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F. No. 110116/2014-15/AA(i)/KVS/Acctts

Dated 27/12/2016

The Deputy Commissioner,
Kendriya Vidyalaya Sangathan,
All Regional Offices

Speed Post/ E-mail

Sub: Accounting treatment of Administrative Overhead Charges -reg.

Madam/Sir,

As you are aware that KVS has been preparing its Accounts as per the **"Accrual concept of Accounting" for many years.** In the prevailing Accounting System, the amount of **"Administrative Overhead Charges" (AOC)** is shown as **"Expense"** in the Receipt and Payment Account of the project KV although the amount of AOC is a **"Revenue Receipt"** for KVS. As such, the prevailing practice of accounting treatment of "Administrative Overhead Charges" in the books of the Project KV has been reviewed in KVS (HQ).

2) It is also observed that in some cases, project authorities have been releasing funds directly to the project KVs and in some cases to Regional Offices. Similarly in some cases AOC is released by the project authorities to the concerned Regional Offices separately and in some cases, AOC is released to the concerned project KVs separately or by including the AOC amount in the Grants. In fact project Authorities are not following the uniform practice in connection with the release of project Grant or AOC amount. Consequent upon adoption of uneven methods, different type of situations emerge from the existing practice.

3) In view of the above, it has now been decided that from the financial year 2016-17, the accounting treatment in respect of AOC charges may be done as suggested in the succeeding paragraphs and as per **Annexure-A.**

- I. On Receipt of the amount of AOC by the project KV from the project Authority, it will be treated as **"Current Liability"** in the books of Accounts of the Project KV and will be shown in the receipt side of the Receipt and Payment Account under the head **"Liabilities towards other remittances"**. While transferring the AOC amount to the concerned Regional Office, the same will be shown in the **payment side** of Receipt and Payment Account

under the head "**Liabilities towards other remittances**"(**Current Liability**).

- II. On receipt of the amount of AOC directly from the project Authority by the Regional Office, it will be treated as "**Revenue Receipt**" in the books of Accounts of the Regional Office and shown in the receipt side of the Receipt and Payment Account. However the amount of AOC which pertains to the previous year(s)(.i.e. 2015-16, 2014-15, ...) will be treated as "Grant received from the project Authorities" in the books of the Regional Office. Similarly if such receipts are received by the project KV, then the same will be treated as "**Current Liability**" in the books of the Project KV.
- III. If no amount of AOC is received by the RO/KV from the project Authority, then Journal entry is to be passed in the books of the Regional Office treating the AOC as "**Funds receivable from the project authorities**" (**income receivable**). Similarly in Utilization certificate also the same amount will be reflected by the Regional Office under the head "Administrative Overhead Charges Recoverable". On receipt of the AOC amount in the subsequent year(s), the entry will be passed in the books of the Accounts of the Regional Office in order to reduce the amount of "**Funds receivable from the project authorities**". **Accordingly the amount shown in "Utilization Certificate" under the head "Administrative Overhead Charges Recoverable" will also be reduced by the same amount.**
- IV. Regional office will maintain proper KV wise register to watch the year wise recovery of AOC from the concerned project Authority.
- V. The amount of Bank interest earned by project KV should be shown invariably in "Utilization Certificate" under the head "Internal Receipts" for the project authority. Other instructions issued vide this office letter of even no. dated 17.08.2016 should also be followed properly.
- VI. The "Administrative Overhead Charges" head as given on payment side of "Receipt and Payment Account" and in the concerned Schedules may be treated as deleted.
- VII. In no case the amount received for AOC should be utilized by project KV for meeting the expenditure and the amount must be remitted to the concerned Regional Office in the same financial year.

VIII. From the financial year 2016-17 the utilization certificate should be prepared in the following format as already circulated by this office vide letter of even no. dated 17.08.2016.

Utilization Certificate for the year

S. N.	Name and address of the project authority	Name of KV	Opening Balance	Grant Received during the year	Internal Receipts	Sub Total	Expenditure during the year(excluding Administrative Overhead Charges Recoverable)	Administrative Overhead Charges Recoverable	Sub Total	Closing Balance
			1	2	3	4 (1 to 3)	5	6	7 (5+6)	8 (4-7)

4) Last but not the least, the contents of this letter may be brought to the notice of all the concerned for strict compliance at their end while preparing the Utilization Certificate and finalization of Annual Accounts for the financial year 2016-17 onwards. Compliance may be submitted to this office through e- mail (kvsbudget@gmail.com) only.

This may be treated as most urgent.

Encl:a/a

Yours faithfully,

(M. Arumugam)
Joint Commissioner (Fin.)

Copy to:-

1. Deputy Commissioner (EDP), KVS (HQ) with the request to upload this letter (including Annexure-A) on KVS Website under the menu "Announcement."
2. Finance Officer, all Regional Office for information and necessary action.
3. Director, All Zonal Institute of Education and Training for information.

Joint Commissioner (Fin.)

Accounting treatment of AOC in different situations.

A. Situation no.1—when AOC amount is released by the Project Authority to the Regional Office.

This situation is applicable when AOC amount released by the Project Authority pertains to the same financial year for which accounts are being prepared.

I. Books of Accounts of the Regional Office: -On receipt of the amount an entry is to be passed in Cash Book on receipt side of the Cash Book under the head "AOC received from the Project Authorities". Since the amount of AOC for the current financial year has been received, the amount of AOC **will not be** shown in "**Utilization Certificate**" of the concerned Project KV. No further entry will be made in the current financial year.

II. Books of Accounts of the Project KV:-

No entry will be made in the books of Accounts of the project KV.

B. Situation no.2—when AOC amount is released directly to concerned Project KV.

This situation is applicable when AOC amount paid by the Project Authority pertains to the same financial year for which accounts are being prepared.

I. Books of Accounts of the Project KV:- - On Receipt of the AOC amount from the project Authority , the same will be booked in Cash Books on receipt side under the head "**Liabilities towards other Remittances**"(Current liability). On payment of AOC to the concerned Regional Office, the amount will be booked in Cash Book on payment side under the head "**Liabilities towards other Remittances**"(Current liability).

II. Books of Accounts of the Regional Office: - On receipt of the AOC amount from the concerned project KV in the same financial year for which the AOC amount pertains , the amount will be booked in Cash Book on receipt side under the under the head "**AOC received from the Project Authorities**".

C. Situation no.3 —when AOC amount is neither released to the concerned Regional Office nor to the Project KV.

This situation is applicable when the amount of AOC is not remitted by the project Authority before 31st March of the financial year for which the Accounts are being prepared.

I. Books of Accounts of the Regional Office: -

(a) Journal /adjustment entry will be passed in the Books of Accounts. The amount of AOC recoverable from the project Authority will be treated as income receivable. Accordingly, the amount will be shown in the Schedule 13- Other Income under the head "Administrative overhead charges from the project Authorities" and in Schedule -8 Loans/Advances/Deposits under the head "Funds receivable from the project authorities". The same amount of AOC recoverable will be shown **in Utilization Certificate under the head "Administrative Overhead Charges Recoverable"**.

(b) On receipt of the said amount of AOC in the next financial year(s), the accounting treatment will be as under:-

The amount of AOC receipt will be credited under the head "Funds receivable from the project authorities". Means to say that amount of "Funds receivable from the project authorities" will be reduced by the same amount which is received towards AOC but pertains to previous year(s). **Accordingly, the amount shown in the Utilization Certificate under the head "Administrative Overhead Charges Recoverable" will also be reduced to this extent.**

Note:- the accounting treatment as mentioned in above point I (b) will not be applicable in respect of the amount of AOC which pertains to previous financial years 2015-16 or 2014-15 and so on. In such cases the amount will be shown in RO Books under the head " **Funds from Sponsoring Authorities for Project KVs" as explained under situation no D.4 (II).**

II. Books of Accounts of the Project KV:-

No entry will be passed in the Books of Accounts of KV as no amount of AOC has been received by the KV.

D. Situation no. 4 —when AOC amount is released to the **concerned Regional Office** in the financial year 2016-17 (for which accounts are to be prepared) but pertains to the previous year (s) i.e. 2015-16 or 2014-15 and so on.

I. Books of Accounts of the Project KV:- No entry is to be made as no amount of AOC is received by the project KV.

II. Books of Accounts of the Regional Office: - Since the amount of **AOC** pertaining to the previous years has already been booked in the Utilization Certificate of the concerned previous year(s), the amount received during the financial year 2016-17 or in subsequent financial years will be treated as Funds received from

the project Authority and hence the same will be booked under the head " **Funds from Sponsoring Authorities for Project KVs**" in the receipt side of the Cash Book/Receipt and Payment Account. **The amount received is not required to be shown (add or less) in the Utilization Certificate of the financial year 2016-17 and subsequent years in respect of the receipt of AOC which pertains to the financial year 2015-16, 2014-15 and so on.**

E .Situation no. 5 — when AOC amount is released to the **concerned project KV** in the financial year 2016-17(for which accounts are to be prepared) but pertains to the previous year (s) i.e. 2015-16 or 2014-15 and so on.

I. Books of Accounts of the Project KV:- - On Receipt of the AOC amount from the project Authority , the same will be booked in the Cash Book and Receipt and Payment Account on receipt side under the head " **Liabilities towards other Remittances**". On payment of AOC to the concerned Regional Office, the amount will be booked in Cash Book on payment side under the head "**Liabilities towards other Remittances**".

II. Books of Accounts of the Regional Office:

Same Accounting treatment as suggested under D. **Situation no. 4 (II).**"

F. Situation no. 6 — **This situation will be applicable from the financial year 2017-18 onwards.**

When AOC amount is released to the concerned Regional Office in the financial year 2017-18 onwards for which accounts are to be prepared, but the AOC amount pertains to the previous year(s) 2016-17 onwards as the case may be.

I. Books of Accounts of the Project KV:- No entry is to be made as no amount of AOC is received by the project KV.

II. Books of Accounts of the Regional Office:

Since the amount of **AOC** pertaining to the concerned financial year has already been booked in the Books of Accounts and Utilization Certificate, the amount of AOC received during the current financial year **will be credited under the head "Funds receivable from the project authorities"**. Means to say that amount of "**Funds receivable from the project authorities**" will be reduced by the amount which is received towards AOC in current financial year but pertains to previous year(s).

Accordingly, the amount shown in the Utilization Certificate under the head "Administrative Overhead Charges Recoverable" will be reduced to the same extent.

G. Situation no. 7 – This situation will be applicable from the financial year 2017-18 onwards.

When AOC amount is released to the concerned Project KV in the financial year 2017-18 onwards for which accounts are to be prepared, but the AOC amount pertains to the previous year(s) 2016-17 onwards as the case may be.

I. Books of Accounts of the Project KV:- On Receipt of the AOC amount from the project Authority , the same will be booked in Cash Books on receipt side under the head "**Liabilities towards other Remittances**". On payment of AOC to the concerned Regional Office, the amount will be booked in Cash Book on payment side under the head "**Liabilities towards other Remittances**".

II. Books of Accounts of the Regional Office:

Same Accounting treatment as suggested under "F **Situation no. 6 (II).**"