

**LAHORE UNIVERSITY OF
MANAGEMENT SCIENCES**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2012**

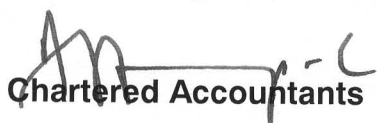
AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the annexed balance sheet of Lahore University of Management Sciences as at June 30, 2012, the related income and expenditure account, statement of changes in accumulated fund and cash flow statement together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended.

It is the responsibility of the University's Management Committee to establish and maintain a system of internal control, and prepare and present the above said financial statements in conformity with the Guideline for Accounting and Financial Reporting by Non-Government Organisations / Not-Profit Organisations issued by the Institute of Chartered Accountants of Pakistan.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the balance sheet of the Lahore University of Management Sciences as at June 30, 2012, its surplus, statement of changes in accumulated fund and its cash flows for the year then ended have been prepared, in all material respects, in accordance with the Guideline for Accounting and Financial Reporting by Non-Government Organisations / Not-Profit Organisations issued by the Institute of Chartered Accountants of Pakistan.


Chartered Accountants

Lahore, December 3, 2012

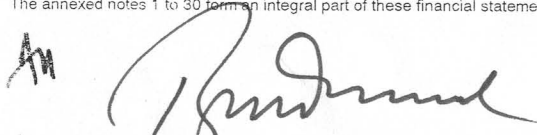
Name of Engagement partner: Muhammad Masood

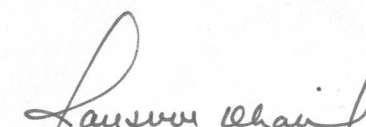
LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

BALANCE SHEET AS AT JUNE 30, 2012

	Note	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored projects Rupees	Fixed assets fund Rupees	2012 Total Rupees	2011 Total Rupees Restated
Fund balance		<u>303,929,392</u>	<u>501,420,868</u>	<u>(5,027,742)</u>	<u>38,585,152</u>	<u>100,401,003</u>	<u>614,071,315</u>	<u>1,553,379,988</u>	<u>970,606,093</u>
Represented by									
Non current assets									
Operating fixed assets	6	-	-	-	-	-	612,240,055	612,240,055	539,700,933
Intangible assets	7	-	-	-	-	-	27,545,171	27,545,171	37,607,361
Capital work-in-progress	8	41,923,649	-	-	-	8,237,518	-	50,161,167	50,755,605
Investments at cost	9	4,000,000	168,873,418	-	-	-	-	172,873,418	18,659,568
Long term loans and advances	10	93,464,986	2,798,549	6,480,152	-	-	-	102,743,687	102,027,523
		139,388,635	171,671,967	6,480,152	-	8,237,518	639,785,226	965,563,498	748,750,990
Non current liabilities									
Accumulated compensated absences		10,732,174	-	-	-	-	-	10,732,174	10,705,401
Long term security deposits	11	23,899,500	-	-	-	-	-	23,899,500	23,290,320
Deferred income	12	-	-	-	-	-	25,713,911	25,713,911	-
		34,631,674	-	-	-	-	25,713,911	60,345,585	33,995,721
		104,756,961	171,671,967	6,480,152	-	8,237,518	614,071,315	905,217,913	714,755,269
Current assets									
Stores		12,962,472	-	-	-	-	-	12,962,472	15,608,366
Loans, advances, deposits prepayments and other receivables	13	78,134,641	19,372,484	4,216,909	895,109	48,956,631	-	151,575,774	97,900,419
Due from National Management Foundation		2,244,091	-	-	-	-	-	2,244,091	-
Short term investments	14	383,345,456	239,507,807	-	27,093,017	-	-	649,946,280	35,085,764
Cash and bank balances	15	239,174,169	70,868,610	15,458,450	10,877,963	53,837,340	-	390,216,532	534,693,338
		715,860,829	329,748,901	19,675,359	38,866,089	102,793,971	-	1,206,945,149	683,287,890
Current liabilities									
Short term running finance	16	16,314,797	-	-	-	-	-	16,314,797	21,781,779
Creditors, accrued and other liabilities	17	531,556,854	-	-	280,937	10,630,486	-	542,468,277	356,873,685
Due to National Management Foundation	18	-	-	-	-	-	-	-	34,479,816
Taxation	19	-	-	-	-	-	-	-	14,301,786
		547,871,651	-	-	280,937	10,630,486	-	558,783,074	427,437,066
Net current assets		<u>167,989,178</u>	<u>329,748,901</u>	<u>19,675,359</u>	<u>38,585,152</u>	<u>92,163,485</u>	<u>-</u>	<u>648,162,075</u>	<u>255,850,824</u>
Due to / (from)	20	31,183,253	-	(31,183,253)	-	-	-	-	-
Contingencies and commitments	21								
Net assets		<u>303,929,392</u>	<u>501,420,868</u>	<u>(5,027,742)</u>	<u>38,585,152</u>	<u>100,401,003</u>	<u>614,071,315</u>	<u>1,553,379,988</u>	<u>970,606,093</u>

The annexed notes 1 to 30 form an integral part of these financial statements.


Member of Managing Committee



Chief Financial Officer

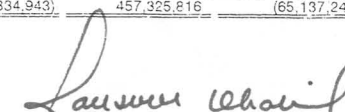
LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDING JUNE 30, 2012

	Note	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored project Rupees	Fixed assets fund Rupees	2012 Total Rupees	2011 Total Rupees Restated
Income									
Direct grants	23	19,934,979	-	96,431,704	-	211,750,064	259,328	328,376,095	152,531,278
Tuition fee and other income									
Tuition fee		1,220,057,444	-	-	-	-	-	1,220,057,444	929,015,837
Other fees		118,738,750	-	-	-	-	-	118,738,750	108,511,750
Consultancy fee		1,731,602	-	-	-	-	-	1,731,602	4,193,579
SEDC training income		2,903,640	-	-	-	-	-	2,903,640	5,277,954
Executive development programmes		159,373,367	-	-	-	-	-	159,373,367	135,105,523
Miscellaneous income	24	310,201,797	-	-	4,726,806	-	-	314,928,603	239,523,934
Return on investments and term deposits		39,755,828	49,102,374	-	3,953,752	1,446,555	-	94,258,509	55,754,308
Exchange gain		7,648,554	-	-	-	2,480,974	-	10,129,528	919,619
		1,860,410,982	49,102,374	-	8,680,558	3,927,529	-	1,922,121,443	1,478,302,504
Total Income for the year		1,880,345,961	49,102,374	96,431,704	8,680,558	215,677,613	259,328	2,250,497,538	1,630,833,782
Expenditure									
Salaries, wages and amenities		691,999,902	2,672,072	-	3,965,097	49,235,337	-	747,872,398	722,726,672
Training		646,264	-	-	-	-	-	646,264	1,245,887
Fuel and power		134,540,979	-	-	-	888,328	-	135,429,307	101,169,814
Telephone and postage		6,327,946	34,251	-	-	178,675	-	6,540,872	7,170,079
Foreign travel & recruitment		8,284,993	50,044	-	-	2,781,580	-	11,116,617	9,357,294
Travelling and vehicle running expenses		8,861,041	339,115	-	-	5,229,362	-	14,429,518	12,682,699
Cafeteria expenses		63,900,102	165,850	-	-	4,379,623	-	68,445,575	64,743,481
Rent expense		-	-	-	-	2,681,316	-	2,681,316	-
REDC facility expenses		2,753,256	-	-	-	-	-	2,753,256	920,875
House keeping and maintenance		1,050,373	-	-	-	-	-	1,050,373	1,391,880
Repairs and maintenance		6,331,709	-	-	-	-	-	6,331,709	15,889,856
Advertisement and open house programme		7,960,123	19,427	-	-	992,164	-	8,971,714	16,947,562
Subscriptions		10,890,975	37,017	-	-	17,373	-	10,945,365	9,505,198
Research and case development		32,903,561	1,531,354	-	-	4,464,492	-	38,899,413	30,052,457
Convocation expenses		4,979,249	-	-	-	-	-	4,979,249	7,327,522
Printing, stationery and office supplies		75,628,409	587,630	-	-	5,460,753	-	81,676,832	75,950,003
Software consumables		8,211,110	-	-	-	-	-	8,211,110	16,223,739
Insurance		3,611,810	-	-	-	-	-	3,611,810	2,855,129
Scholarships and tuition fee waiver		202,901,075	14,398,315	88,983,430	-	43,250	-	306,326,070	323,026,417
PhD living allowance		7,340,864	-	-	-	-	-	7,340,864	11,346,940
Higher Education Commission Scholarship		-	-	14,470,743	-	-	-	14,470,743	14,163,557
Legal and professional charges		6,443,766	-	-	-	215,000	-	6,658,766	4,530,187
Estate management		19,938,263	-	-	-	-	-	19,938,263	24,149,950
Internet charges		10,619,916	-	-	-	18,278	-	10,638,194	10,078,043
Depreciation on owned assets		-	-	-	-	-	104,916,776	104,916,776	106,203,396
Amortization of intangible assets		-	-	-	-	-	12,677,495	12,677,495	18,497,598
SEDC training project expenses		364,898	-	-	-	-	-	364,898	17,579,591
USAID ASP project expenses		-	-	-	-	117,415,784	-	117,415,784	13,890,284
Consultancy projects		1,695,069	-	-	-	-	-	1,695,069	3,725,638
Sports and student activities		23,065,102	-	-	-	-	-	23,065,102	26,218,688
Provision for doubtful receivable		1,785,288	-	-	-	-	-	1,785,288	1,868,697
Bad debts written off		525,140	-	-	-	-	-	525,140	3,422,937
Finance cost		5,114,346	-	-	-	292	-	5,114,628	6,368,083
Miscellaneous		10,232,637	-	-	24,753	9,690,320	-	19,947,710	17,011,356
		1,358,908,186	19,835,075	103,454,173	3,989,840	203,691,963	117,594,271	1,807,473,508	1,698,241,509
Surplus/(deficit) of income over expenditure before taxation		521,437,775	29,267,299	(7,022,469)	4,690,718	11,985,650	(117,334,943)	443,024,030	(67,407,727)
Provision for taxation		14,301,786	-	-	-	-	-	14,301,786	2,270,487
Surplus/(deficit) of income over expenditure after taxation		535,739,561	29,267,299	(7,022,469)	4,690,718	11,985,650	(117,334,943)	457,325,816	(65,137,240)

The annexed notes 1 to 30 form an integral part of these financial statements.


Member of Managing Committee


Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

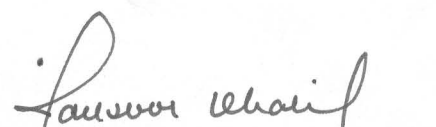
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	Rupees	
Cash flow from operating activities		
Surplus / (deficit) of income over expenditure	457,325,816	(65,137,240)
Tax income	(14,301,786)	(2,270,487)
Surplus / (deficit) of income over expenditure before taxation	443,024,030	(67,407,727)
Add / (less) adjustment for non cash charges and other items		
Depreciation on operating fixed assets	104,916,776	106,203,396
Amortization on intangibles	12,677,495	18,497,598
Gain on disposal of fixed assets	(1,383,058)	(1,350,347)
Finance cost	5,114,628	3,223,987
Provision for passage fare assistance	15,404,823	21,419,662
Provision for doubtful debts	1,785,288	1,868,697
Provision for accumulated compensated absences	3,690,700	1,914,134
Amortization of deferred income	(259,328)	-
Surplus before working capital changes	141,947,324	151,777,127
Effect on cash flow due to working capital changes:		
Decrease / (increase) in stores	2,645,893	(2,004,544)
(Increase) / decrease in loans, advances, deposits	(55,460,643)	5,277,808
(Increase) / decrease in long term loans and advances	(716,164)	4,331,565
(Decrease) / increase in due to National Management Foundation	(36,723,907)	36,306,977
Increase in creditors, accrued and other liabilities	170,189,769	15,988,387
Payment of accumulated compensated absences	(3,663,927)	(1,960,715)
Increase in long term security deposits	609,180	4,615,321
	76,880,201	62,554,799
Cash generated from operating activities	661,851,555	146,924,199
Net cash from operating activities	661,851,555	146,924,199
Cash flow from investing activities		
Fixed capital expenditure	(156,550,808)	(107,663,335)
Proceeds from disposal of operating fixed assets	4,430,340	5,376,431
Investments during the period - net	(769,074,362)	(42,659,568)
Net cash used in investing activities	(921,194,830)	(144,946,472)
Cash flow from financing activities		
Finance cost paid	(5,114,628)	(3,223,987)
Funds received from donors not utilised	125,448,079	130,485,029
Net cash used in financing activities	120,333,451	127,261,042
Net (decrease) / increase in cash and cash equivalents	(139,009,824)	129,238,769
Cash and cash equivalents at the beginning of year	512,911,559	383,672,790
Cash and cash equivalents at the end of year	373,901,735	512,911,559

- Note 25

The annexed notes 1 to 30 form an integral part of these financial statements.


Member of Managing Committee


Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

STATEMENT OF CHANGES IN ACCUMULATED FUND FOR THE YEAR ENDED JUNE 30, 2012

	Current fund Rupees	Endowment fund Rupees	Scholarship fund Rupees	Chair fund Rupees	Sponsored project Rupees	Fixed assets fund Rupees	Total Rupees
Opening balance as at July 1, 2010 as previously reported	(29,215,098)	271,981,376	-	27,907,123	65,802,908	481,330,202	817,806,511
Effect of change in accounting policy as referred to in note 3.1	-	-	-	-	-	87,451,793	87,451,793
Opening balance as at July 1, 2010 - restated	(29,215,098)	271,981,376	-	27,907,123	65,802,908	568,781,995	905,258,304
Reclassification due to change in framework	-	(7,358,805)	7,358,805	-	-	-	-
Restricted funds received during the year	-	107,069,690	88,283,217	-	71,971,690	-	267,324,597
Transfer of restricted fund to income and expenditure	-	-	(81,439,281)	-	(55,400,287)	-	(136,839,568)
Surplus/(deficit) of income over expenditure after taxation	62,351,898	19,716,853	(21,304,264)	6,714,117	(7,914,850)	(124,700,994)	(65,137,240)
Transfer to/(from) funds	(128,338,966)	(1,148,174)	-	(726,806)	(3,013,347)	133,227,293	-
Closing balance as at June 30, 2011	(95,202,166)	390,260,940	(7,101,523)	33,894,434	71,446,114	577,308,294	970,606,093
Restricted funds received during the year	-	82,163,224	105,527,954	-	245,938,689	-	433,629,867
Transfer of restricted fund to income and expenditure	-	-	(96,431,704)	-	(211,750,084)	-	(308,181,788)
Surplus/(deficit) of income over expenditure after taxation	535,739,561	29,267,299	(7,022,469)	4,690,718	11,985,650	(117,334,943)	457,325,816
Transfer to/(from) funds	(136,608,003)	(270,595)	-	-	(17,219,366)	154,097,964	-
Balance as at June 30, 2012	303,929,392	501,420,868	(5,027,742)	38,585,152	100,401,003	614,071,315	1,553,379,988

The annexed notes 1 to 30 form an integral part of these financial statements.

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[Signature]

Member of Managing Committee

[Signature]

Chief Financial Officer

LAHORE UNIVERSITY OF MANAGEMENT SCIENCES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. University and its operations

The Lahore University of Management Sciences (LUMS) is a body corporate and has been established under the Lahore University of Management Sciences Order, 1985 on March 31, 1985. The principal aims and objectives of the University are to design, prepare and offer courses of international standard and to undertake, organize, and promote research and dissemination of knowledge. The University has been divided into three schools namely Suleman Dawood School of Business (SDSB), School of Humanities, Social Sciences and Law (SHSSL) and School of Science and Engineering (SSE). The University is a not-for-profit organization u/s 2(36) of Income Tax Ordinance, 2001 and its surplus, if any, is carried forward to the subsequent year, and is not available for appropriation.

2. Statement of Compliance

These financial statements have been prepared in accordance with the Guideline for Accounting and Financial Reporting by Non-Government / Non-Profit Organisations (hereinafter referred to as "the Guideline") issued by The Institute of Chartered Accountants of Pakistan.

The financial statements for the year ended June 30, 2011 were prepared in accordance with generally accepted accounting principles. The University has transitioned to 'Guideline for Accounting and Financial Reporting by Non-Government / Non-profit Organizations' for better presentation. Accordingly, these are the University's first annual financial statements prepared in accordance with the above mentioned Guidelines. The University has consistently applied the accounting policies used in the preparation of its opening statement of financial position at July 1, 2010 throughout all the periods presented, as if these policies had always been in effect. Note 26 discloses the impact of the transition to the Guideline on the University's reported financial position and financial performance, including the nature and effect of significant changes in accounting policies from those used in the University's financial statements for the year ended June 30, 2011 prepared under generally accepted accounting principles.

3. The Guideline for Accounting and Financial Reporting by Non-Government/Non-profit Organisations ('the Guideline') issued by The Institute of Chartered Accountants of Pakistan was applicable to the University for the year ending June 30, 2011 and has been adopted by the University in the current year. Previously, the University followed generally accepted accounting principles. The following changes in accounting policy have taken place due to transition to the Guideline:

3.1 Previously, full year depreciation was charged on operating fixed assets and full year amortization was charged on intangible assets acquired during the year, whereas nil depreciation / amortization was charged in the year of disposal. The Guideline requires depreciation / amortization to begin when the asset was available for use and also requires depreciation / amortization to cease at the earlier of the date that the asset was classified as held for sale and the date that the asset was derecognized. As a result, the University has changed its accounting policy as referred to in note 5.1 and 5.2 and the effect of change in accounting policy is as follows:

	Rupees
Effect on 2011	
Decrease in depreciation expense - operating fixed assets	(629,783)
Increase in amortization expense - intangible assets	4,999,378
Decrease in surplus of income over expenditure	<u>4,369,595</u>
Increase in net book value of operating fixed assets	629,783
Decrease in net book value of intangible assets	(4,999,378)
Decrease in fund balance	<u>(4,369,595)</u>
Effect on 2010 and before	
Decrease in depreciation expense - operating fixed assets	(71,882,030)
Decrease in amortization expense - intangible assets	(15,569,763)
Increase in surplus of income over expenditure	<u>(87,451,793)</u>
Increase in net book value of operating fixed assets	71,882,030
Increase in net book value of intangible assets	15,569,763
Increase in fund balance	<u>87,451,793</u>

3.2 Previously, grants and donations received for restricted purposes were recognised as grant income in the income and expenditure account for the year when conditions for its receipt were complied with and there was reasonable assurance that the grant would be received.

The Guideline requires that such contributions be credited to the restricted fund account. Thereafter, on a systematic basis an amount equivalent to that which has been spent on restricted activities, should be taken to income by debiting the restricted fund account and crediting restricted income account. As a result, the University has changed its accounting policy as referred to in note 5.10 and the effect of change in accounting policy is as follows:

	Rupees
Effect on 2011	
Decrease in grant income	130,485,029
Decrease in surplus of income over expenditure	<u>130,485,029</u>

4. Basis of measurement

These financial statements have been prepared under the historical cost convention.

The University's significant accounting policies are stated in note 5. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements. Judgments and estimates are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Employee retirement benefits - (note 5.8)
- b) Useful life and residual values of property, plant and equipment - (note 5.1)

4.1 Current fund

This is an unrestricted fund. Grants and donations, utilization of which is not restricted for a specific purpose are credited to this fund. It includes grants and donations for all three schools of the University.

4.2 Endowment fund

This is a form of restricted fund which is held on trust to be retained for the benefit of the organisation as a capital fund, which is not utilised as an income of the organisation. The income generated from these capital funds are also credited to this fund and utilised for restricted purposes.

4.3 Scholarship fund

This is a form of restricted fund utilized for providing scholarships to students and carrying out activities under different scholarship programmes of the University including National Outreach Programme. Grants and donations received for this purpose are credited to this fund.

4.4 Chair funds

These are restricted funds. The funds received are expended on financing academic chairs.

4.5 Sponsored projects

This is a restricted fund utilized for carrying out activities by the University under different sponsored projects as per agreement with the donors. Grants and donations received for specific projects are credited to this fund. For completed projects remaining surplus, if any, if permitted by the relevant agreement, is transferred to current fund.

4.6 Fixed assets fund

This fund represents the net book value of the tangible fixed assets and intangible assets of the University. These assets are accounted for in accordance with the policies given in note 5.1 and 5.2 respectively. Fixed assets received directly as donations are debited to the property, plant and equipment account at fair value and a corresponding amount credited to a deferred income account in the balance sheet. Such items are thereafter depreciated as per the policy of the university while a corresponding amount is transferred from the deferred income to the income and expenditure account.

5. Significant Accounting Policies

5.1 Operating fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. Depreciation on all operating fixed assets is charged to income on a reducing balance method, so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 6.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off. Impairment loss or its reversal, if any, is also charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated remaining useful life.

The University reviews the useful lives of property, plant and equipment at least at each financial year end. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

The University assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income and expenditure account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its

Subsequent costs are included in the assets' 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 University and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to surplus during the period in which they are incurred.

Fixed assets received as a grant are debited to the property, plant and equipment account at fair value and a corresponding amount credited to the deferred income account in the balance sheet. Such items are thereafter depreciated as per the policy of the University while a corresponding amount is transferred from the deferred income to the income and expenditure account.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

5.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified impairment loss and represents the cost of computer software and license fee for the right of its use.

Amortization is charged to income on the reducing balance method so as to write off the cost of the intangible asset over its estimated useful life at the rates given in note 7. Amortization on additions to intangibles is charged from the month in which an asset is acquired or capitalised while no amortization is charged for the month in which the asset is disposed off. When an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated remaining useful life.

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The University assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such an indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income and expenditure account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

5.3 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

5.4 Investments

Investments are measured initially at cost whereas investments received as grant are recognized at fair value. The return on investments is recognized on accrual basis over the period in which it is earned.

Investments classified as current assets are carried in the balance sheet at market value, where available.

Investments classified as long-term assets are carried in the balance sheet at:

- i) cost ; or
- iii) in the case of marketable equity securities, the lower of cost and market value determined on a portfolio basis.

The University accounts for the increase / decrease in carrying amount of investments recognised at market value in the income and expenditure account.

The carrying amount of all long-term investments are adjusted to recognise a decline that is not temporary in the value of the investments, such adjustment being determined and made for each investment individually.

On disposal of an investment the difference between net disposal proceeds and the carrying amount is recognised as income or expense.

5.5 Taxation

The income of the University is exempt from tax under clause 92 of Part-I of Second Schedule to the Income Tax Ordinance, 2001.

5.6 Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the University are measured using the currency of the primary economic environment in which the University operates (the functional currency). The financial statements are presented in Pak Rupees, which is the University's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure account.

5.7 Stores

Stores are valued principally at the lower of moving average cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.

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5.8 Staff retirement benefits

There is an approved contributory provident fund for all the permanent employees. Equal monthly contributions are made by the University and the employees to the fund at the rate of 10 percent of basic salary. Retirement benefits are payable to the staff on completion of prescribed qualifying period of service under the scheme.

5.9 Short term employee benefits

The University has a policy to provide short term employee benefits to its employees in the form of non-vesting accumulating compensated absences. As per University policy, employees are entitled to 14 to 20 days of paid leave each year after completion of one year of service, depending on their service of years. The unused entitlement can be carried forward subject to the condition that the total unused accumulated leaves should not exceed 3 year entitlement as at June 30 of the following year. Any unused leaves in excess 3 years entitlement on such date are lapsed and are not available for carry forward. Accumulated balance of unavailed earned leave up to 3 years entitlement shall be encashable at the rate of gross salary after every ten (10) years of continuous service provided the employee has availed 50% of earned leave entitlement for each year of service.

Upon retirement, resignation, termination/dismissal of an employee's services, earned leave balance to the credit of employee shall be paid at the gross salary rate on the date of termination.

5.10 Revenue recognition

a) Current fund

Tuition fees are recognized when due and apportioned to revenue over the period of instruction. Admission fees are recognized as revenue when due. Application processing fees, cafeteria income and Social Enterprise Development Centre (SEDC) income are recognized as revenue on receipt.

Grants from National Management Foundation are recognized when approved by the Foundation. Other grants, gifts, and royalties on publications are recognized in the income and expenditure account on receipt.

b) Endowment fund

Grants received as endowments by the University are credited directly into the fund account. The income earned from the endowments is booked as return on investments for the period.

c) Scholarship fund

Grants received for the purpose of providing scholarships to students are credited directly into the fund account. Thereafter an amount equivalent to that which has been disbursed as scholarship is taken to the income and expenditure account.

d) Sponsored project fund

Grant is recognised when conditions for its receipt have been complied with and there is reasonable assurance that the grant will be received. Grants received to carry out different projects are credited directly into the fund account. Thereafter, grant received are recognised in the income and expenditure account so as to match the amount received with the related costs which they are intended to compensate on a systematic basis.

A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the enterprise with no future related costs is recognised as income of the period in which it becomes receivable.

On the conclusion of the projects any balances lying to the credit of the fund account are transferred to the current fund provided there are no restrictions identified by the donor.

d) Fixed asset fund

Fixed assets received as a grant are debited to the property, plant and equipment account at fair value and a corresponding amount credited to the deferred income account in the balance sheet. The amount is subsequently transferred from deferred income to the income and expenditure account on a systematic and rational basis over the useful life of the related asset.

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6. Operating fixed assets

	Cost as at July 1, 2011 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2012 Rupees	Accumulated depreciation as at July 01, 2011 Rupees	Depreciation for the year Rupees	Accumulated depreciation as at June 30, 2012 Rupees	Book value as at June 30, 2012 Rupees	Rate of depreciation %
Furniture and fixtures	292,541,607	56,599,563 (1,756,294)	347,384,876	98,950,776	20,319,092 (1,010,040)	118,259,828	229,125,048	10
Computer	306,965,743	26,193,064 (849,754)	332,309,053	225,788,852	28,647,564 (692,585)	253,743,831	78,565,222	33.3
Equipment	403,852,397	93,211,459 (1,522,388)	495,541,468	190,252,976	47,841,521 (1,157,587)	236,936,910	258,604,558	20
Vehicles	28,172,858	2,708,750 (3,451,801)	27,429,807	3,994,247	2,977,428 (1,693,308)	5,278,367	22,151,440	20
Books	71,234,661	1,790,344 (262,845)	72,762,160	44,079,482	5,131,171 (242,280)	48,968,373	23,793,787	20
2012	1,102,767,266	180,503,180 (7,843,082)	1,275,427,364	563,066,333	104,916,776 (4,795,800)	663,187,309	612,240,055	

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	Cost as at July 1, 2010 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2011 Rupees	Accumulated depreciation as at July 01, 2010 Rupees Restated	Depreciation for the year Rupees Restated	Accumulated depreciation as at June 30, 2011 Rupees Restated	Book value as at June 30, 2011 Rupees Restated	Rate of depreciation %
Furniture and fixtures	251,741,454	43,254,278 (2,454,125)	292,541,607	82,372,095	18,408,792 (1,830,111)	98,950,776	193,590,831	10
Computer	311,645,417	18,620,191 (23,299,865)	306,965,743	214,961,410	33,199,840 (22,372,398)	225,788,852	81,176,891	33.3
Equipment	341,037,145	66,131,796 (3,316,544)	403,852,397	147,014,295	45,683,051 (2,444,370)	190,252,976	213,599,421	20
Vehicles	27,064,078	4,994,800 (3,886,020)	28,172,858	3,386,962	2,890,876 (2,283,591)	3,994,247	24,178,611	20
Books	67,608,443	3,626,218	71,234,661	38,058,645	6,020,837	44,079,482	27,155,179	20
2011	999,096,537	136,627,283 (32,956,554)	1,102,767,266	485,793,407	106,203,396 (28,930,470)	563,066,333	539,700,933	

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6.1 The depreciation for the year has been charged to fixed assets fund.

7. Intangible assets

	Cost as at July 1, 2011 Rupees	Additions/ (deletions) Rupees	Cost as at June 30, 2012 Rupees	Accumulated amortization as at July 01, 2011 Rupees	Amortization for the year Rupees	Accumulated amortization as at June 30, 2011 Rupees	Book value as at June 30, 2012 Rupees	Rate of amortization %
Computer software and license	94,432,072	2,615,305	97,047,377	56,824,711	12,677,495	69,502,206	27,545,171	33.3
2012	94,432,072	2,615,305	97,047,377	56,824,711	12,677,495	69,502,206	27,545,171	
2011 - restated	93,805,978	626,094	94,432,072	38,327,113	18,497,598	56,824,711	37,607,361	33.3

7.1 The amortization for the year has been charged to fixed assets fund.

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	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Project Rupees	2012 Total Rupees	2011 Total Rupees
8. Capital work-in-progress							
Advances for equipment	498,408	-	-	-	-	498,408	3,627
Advances for computers	155,214	-	-	-	-	155,214	532,868
Advances for books	2,438	-	-	-	-	2,438	148,243
Advances for furniture	41,267,589	-	-	-	-	41,267,589	50,070,867
Advances for software	-	-	-	-	-	-	-
	<u>41,923,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,237,518</u>	<u>50,161,167</u>	<u>50,755,605</u>
9. Investments at cost							
- Pakistan Investment Bonds	4,000,000	143,457,500	-	-	-	147,457,500	4,000,000
- Term Finance Certificates	-	14,659,568	-	-	-	14,659,568	14,659,568
- Investment in Shares	-	10,756,350	-	-	-	10,756,350	-
	<u>4,000,000</u>	<u>168,873,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,873,418</u>	<u>18,659,568</u>

9.1 Included in investments are Rs. 4 million (2011: Rs. 4 million) Pakistan Investment Bonds which are under lien against short term running finance facility as referred to in note 16.

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Project Rupees	2012 Total Rupees	2011 Total Rupees
10. Long term loans and advances							
Loans to employees - note 10.1	9,233,991	-	-	-	-	9,233,991	11,694,481
Loans to students - note 10.2	94,576,078	6,578,139	10,697,061	-	-	111,851,278	106,230,580
Long term security deposits	40,638,199	-	-	-	-	40,638,199	39,991,028
Advances to employees	997,200	-	-	-	-	997,200	1,109,337
	<u>145,445,468</u>	<u>6,578,139</u>	<u>10,697,061</u>	<u>-</u>	<u>-</u>	<u>162,720,668</u>	<u>159,025,426</u>
Less: Current portion included in current assets: - note 13							
Loans to employees	(2,791,921)	-	-	-	-	(2,791,921)	(3,703,800)
Loans to students	(49,188,561)	(3,779,590)	(4,216,909)	-	-	(57,185,060)	(53,294,103)
	<u>93,464,986</u>	<u>2,798,549</u>	<u>6,480,152</u>	<u>-</u>	<u>-</u>	<u>102,743,687</u>	<u>102,027,523</u>

10.1 This represents long term loans given to employees for construction of houses and education abroad. The house building loans given are recoverable within a period of 10 years commencing from the date of disbursement through monthly deductions from salaries while study loans are recoverable through monthly deductions from salaries based on individual repayment schedules. These loans are secured against retirement benefits of employees and guarantee provided by the employee's spouse or immediate family members. These carry mark-up at the rates ranging from Re 0.3562 to Re 0.3973 per Rs. 1,000 per diem or part thereof (2011: 0.3561 to Re 0.3973 per Rs. 1,000 per diem or part thereof) on the outstanding balances.

10.2 This represents un-secured interest free loans given to students repayable in fixed number of installments (60) within the specified period of five years from graduation for loan over and above Rs 150,000. Loans up to Rs 150,000 are required to be repaid in fixed number of installments (36) by the students within specified period of three years from completion of course.

11. Long term security deposits

These represent security deposited by students at the time of admission to the University. These securities are refundable upon the completion of the program.

12. Deferred income

These represent assets donated to the University, recognised and amortised in accordance with the University's policy. The movement in the deferred income in the current period is as follows:

	2012 Rupees	2011 Rupees
Opening	-	-
Additions during the period	25,973,239	-
Amortisation during the period	(259,328)	-
Closing	<u>25,713,911</u>	<u>-</u>

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Project Rupees	2012 Total Rupees	2011 Total Rupees
13. Loans, advances, deposits, prepayments and other receivables							
Advances to							
- Staff	3,186,633	-	-	-	-	3,186,633	2,798,598
- Suppliers	1,304,202	-	-	-	3,586	1,307,788	10,827,356
Security deposits	-	-	-	-	-	-	607,171
Prepayments	951,570	-	-	-	625,935	1,577,505	750,977
Accrued return on investments	4,402,035	15,592,894	-	895,109	-	20,890,038	4,621,129
Tax refundable	4,278,670	-	-	-	-	4,278,670	2,216,532
Fee receivable	18,013,685	-	-	-	-	18,013,685	11,468,950
Receivable against REDC programs and other projects	8,567,629	-	-	-	47,864,172	56,431,801	17,699,398
Other receivables	2,158,106	-	-	-	462,938	2,621,044	4,835,487
Current portion of long term loans and advances - note 10							
Loans to employees - considered good	2,791,921	-	-	-	-	2,791,921	3,703,800
Loans to students							
- Considered good	32,480,190	3,779,590	4,216,909	-	-	40,476,689	38,371,021
- Considered doubtful	16,708,371	-	-	-	-	16,708,371	14,923,082
- note 13.1	49,188,561	3,779,590	4,216,909	-	-	57,185,060	53,294,103
Less: Provision for doubtful receivables	(16,708,371)	-	-	-	-	(16,708,371)	(14,923,082)
	<u>78,134,641</u>	<u>19,372,484</u>	<u>4,216,909</u>	<u>895,109</u>	<u>48,956,631</u>	<u>151,575,774</u>	<u>97,900,419</u>

		Rupees	
		2012	2011
13.1	Included in the current portion are following installments overdue for payments by students:		
Overdue for a period:			
Not exceeding one year			
		11,346,559	10,677,771
Exceeding one year but not more than five years			
		26,943,865	32,235,685
Exceeding five years			
		9,739,502	2,139,427
		<u>48,029,926</u>	<u>45,052,883</u>

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Project Rupees	2012 Total Rupees	2011 Total Rupees
14. Short term investments							
- Term deposit receipts	39,960,000	38,885,768	-	-	-	78,845,768	35,085,768
- Treasury bills	343,385,456	200,622,039	-	27,093,017	-	571,100,512	-
	<u>383,345,456</u>	<u>239,507,807</u>	<u>-</u>	<u>27,093,017</u>	<u>-</u>	<u>649,946,280</u>	<u>35,085,768</u>

14.1 Included in Term deposits are Rs 30 million (2011: Rs. 30 million) which are under lien against short term running finance facility and Rs. 12 million (2011: Nil) which are under lien against bank guarantee as referred to in note 16 and 21 respectively.

15. Cash and bank balances

Cash in hand	526,495	-	-	-	1,327	527,822	1,112,316
Balances at bank:							
In current accounts	15,246,842	-	-	-	45,323,880	60,570,722	37,994,414
- US\$ 124,865.94 (2011: US\$ 297,939)							
- Pak Rupees 48,833,325 (2011: Pak Rupees 12,416,376)							
In savings accounts	223,400,832	70,868,610	15,458,450	10,877,963	8,512,133	329,117,988	495,586,608
- US\$ 1,226,481.64 (2011: US\$ 74,168.55)							
- Euro 19,475.75 (2011: Euro 2,918.27)							
- JPY 1,008,104.46 (2011: JPY 388)							
- Pak Rupees 210,331,916 (2011: Pak Rupees 488,855,383)							
	<u>239,174,169</u>	<u>70,868,610</u>	<u>15,458,450</u>	<u>10,877,963</u>	<u>53,837,340</u>	<u>390,216,532</u>	<u>534,693,338</u>

15.1 Included in savings accounts are Rs. 8.196 million (2011: Rs. 21.649 million) which are under lien against bank guarantee & letters of credit as referred to in note 21.

16. Short term running finance

Short term running finance available from National Bank of Pakistan under mark up arrangement amounts to Rs 28 million (2011: Rs 28 million). Mark up is charged at the rates ranging from Re 0.4392 to Re 0.3904 per Rs 1,000 per diem or part thereof (2011: Re 0.4449 to Re 0.3389 per Rs 1,000 per diem) on the balance outstanding. The short term facility is secured by lien on TDR amounting to Rs. 30 Million issued in favor of LUMS and surrendered to the bank and on Pakistan investment bonds worth Rs 4 million as referred to in note 14.1 and 9.1 respectively.

16.1 The running finance facility of Rs 28 million is availed for the house building loans and car financing scheme for employees.

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Project Rupees	2012 Total Rupees	2011 Total Rupees
17. Creditors, accrued and other liabilities							
Advance tuition and other fees	396,656,149	-	-	-	-	396,656,149	212,642,925
Creditors	31,214,610	-	-	-	-	31,214,610	31,873,496
Accrued liabilities	35,662,038	-	-	-	4,887,800	40,549,838	28,714,258
Other liabilities	68,024,057	-	-	280,937	5,742,686	74,047,680	83,643,006
	<u>531,556,854</u>	<u>-</u>	<u>-</u>	<u>280,937</u>	<u>10,630,486</u>	<u>542,468,277</u>	<u>356,873,685</u>

18. Due to National Management Foundation

This includes an amount equal to Rs 35 million taken from National Management Foundation under bridge financing arrangement to meet the working capital requirements in the prior year. National Management Foundation had obtained the loan from Askari Bank on behalf of LUMS. The loan carried mark up at the rate of 1% above the rate of profit received by National Management Foundation on its deposits with the bank.

19. Taxation

Pursuant to the rectification carried out by the tax authorities, in respect of tax years 2005 through 2008, the University was held liable to minimum tax under section 113 of the Income Tax Ordinance, 2001 and accordingly management had recognised provision in respect thereof in the prior years. During the current year Appellate Tribunal Inland Revenue, while deciding the cross appeals for the said tax years, endorsed the University's stance on the issue that it is not liable to minimum tax under section 113 of the Income Tax Ordinance, 2001, accordingly the related income tax provision recognised in prior years has been reversed in the current year.

20. This represents the scholarships paid prior to receipt of funds from donors, resulting in utilisation of resources of the current fund. While there is a commitment from donors to pay these amounts the timing and amount of these receipts is not certain. Furthermore, the Guideline does not allow recognition of grants on mere promise alone, hence income cannot be recognized in respect of these amounts till actual receipt of funds, when reasonable assurance is established.

21. Contingencies and commitments

Contingencies

21.1 University has provided bank guarantee of Rs. 18 million (2011: Rs. 18 million) in favor of Sui Northern Gas Pipelines Limited on account of payment of gas dues and bank guarantee of Rs. Nil (2011: Rs 1.340 million) to Collector of Custom on account of Custom Duty and Sales tax on importable items. The guarantee of Rs. 12 million have been secured by lien on TDR and Rs. 6 million have been secured by lien on savings account balance as mentioned in note 13.1 and 14.1, for amount equal to 100% and 110% respectively of the amount of guarantee provided against Sui Northern Gas and 35% against the value of LC.

21.2 Walton cantonment board has levied property tax on buildings under LUMS occupation amounting to Rs. 799.139 million for the period 1993-94 to 2011-12. LUMS has contended the assessment on account of exemption available to it under the cantonment act, 1924 and has filed an appeal before the district judge, session court.

Pending the outcome of the appeal, no provision has been made in these accounts for the demand aggregating to Rs 799.139 million (2011: 725.046 million) since in the management & its legal counsel's view, the outcome of the appeal is expected to be favorable.

Commitments

21.3 Commitments in respect of contracts for capital expenditure amount to Rs 4.561 million (2011: Rs 1.072 million).

22. Endowments - Endowment Fund	2012 Total Rupees	2011 Total Rupees
Suleman Dawood School of Business	89,482,645	80,108,094
School of Humanities, Social Sciences and Law	50,250,000	50,250,000
School of Science and Engineering	120,742,842	100,714,842
National Outreach Program	141,522,964	91,613,540
On Board Endowment - note 22.1	43,450,017	40,598,768
	<u>445,448,468</u>	<u>363,285,244</u>

These represent grants and donations received for the endowment of students of University with the restriction on utilization of original grant. The interest income earned on such endowments is to be used for the benefit of students. These amounts have been included in bank balance of Endowment fund as mentioned in note 15 and balances of long and short term investments of Endowment fund as mentioned in notes 9 and 14 respectively.

22.1 These on board endowments represent grants and donations received for the endowment of the students of University and are kept centralized. Return on these investments can be utilized by any of the three schools of LUMS as required by them with the approval of Board of Trustees.

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23. Direct grants for sponsored project include the grant of USAID for the ASP project amounting to Rs. 124.265 million (2011: Rs. 13.875 million) credited into fund out of which the amount transferred to the income and expenditure account amounts to Rs. 117.416 million (2011: Rs. 13.875 million)

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Project Rupees	2012 Total Rupees	2011 Total Rupees
24. Miscellaneous Income							
Hostel and faculty apartment income	94,113,184	-	-	-	-	94,113,184	73,080,231
Cafeteria income	74,119,379	-	-	-	-	74,119,379	66,575,656
Profit on sale of fixed assets	1,383,058	-	-	-	-	1,383,058	1,350,347
Liabilities written back	4,734,829	-	-	-	-	4,734,829	3,151,351
Other income	135,851,347	-	-	4,726,806	-	140,578,153	95,366,349
	<u>310,201,797</u>	<u>-</u>	<u>-</u>	<u>4,726,806</u>	<u>-</u>	<u>314,928,603</u>	<u>239,523,934</u>

	2012 Total Rupees	2011 Total Rupees
25. Cash and cash equivalents		
Short term running finance - secured	(16,314,797)	(21,781,779)
Cash and bank balances	- note 15	
	<u>390,216,532</u>	<u>534,693,338</u>
	<u>373,901,735</u>	<u>512,911,559</u>

26. Transition to Guideline for Accounting and Financial Reporting by Non-Government Organisations (NGOs) / Non-Profit Organisations (NPOs)

The effect of the University's transition to the Guideline, described in note 2, is summarized in this note as follows:

- i) Reconciliation of fund balance as previously reported under GAAP to the Guideline:
- ii) Reconciliation of surplus of income over expenditure as previously reported under GAAP to the Guideline:

i) Reconciliation of fund balance as previously reported under GAAP to the Guideline:

	Current Fund Rupees	Endowment Fund Rupees	Scholarship Fund Rupees	Chair Fund Rupees	Sponsored Project Rupees	Fixed assets Fund Rupees	2011 Total Rupees
Fund balance as at June 30, 2011 as per GAAP	(95,202,166)	383,159,417	-	33,894,434	71,446,114	494,226,096	887,523,895
Increase in net book value of operating assets and intangible assets - 2010 -note 26.2	-	-	-	-	-	87,451,793	87,451,793
Segregation of endowment and scholarship fund -note 26.1	-	7,101,523	(7,101,523)	-	-	-	-
Increase in net book value of operating assets -note 26.2	-	-	-	-	-	629,783	629,783
Decrease in net book value of intangible assets -note 26.2	-	-	-	-	-	(4,999,378)	(4,999,376)
Fund balance as at June 30, 2011 as reported under Guideline	<u>(95,202,166)</u>	<u>390,260,940</u>	<u>(7,101,523)</u>	<u>33,894,434</u>	<u>71,446,114</u>	<u>577,308,294</u>	<u>970,606,093</u>

i) Reconciliation of surplus of income over expenditure as previously reported under GAAP to the Guideline:

Surplus of income over expenditure as per GAAP	62,351,898	126,786,543	(14,460,328)	6,714,117	8,656,553	(120,331,399)	69,717,384
Depreciation on property, plant and equipment -note 26.1	-	-	-	-	-	629,783	629,783
Amortization on intangible assets -note 26.2	-	-	-	-	-	(4,999,378)	(4,999,378)
Restricted grant -note 26.3	-	(107,069,690)	(6,843,936)	-	(16,571,403)	-	(130,485,029)
Surplus of income over expenditure as reported under Guideline	<u>62,351,898</u>	<u>19,716,853</u>	<u>(21,304,264)</u>	<u>6,714,117</u>	<u>(7,914,850)</u>	<u>(124,700,994)</u>	<u>(65,137,240)</u>

Explanatory notes:

26.1 Under GAAP, the University followed the policy of maintaining only one fund for both scholarships and endowments. According to the Guideline for Accounting and Financial Reporting by NGOs/NPOs, endowments are defined specifically as restricted funds held on trust to be retained as capital funds. The Guideline further states that as a restricted fund, the endowment fund should, in any event, be separately accounted for in the financial statements. Therefore, the University has changed its policy with retrospective effect wherein amounts received for scholarships and endowments are accounted for separately.

26.2 Under GAAP, the University followed the policy of charging full year depreciation on property, plant and equipment and full year amortization on intangible assets in the year of addition while no depreciation / amortization was charged in the year of disposal. According to the Guideline for Accounting and Financial Reporting by NGOs/NPOs, depreciation / amortization is to be charged on a systematic basis over the useful life of the asset. Therefore, the University has changed its policy with retrospective effect wherein depreciation / amortization is charged from the month in which the asset is acquired and no depreciation / amortization is charged in the month of disposal.

26.3 Under GAAP, the University followed the policy of booking grants and donations received for restricted purposes to be recognised as grant income in the income and expenditure account for the year when conditions for its receipt were complied with and there was reasonable assurance that the grant would be received. According to the Guideline for Accounting and Financial Reporting by NGOs/NPOs, such contributions be credited to the restricted fund account. Thereafter, on a systematic basis an amount equivalent to that which has been spent on restricted activities, should be taken to income by debiting the restricted fund account and crediting restricted income account.

27. Remuneration of key management personnel

27.1 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University, directly or indirectly, including any director (whether executive or otherwise). The aggregate amounts charged in the accounts for the year for remuneration, including certain benefits, to the key management personnel of the University is as follows:

	2012 Total Rupees	2011 Total Rupees
Remuneration	6,932,808	7,871,640
Housing rent	3,119,768	3,542,240
Medical expenses	554,623	629,737
Utilities	693,281	787,159
Other allowances	8,696,988	7,585,656
	<u>19,997,468</u>	<u>20,416,432</u>

28. Transactions with related parties

The related parties comprise the associated undertakings, other related parties, key management personnel and post employment benefit plans.

		2012 Total Rupees	2011 Total Rupees
Relationship with the University	Nature and transaction		
Retirement benefit plan	Provident fund contribution	21,773,810	19,303,114
	Nature and balances		
Retirement benefit plan	Provident fund payable	2,925,538	77,633

All transactions with related parties are carried out on commercial terms and conditions.

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29. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. Significant re-arrangements made are as follows:

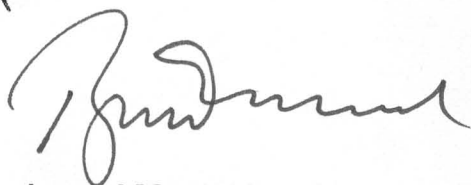
	Rupees
Salaries of research associates reclassified from salaries, wages and amenities to research and case development	19,230,226
Term deposit receipts reclassified from cash and bank balances to short term investment	30,000,000
Project expenses of USAID - ASP reclassified	
from salaries, wages and amenities	5,635,983
from telephone and postage	40,504
from travelling and vehicle running expenses	586,682
from advertisement and open house programme	184,673
from printing stationery and office supplies	117,861
from legal and professional charges	5,801,759
from miscellaneous	1,512,436
from finance cost	10,386
Salaries of security staff reclassified from salaries, wages and amenities to estate management	6,318,010
'Sports and student activities income' previously netted off against 'Sports and student activities expenses', now reclassified under miscellaneous income.	23,791,155

The above figures have been re-arranged as the reclassifications made are considered more appropriate for the purposes of presentation.

30. Date of authorization

These financial statements were authorized for issue on 3rd Dec, 2012 by the board of trustees of the University.

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Member of Managing Committee



Chief Financial Officer