



RAHUL SOMYA & COMPANY

Chartered Accountants

To

The Director

Prestige Institute of Management and Research

Gwalior (M.P.)

In accordance with the request forwarded by the administration of "**Prestige Institute of Management and Research, Gwalior (M.P.)**" regarding the query raised by the **Appellate Authority** of NAAC (National Assessment and accreditation Council) in the appeal as follow:

"HEI is requested to kindly note that the data for this metric to be calculated excluding salary component, depreciation and excess of income over expenditure from the total expenditure given in audited statements, year-wise for the last five years. Please relook and provide the correct data."

We have been asked to verify and certify and give suggestions point-wise on above query as raised by the Appellate Authority of NAAC.

We hereby clarify and certify –

That the Higher Education Institution (HEI), *Prestige Institute of Management and Research, Gwalior, Madhya Pradesh*, has submitted the total expenditure figures **excluding salary component, depreciation, and excess of income over expenditure**, for the last five financial years, as follows:

(Rs. in Lakhs)

Financial Year	2022–2023	2021–2022	2020–2021	2019–2020	2018–2019
HEI Input	₹514.71	₹379.93	₹311.02	₹450.03	₹403.06
DVV	₹914.71	₹779.93	₹711.02	₹650.03	₹603.06

We further certify that the **variation in the reported expenditure** between the HEI input and the DVV-recommended figures is due to the **appropriation of profit** (i.e., the exclusion of excess of income over expenditure), which has now been accurately presented in **Annexure-1**.

The principle that "**appropriation of surplus is not an expenditure**" has been established through several judicial decisions, especially in the context of **income tax law** and **company law** in India. This principle generally arises in cases dealing with **taxable income, reserves, and profit distribution**. Here are some key **decided case laws** that support or elaborate on this doctrine:

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S.No.	Case Name	Decision
1	CIT v. Indian Bank Ltd. (1965) 56 ITR 77 (SC) Court: Supreme Court of India	The Supreme Court held that appropriation of profit after the profit has been earned cannot be treated as an expenditure . <ul style="list-style-type: none"> The bank had set aside an amount to a reserve fund after profits were determined. The Court ruled that such appropriation was not deductible as expenditure under Section 10(2)(xv) of the Income-tax Act, 1922.
2	CIT v. Mysore Sugar Co. Ltd. (1962) 46 ITR 649 (SC) Court: Supreme Court of India	Held that amounts set aside for reserves or for specific purposes out of profits already earned are not expenditure .

3	Poona Electric Supply Co. Ltd. v. CIT (1965) 57 ITR 521 (SC) Court: Supreme Court of India	This case involved a company governed by statutory provisions that required appropriation of surplus for consumer benefit. <ul style="list-style-type: none"> The Supreme Court held that such appropriation was not an expenditure, but a statutory allocation of surplus, and hence not deductible.
4	CIT v. P.K. Badiani (1970) 76 ITR 369 (SC) Ratio:	The court reiterated that real expenditure must involve a liability actually existing at the time of the expenditure, not one that is discretionary or dependent on appropriation decisions.
5	CIT v. Malayalam Plantations Ltd. (1964) 53 ITR 140 (SC)	Distinguished between real business expenditure and application of income . <ul style="list-style-type: none"> Held that spending out of profits already earned for non-business purposes is not an allowable business expenditure.



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Moreover, some Indian Laws that permits or regulates the transfer of Surplus to reserves are as under:

S.No.	Law/Act Name	Section which permits Surplus transfer to reserves
1.	Companies Act, 2013	Section 123(1)
2.	Banking Regulation Act, 1949	Section 17(1)
3.	Insurance Act, 1938	Section 13 and related regulations


In accordance with the above judgements, it is much clear that **Expenditure** involves an **outgo or obligation** incurred in the **course of business operations**. **Appropriation of surplus** (like transferring profits to a reserve) occurs **after profits are earned**, and is not a charge against profit, but an **application of income**.

Thanking You.

For Rahul Somya & Company
Chartered Accountants

Rahul Jain
Membership No.: 419667
UDIN: 25419667BMOYBR8197




Director
Prestige Institute of Management
& Research, Gwalior (M.P.)

Date: 05.04.2025
Place: Gwalior

Enclosure: Annexure-I (showing Appropriation of Income)

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PRESTIGE INSTITUTE OF MANAGEMENT AND RESEARCH, GWALIOR					
INCOME & EXPENDITURE ACCOUNT					
ANNEXURE-1					
PARTICULARS	2022-23	2021-22	2020-21	2019-20	2018-19
<u>INCOME</u>					
FEES AND OTHER RECEIPTS	211360595.00	191979144.10	179124770.15	160131744.00	138187310.00
MISCELLANEOUS & OTHER INCOME	14140689.67	12049670.10	6468329.02	5035047.00	2370836.00
TOTAL INCOME	225501284.67	204028814.20	185593099.17	165166791.00	140558146.00
<u>EXPENDITURE</u>					
PERSONNEL EXPENDITURE	68465969.00	62060035.00	48479607.00	44870569.90	40315699.00
FINANCE COST	29559.52	30562.42	0.00	0.00	0.00
OFFICE & STABLISHMENT EXP.	38454360.90	28376883.30	24850348.49	36971842.45	34059268.94
EXAMINATION EXPENDITURE	6759071.83	4126412.00	2288215.00	2608165.14	1628176.00
HOSTEL EXPENSES	6228352.82	5459286.10	3963681.00	5422887.00	4618522.00
DEPRICIATION	15800613.00	13980933.00	12080253.00	12974991.00	11033035.00
TOTAL EXPENDITURE	135737927.07	114034111.82	91662104.49	102848455.49	91654700.94
<u>APPROPRIATION OF FUND/TRANSFER TO RESERVE</u>					
DEVL/ MODERNIZATION FUND	40000000.00	40000000.00	40000000.00	20000000.00	20000000.00
SURPLUS OF INCOME OVER EXPENDITURE	49763357.60	49994702.38	53930994.68	42318335.51	28903445.06
ADD(LESS) PAST YEAR ADJUSTMENT	-211310	-310253	-188362	-459384.32	-99983
GROSS TOTAL	49552047.60	49684449.38	53742632.68	41858951.19	28803462.06

(Signature)

Director
Prestige Institute of Managemen
& Research, Gwalior (M.P.)

