



**GOVERNMENT OF THE PUNJAB**  
**TECHNICAL EDUCATION & VOCATIONAL TRAINING AUTHORITY**  
**96-H GULBERG II, LAHORE.**  
**PABX: 9263055-59, Fax: 9263054**  
**Web site: www.tevta.gop.pk**



April 13, 2007

## **NOTIFICATION**

### **Revised Accounting Policies of TEVTA**

No. TEVTA/Acc/Policy/1-7. In super session of all previous orders on the subject, the competent authority is pleased to notify the **Accounting Policies of TEVTA** as per attached Annexures "A" & "B" for all Institutes/offices and Service Centers respectively. The Policy for Institutes/offices (Annexures "A") and Policy for Service Centers (Annexures "B") contains three pages each. The said Accounting Policies shall be implemented with effect from July 01, 2005. The Soft Copy of the same has already been sent to all District Managers and Service Centers for implementation and onward distribution to their lower formation.

Khawaja Adnan Zahir  
**General Manager (F & A)**

### **No. Even & Date.**

April 13, 2007

A Copy is forwarded for information to:

- (1) All the General Managers Tevta Secretariat Lahore.
- (2) The Zonal Managers TEVTA Lahore, Multan and Rawalpindi.
- (3) All Managers Tevta Secretariat Lahore.
- (4) All District Managers TEVTA in the Punjab with the request to circulate the same to their lower formation.
- (5) PSO to Chairman TEVTA Lahore.
- (6) PSO to Secretary TEVTA Lahore.

Mirza Umar Farooq Baig  
Manager Finance

## TECHNICAL EDUCATION AND VOCATIONAL TRAINING AUTHORITY (TEVTA)

### FOR INSTITUTES

#### 1 STATUS AND OPERATIONS

Technical Education and Vocational Training Authority (TEVTA) is a body corporate constituted under the Punjab Technical Education and Vocational Training Authority Ordinance, 1999. The principal activity of the Authority is to administer, co-ordinate, supervise and provide guidelines for smooth functioning of Polytechnics, Commercial Training Institutes and Colleges, Technical and Vocational Training Centres, Apprentices Training Centres. The Authority has taken over on or after 05 June 1999 Polytechnics, Commercial Training Institutes and Colleges, Technical and Vocational Training Centres, Apprentices Training Centres under the administrative control of the various Departments or Agencies of the Government including service and Training Centres of the Punjab Small Industries Corporation (PSIC).

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention, except for lands, buildings and some other fixed assets carried at fair value.

##### 2.2 Government grants

Grants from the Government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Authority will comply with all attached conditions. Fair value signifies the amount received in cash and current market value in case of grant received in kind.

Government grants relating to costs are deferred and recognized in the income and expenditure account over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, machinery or equipment are included in non-current liabilities as deferred Government grants and are credited to the income and expenditure account over the expected lives of the related assets.

##### 2.3 Employees' benefits

###### 2.3.1 Government Employees

Pension, Gratuity, G.P.Fund and other similar payments of Government employees transferred to TEVTA are the liability of Government as per notification No. SO (T-II) 21/16/98 (P-IV) dated 8 April 2002 issued by Industries, Mines and Minerals Department, Government of Punjab. Therefore, liability for retirement benefits of Government employees is not made in the financial statements. Service records of these Government employees are maintained by Auditor General (AG) Office Punjab / District Account Officers.

###### 2.3.2 Employees on Contract

There are no retirement benefits available to contract employees.

###### 2.3.3 PSIC Employees

###### a) Pension / Gratuity

Pension / gratuity fund scheme covers all permanent employees under the PSIC rules applicable to them. Annual provision is made to cover the obligation as per below mentioned formulas :

**Liability for pension / gratuity (A) = (B) x 12 x factor for year purchased as per commutation table given in Punjab Esta Code**

**Whereas (B) :**

**Monthly gross pension / gratuity = Last Running Basic Pay Drawn Plus pensionable allowances (if any) x 7/300 x Length of service maximum up to 30 years.**

At the time of retirement, per month pension is calculated and paid at 65% of (B) and 35% of (B) is used in formula given in (A) for the calculation of gratuity payable.

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Share of TEVTA out of total liability of pension / gratuity of employees transferred from PSIC is determined on the basis of total number of months served in TEVTA .

**b) General Provident Fund - Non Contributory**

Monthly contributions to the fund are made by the employees transferred from PSIC at the minimum rate of 10% of monthly pay defined in Rule 8 of PSIC Employees Provident Fund Rules, 1979. The contributions of employees are deposited to the G.P. Fund maintained by PSIC .

**c) Benevolent Fund**

Equal monthly contributions to the fund are made by the employer and employees transferred from PSIC at the rate of 1% of basic salary subject to a maximum of 120 Rupees. The contributions are deposited to the Benevolent Fund maintained by PSIC .

**d) Leave salary**

Earned leaves are calculated for four days in each calendar month of duty rendered. There is no maximum limit on the accumulation of these leaves. It is at the option of employees to encash up to the maximum of leaves earned in a respective financial year. Provision is made annually on the basis of basic pay to cover the obligation of un-availed leaves as on balance sheet date.

**2.4 Accrued and other liabilities**

Liabilities for accrued and other amounts payable are initially recognized at fair value which is normally the transaction cost.

**2.5 Taxation**

Provision for income tax is not made in the financial statements being considered as exempted Government organization under section 49(2) of Income Tax Ordinance, 2001 under reference to Tax Free Number of 9020300-3 issued in favour of TEVTA by the Central Board of Revenue.

**2.6 Property, machinery, or equipment and depreciation****a) Cost**

Operating fixed assets except freehold and leasehold lands are stated at cost / assessed amounts less accumulated depreciation and accumulated impairment losses (if any). Freehold and leasehold lands are stated at cost / assessed amounts. Capital work-in-progress is stated at cost. Cost in relation to assets comprise of purchase price, non-refundable purchase taxes and costs directly attributable to bringing the asset at required condition and location.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income and expenditure account during the period in which they are incurred.

**b) Depreciation****Change in accounting estimate**

During the current financial year the Authority has revised its accounting estimate and now depreciation is charged on reducing balance method instead of straight line method. Had there been no change in this estimate, income net of expenses for the year and book value of operating fixed assets would have been lower by Rupees\_\_\_\_\_.

Depreciation is charged to income and expenditure account on reducing balance method so as to write off the cost of an asset over its estimated useful life at the following rates. The full annual rate of depreciation is applied to the costs of additions while no depreciation is charged on assets deleted during the year.

Buildings	5%
Machinery and equipment	10%
Electric and gas installations	10%
Laboratory equipment	10%
Computer and ancillaries	30%
Office equipment	10%
Furniture and fixtures	10%
Books	10%
Vehicles	20%

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

**c) Derecognition**

An item of property, machinery or equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income and expenditure account in the year the asset is derecognized.

## 2.7 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Authority. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

## 2.8 Inventories

Inventories, except for stores in transit are stated at lower of cost and net realizable value. Cost is determined as follows:

### Stores and spares

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

## 2.9 Trade and other receivables

Trade debts and other receivables are carried at original invoice amount. Debts considered irrecoverable are written off and provision is made for debts considered doubtful of recovery.

## 2.10 Revenue recognition

- a) Admission fee and tuition fee (Government dues) collected from students at institutes / centres are deposited in Government treasury on receipt. Subsequently these are received from Finance Department, Government of Punjab and recognized as revenue under the head "TEVTA Own Receipt" in the financial statements of TEVTA Secretariat.
- b) Self Finance Fees from students are recognized on receipt basis.
- c) The student funds (Non-Government Dues) are recorded on receipt from students at institute level separately in each head of account.
- d) Interest on bank deposits is recognized on time proportion basis.

## 2.11 Provisions

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

## 2.12 Impairment

The carrying amounts of the authority's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the income and expenditure account.

**TECHNICAL EDUCATION AND VOCATIONAL TRAINING AUTHORITY (TEVTA)  
FOR SERVICE CENTRES**

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**Liability for pension / gratuity (A) = (B) x 12 x factor for year purchased as per commutation table given in Punjab Esta Code**

**Whereas (B) :**

**Monthly gross pension / gratuity = Last Running Basic Pay Drawn Plus pensionable allowances (if any) x 7/300 x Length of service maximum up to 30 years.**

Provision for pension / gratuity at each balance sheet date is made for the differential amount of liability for pension / gratuity calculated for two consecutive balance sheet dates as per above stated formula (A).

At the time of retirement, per month pension is calculated and paid at 65% of (B) and 35% of (B) is used in formula given in (A) for the calculation of gratuity payable.

Share of TEVTA out of total liability of pension / gratuity of employees transferred from PSIC is determined on the basis of total number of months served in TEVTA .

**b) General Provident Fund - Non Contributory**

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Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income and expenditure account during the period in which they are incurred.

**b) Depreciation****Change in accounting estimate**

During the current financial year the Authority has revised its accounting estimate and now depreciation is charged on reducing balance method instead of straight line method. Had there been no change in this estimate, income net of expenses for the year and book value of operating fixed assets would have been lower by Rupees \_\_\_\_\_.

During the current financial year the Authority also revised its accounting estimate relating to useful lives of operating fixed assets. Had there been no change in this estimate, income net of expenses for the year and book value of operating fixed assets would have been \_\_\_\_\_ by Rupees \_\_\_\_\_.

Depreciation is charged to income and expenditure account on reducing balance method so as to write off the cost of an asset over its estimated useful life at the following rates. The full annual rate of depreciation is applied to the costs of additions while no depreciation is charged on assets deleted during the year.

Buildings	5%
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## 2.8 Inventories

Inventories, except for stock / stores in transit and waste stock are stated at lower of cost and net realizable value. Cost is determined as follows:

### Stores and spares

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores and spares are valued at cost comprising invoice value plus other charges paid thereon.

### Stock in trade

Cost of raw material is based on annual average cost.

Cost of work-in-process and finished goods comprises cost of direct material, labour and appropriate manufacturing overheads. Cost of goods purchased for resale are based on weighted average.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock is valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

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Trade debts and other receivables are carried at original invoice amount. Debts considered irrecoverable are written off and provision is made for debts considered doubtful of recovery.

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