**Notes to the Financial Statements**

**University of Colombo**

1. **Reporting Entity**

University of Colombo has been incorporated under the Universities Act No. 16 of 1978. The main administration is located at the College House, No. 94 Cumaratunge Munidasa Mawatha, Colombo 3. The Financial Statements of the University of Colombo are prepared for the year ending 31stDecember 2014.

1. **Significant Accounting Policies**

**2.1 Basis of preparation**

The Financial Statements of the University of Colombo are prepared under the Historical Cost convention in conformity with Sri Lanka Public Accounting Standards for the accrual basis of accounts. All accounting policies adopted by the University are applied consistently with those of the previous year, where necessary comparative figures have been adjusted to conform to the changes, in presentation of current year figures.

The Financial Statements do not include those of the university students’ societies as it is a separate legal entity over which the university does not exercise control or significant influence over policy design.

**2.2. Going concern**

The Financial Statements have been prepared on a going concern basis.

**2.3 Events after the date of the Statement of Financial Position**

All material events after the date of the Statement of Financial Position are considered and appropriate adjustments or disclosure made in the financial statements where necessary.

University of Colombo receive Rs.123,514 from the Colombo Science & Technology cell as contribution for the period ending 31.12.2013 to 31.03.2014.The University of Colombo not invested funds in the Colombo Science & Technology cell.

 **3. Significant Accounting Policies**

 **3.1 Property, Plant & Equipment**

Lands, Buildings, Laboratory and Teaching Equipment, Fixtures & Fittings, Library Books and Periodicals, Motor Vehicles, Cloaks and Other Assets include the items acquired out of government grant, research grants, internally generated funds, and donations.

 ***a)* Basis of Recognition**

Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the item will flow to the entity and

 the cost of the item can be reliably measured.

Equipments are capitalized on the basis of nature. Equipment is capitalized if it is tangible, has a life of more than one year and has a purchase cost greater than Rs.2,500.00.The life of asset is dependent on its category within 9 categories, ranging from 5 to 20 years.

***b)* Revaluation of the Fixed Assets**

Lands and Buildings of the University of Colombo& Sri Palee Campus were revalued as at 31.12.2013 on the basis of current market value for continuation of existing use where appropriate. Furniture and Office Equipment and Laboratory and Teaching Equipment have been revalued as at 31.12.2009 except Sri Palee Campus. Motor Vehicles of the University of Colombo & Sri Palee Campus were revalued as at 31.12.2010 and 31-12-2013 respectively by the Chief Valuer of the Department of Valuation. Assets revaluation surplus reserve carrying amount is Rs.38.87 Billion as at 31.12.2014 . Deeds are not available for the following lands.

1.College House premises,No.94,Cumarathunga Munidasa Mawatha,Colombo 03.

2.Premises of Faculty of Art & Faculty of Law.

3.Premises of Faculty of Management & Finance & Faculty of Education.

4.Premises of Faculty Science & Play Ground.

5.Bullers Hostel,37/15 Bullers Lane,Colombo 07.

6.Harschandra Flats,7/7 Harschandra Mawatha,Colombo 06.

7.Havelock Hostel,90,Havelock Road,Colombo 05.

8.Kithyakara Hostel,87,Ananda Rajakaruna Mawatha,Colombo 10.

9.Premises of Faculty of Medicine,Norris Canal Road,Colombo 10.

Following buildings were demolished during the year 2014.

1. Old Library Building
2. Lecture Hall – Faculty of Arts
3. Day Care Center Building I & II
4. Lecture Hall – Management Faculty
5. Toilet – Management Faculty

***c)* Subsequent expenditure on existing Fixed Assets**

Expenditure incurred on tangible fixed assets is charged to the Statement of Financial Performance in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalized and depreciate on the relevant basis.

* Market value of fixed assets has subsequently increased.
* Asset capacity increase.
* Sustainable improvement in the quality of output or reduction in operating cost.
* Significant extension of the asset life beyond that confirmed by repair and maintenance.

 ***d)* Depreciation**

Depreciation is recognized in the Statement of Financial Performance on a Straight –Line Method over the estimated useful life of Property, Plant and Equipment items from the date that they were made available for use. Lands are not depreciated. The estimated useful life periods are as follows.

 **Description** **Estimated useful life period**

Buildings 20 years

Furniture &Equipment 10 years

Laboratory and Teaching Equipment 5 years

Fixtures & Fittings 10 years

Library Books and Periodicals 5 years

Motor Vehicles 5 years

Cloaks 5 years

 Other Assets 10 years

 Software Package 5 years

Depreciation is provided from the year of purchase and up to the year of sale based on the period used, with full depreciation being provided in the month of purchase and sale of assets.

 ***e)* Fully Depreciated Assets**

Fully depreciated assets as given below have been included in the carrying amount of Fixed Asset Rs.40,753,201,148. These assets have been used for operating activities of the University during 2014.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|

|  |  |
| --- | --- |
|  **Asset** |  **Rs.** |
| 1. Cloaks | 1,786,399.50 |
| 2. Motor Vehicle | 512,400.00 |
| 3. Telephone System | 8,585,562.50 |
| 4. Library Books | 246,196,775.29 |
| 5. Fixture & Fittings | 4,584,696.03 |
|  **Total** | **261,665,833.32** |

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|  |  |

***f)* Maintenance of Premises**

The University has a maintenance plan which is periodically reviews and forms the basis of the on-going maintenance of the estate. The cost of maintenance is charged to the income and Expenditure Account as incurred.

***g*) Capital Works in Progress**

Capital expenses incurred during the year which are not completed as at the date of the Statement of Financial Position are shown as Capital Work-in-Progress, whilst the capital assets which have been completed during the year

 and put to use have been transferred to Property, Plant and Equipment.

**3.2 Inventories & Stocks**

Inventories are stated at the lower of cost and net realizable value. In general, cost is determined on a first-in-first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

Following categories of stocks have been included in the stock value of the University as at 31.12.2014.

 Rs.

Condemned Items 41,925.00

Non Moving items 158,051.00

Slow Moving Items 127,855.00

 **TOTAL 327,831.00**

**3.3 Current Assets**

Current Assets classified in the Balance Sheet are those which will be recovered within one year after the Statement of Financial Position date.

**3.3.1 Cash in Hand**

Cash & cash equivalents of Rs.131.827,092 include Rs.204,173.50 received on 31-12-2014.Cash in hand has been deposited in the bank on 01-01-2015.

**3.4 Receivables**

A sum of Rs.37,678,761 is due from employees on account of Breach of bonds and agreements as at 31.12.2014.

**3.5 Current Liabilities**

Liabilities classified as Current Liabilities in the Statement of Financial Position are those that fall due for payment within one year from the Statement of Financial Position date. All known liabilities have been accounted for in preparing the Financial Statements.

**3.6 Provision for Gratuity**

Provision has been made in the Financial Statements for retiring gratuities payable under the payment of Gratuity Act No. 12 of 1983, based on the amount payable if all employees retire on the date of the Statement of Financial Position, subject to the assumption that every employee would be entitled to the payment even if any or some of them may not have completed the minimum period of service required to be eligible for the payment under the Act on the date of the Statement of Financial Position.

**3.7 Contingent Liabilities**

No provision has been made in the accounts with regard to liabilities arising out of litigation. The total estimated amount of liabilities as at 31st December 2014 is Rs.8 million.

**3.8 Income and Expenditure**

**3.8.1 Government Grants**

Grants received from the General Treasury of the Government of Sri Lanka, and Tuition Fees received from the foreign and local students are recognized as income in the period in which the related costs are recognized.

Government grants utilized to acquire assets that will be expensed in subsequent period are recognized as deferred income. Government Grants represent by other assets including cash and cash equivalents less liability.

The total Capital Grants received for the year was Rs.628.1M which has been used as follows:

 Rs. (M)

Construction of Buildings 193

Purchase of Books

Laboratory & Teaching 209

Equipment Furniture &

Fittings

Rehabilitation of Buildings 190

Knowledge Enhancement

& Institutional Development 36.1

 **628.1**

**3.8.2 Recognition of Revenue**

1. The Government Recurrent Grants are recognized in the period in which they were received. Undergraduate students Tuition Fees are recognized as revenue only on the receipt of fees.

Non-recurrent grants from government or other bodies receivable in respect of the acquisition or construction of Fixed Assets are treated as deferred Capital grants and amortized in time with depreciation over the life of the assets.

All other income is credited to the Financial statement in the period in which is earned.

(b) Interest income received and receivable for the period is recorded as revenue in the Financial Statements as except for the investment income earned on externally restricted endowments, for which only the amount made available for spending is related as revenue. In the year where the investment income earned is in excess of the amount made available for spending, the excess is recorded as a direct increase in endowments.

(c) Sums of Rs.52,277,544, Rs.4,325,971 and Rs.2,553,751 have been received as interest from investments relating to the University of Colombo Development Fund, Centre for Studies of Human Rights, and National Education Research and Evaluation Centre respectively and they are added to the fund.

(d) The fees on fee-levying courses recognized to the income statement based on the stage of completion of each course as at the end of the year. Lecture fees and payments relating to future periods are shown in the Statement of Financial Position as deferred income.

**3.8.3 Higher Education for the 21st Century (HETC) Grant**

 HETC project has provided funds to increase IT, English and soft skill abilities of under graduate students and also in improvement of research and development of Post Graduate Students.

 Financial contribution of HETC project for the year 2014 is given below. These expenses have not been included in the Financial Statements.

 **Description Rs**

University Development Grant 13,114,194

Quality Improvement Grant W1 11,576,821

Quality Improvement Grant W2 11,976,080

Quality Improvement Grant W3 26,416,414

Quality Improvement Grant W4 5,622,949

External Degree Programme 7,515,852

IDAS Grant (Arts & Sri Palee) 2,070,512

**Total**  **78,292,822**

**3.8.4 Recognition of Expenses**

(a) All expenses incurred in respect of undergraduate education have been charged to the government recurrent grant.

(b)All expenditure incurred in the acquisition, or improvement of assets of a permanent nature in order to carry on or increase the learning capacity of the students has been treated as capital expenditure.

(c) Expenses are recognized in the income statement on the basis of direct association between cost incurred in the running of the University and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the surplus/deficit for the year.

**3.9 Liquidity Position Rs.**

|  |  |  |
| --- | --- | --- |
|  | Cash & Bank Balance | 131,805,220 |
|  | Stocks | 14,876,031 |
|  | Debtors | 241,713,803 |
|  | Creditors | (435,872,626) |
|  | **Working Capital**  | **(47,477,572)** |

**3.10 Foreign Currencies**

Transactions denominated in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Bank balances in foreign currencies are converted at the rate of exchange ruling at the date of Statement of Financial Position. All differences are taken to the Income Statement for the year.

**3.11 Cash Flow Statement**

The Cash Flow Statement has been prepared using the indirect method.