief Administrative Officer (Administration) for inspection and disposal of assets.

All disposals should be at amortized value and market value whichever is high. The principal methods of disposal are follows:

- Outright sale to staff on competitive basis
- Auction by a contracted auctioneer
- Scrap - to a licensed dealer
- Recycle - to an authorised agency
- Trade in - to supplier against replacement item
- Donation to registered charities or community organizations.

The CAO (Administration) and Estate Officer must ensure that sale is at market value by a competitive process through advertisement, public auction or seeking written quotes from prospective buyer in accordance with the following thresholds:

1. Where expected value above Rs. 5000 - through competitive bidding on limited tender basis ;
2. Where expected value below Rs. 5000 - A joint committee of CAO (Administration), Estate Officer and CAO (Finance) has power to dispose off on available fair market price.

Exceptional circumstances could include a sale to a charitable body or where the Institute believes that competitive tendering is not appropriate due to the sensitive nature of particular arrangements in respect of research collaborations, joint ventures with industry / grantee organization or other external parties. In the exceptional event where it is not appropriate to have a competitive tendering process the approval of the Director must still be sought. In all cases, the method used should be both transparent and likely to achieve a fair market-related price.

TRANSFER OF PORTABLE ASSETS FROM ONE BUILDING TO ANOTHER BUILDING

In order that the correct location is known, it is essential that information regarding the transfer of assets is reported on a timely basis to the Estate Officer in charge by administration in charge of program to facilitate the update of the Fixed Asset Register. If a fixed asset is removed from a particular location, a Disposal/ Transfer of Asset Form must be completed and signed by the person conducting the transfer (refer to Appendix A). The form should be counter signed by the receiving location to confirm receipt. The form should then be returned to the Estate Officer. A detailed system be developed and notified through circular to all staff and faculty by estate officer.

The Estate officer in charge and Senior System Analyst shall maintain records of physical existence and location of Assets. Officers will also develop a mechanism of notifying transfer of any asset from one location to another in consultation with Registrar.

Safeguarding Assets

All students and staff members have a responsibility to safeguard the assets of the MDI and ensure they are used for authorized MDI purposes only.

Administrative in charge of programs (Custodians) should ensure that access to assets is restricted where possible, to those with a specific requirement for the asset. Portable assets should be stored in secure locations.

Estate Officer should ensure that the assets are well maintained and assess the assets for repair and economic need prior to replacement.

Chief Administration Officer (Admn) will review the insurance program on an annual basis to ensure it is sufficient to substantiate a potential loss. The CAO (Administration) must cover all assets through insurance policies.

Lost or Stolen Assets

All employees of the Institute are responsible for notifying if an asset is lost or stolen. The concerned administrative officer should immediately inform the Head of Security / CAO (Admn) and Registrar and Director. A decision on an internal investigation or otherwise will be established and a report should be prepared and forwarded to the Registrar and Director for further advise.

If-the asset is not found in a reasonable amount of time, an asset Disposal/ Transfer of Asset document should be completed by the Custodian and forwarded to the Estate Officer and CAO (Finance). The Fixed Asset Register will then be updated.

Repairs and Maintenance

Repairs and maintenance activities do not change the asset or enhance their performance and hence are not capitalised. These activities are simply performed periodically on existing assets in order that they are utilised over their expected economic lives.

Impairment & Existence Reviews

Estate Officer is required to ensure a physical inventory of fixed assets is performed annually to verify existence and condition of the assets in their custody.

Each year the Estate Office will carry out a sample verification exercise. Store Department under CAO (Admn) will be advised of assets recorded in their custody. The Storekeeper will review and update this listing and make appropriate adjustments correcting any errors and/or omissions in respect of any of the information given by Estate Officer. Corrections will be investigated thoroughly by the Finance Office and the Fixed Asset Register will be updated appropriately.

Each year Internal and External Auditors may carry out spot checks on the existence and condition of assets. Any discrepancies will be reported in their audit report.

As a result of physical checks, an assets condition may be deemed impaired. In this regard an estimate of the recoverable amount of the asset will be assessed. Where the amount recognized in the Fixed Asset Register exceeds the assets deemed recoverable amount, the asset will be written down to its recoverable amount as per Write off policy approved by Board of Governors.

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**Copies of Purchase Policy and Write off policy are enclosed.

MANAGEMENT DEVELOPMENT INSTITUTE
GURGAON

Admn Circular No. MDI/Admn/48/2016 dated 5th October, 2016

Sub: Policy for Writing off of Values of Fixed Assets

The Board in its meeting held on 19th August, 2016 approved the Memorandum No. 69/2016 dated 10th August, 2016 relating to policy on writing off of the value of Fixed Assets. The policy is primarily for "Writing off of Impaired Fixed Assets" and this policy will apply to all Assets of MDIM and MDIG irrespective of the source of acquisition. The salient features of the policy are as follows:

"Impairment and Writing off of Fixed Assets"

i. These guidelines are applicable to the assets declared obsolete or loss of Assets due to fire, theft and natural disasters.

ii. The items to be declared obsolete or unserviceable shall be examined by a Committee constituted by Director/Acting Director (as the case may be) consisting of one Dean, Two Faculties, CAO(Finance & Accounts),CAO(Admin), & Resident Engineer, to declare an item of Asset as obsolete/Impaired or unserviceable and recommend their disposal to Director. The Committee should take into account the prescribed or stipulated life period of the Asset. In case such period is not prescribed or stipulated or it is not yet over, then the Committee should examine the conditions of Assets and records available and the reasons for declaring an Asset obsolete/Impaired or unserviceable. The book value which will be required while disposing off the assets should be worked out by CAO (Finance & Accounts). In case where it is not possible to work out the book value, the reasonable logical justification should be taken into the consideration to work out the disposable value. A report of Assets for disposal shall then be prepared and presented along with any recommendations to Director/Acting Direvctor (as the case may be) of the campus.

iii. If an item has become obsolete or unserviceable or Lost on account of negligence, fraud or mischief on the part of any MDI employee, the same should be clearly brought out. In case an item becomes unserviceable due to negligence, fraud or mischief on part of an employee, the responsibility for the same should be fixed and depreciated value of assets should be recovered.

iv. If an item has become lost on account of theft and FIR is filed with the Police Station by MDI employee, then the same shall be clearly brought out to the notice of committee and then the Committee may recommend for writing off of the asset at its book value and necessary actions for insurance claims shall be initiated. MDI must insure all assets including movable like laptops, projectors and mobile.

v. If the depreciated/book value of any asset is less than Rs. 5000/-, then the same can be brought to the notice of committee. The Committee may recommend for writing off of the said asset. A report of Assets for disposal shall then be prepared and presented to Director/Acting Director (as the case may be for approval.

vi. Acting Director or Director (as the case may be) will have powers to write off as per the above policy.

This has been issued with the approval of the Competent Authority.

(Harpal Singh)
Registrar & Secretary
05.10.2016

All Faculty & Staff
Notice Boards
Acting Director Sectt.
Registrar & Secretary's Sectt.

Approved by BOG in its meeting dated 13/Aug/2021.

ANNEXURE-III

Amendments to MDI Fixed Asset Policy Dated 07.07.2021

AMENDMENTS TO MDI FIXED ASSET POLICY 2021

1) The Audit, Finance & Investment Committee, in its meeting held on 15.04.2021, had after the review of the Internal Audit Report of MDI Murshidabad had directed to review the Capitalization Policy and expressed the need to be amend the same as the Library books should be capitalized irrespective of the value as every book is important and has a life like any other Asset.

2) Hence all Fixed Assets having a monetary value of above Rs 5,000/- (Rupees Five Thousand only) shall be capitalized as per past practice but with exception to Library books. There is no consideration of value for library books and therefore all library books shall be capitalized irrespective of its value.

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