



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," regarding DVV deviations reported by NACC for the following:

(Rs. In Lakhs)

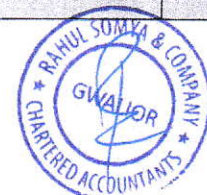
Fiscal Year	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
HEI INPUT	514.71345	379.93143	311.02244	450.02894	403.05966
DVV INPUT (Recommended)	914.71	779.93	711.02	650.03	603.06

We have been asked to verify the expenditures related to Total Expenditure excluding salary, depreciation, and surplus of income over expenditure.

As per the documentation and information provided to us, we hereby offer explanations pertaining to the Total Expenditure excluding Depreciation, Personnel Expenditure, and Excess of Income over Expenditure over the past five fiscal years, namely from 2018-19 to 2022-23.

The Total Expenditure for each respective fiscal year has been computed subsequent to the deduction of salary, depreciation, and surplus of income over expenditure, delineated as follows: -

Particulars	2022-23	2021-22	2020-21	2019-20	2018-19
Total Expenditure	175737927.07	154034111.82	131662104.49	122848455.49	111654700.94
Less: Depreciation	15800613.00	13980933.00	12080253.00	12974991.00	11033035.00
Less: Salary	68465969.00	62060035.00	48479607.00	44870569.90	40315699.00
Less: Development & Modernisation Fund	40000000.00	40000000.00	40000000.00	20000000.00	20000000.00
NET TOTAL EXPENDITURE	51471345.07	37993143.82	31102244.49	45002894.59	40305966.94



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Note: The sum transferred to the Development & Modernization Fund represents a transfer from profits rather than an actual expenditure. Typically, any surplus profit is allocated to the Reserve and Surplus category to fulfill potential future organizational needs. The sum of Rs. 400.00 lakhs represents a profit appropriation rather than an expense, reflected as an entry in the Income and Expenditure Account of the respective fiscal years, and depicted under the Reserve & Surplus section of the Balance Sheet as the Development & Modernization Fund (Refer to Schedule B of the Balance Sheet for the respective years).

Moreover, **Section 37 of The Income Tax Act, 1961** stipulates that any expenditure (excluding capital expenditure or personal expenses of the assessee) incurred **wholly and exclusively** for the **purposes of the business or profession** shall be permissible in computing the income subject to taxation under the head "profits and gains of business or profession (PGBP)."

For an expense to qualify for allowance under the head "PGBP", it must meet the following **cumulative conditions**:

- It is not an expenditure of the nature delineated u/s **30 to 36 of The Income Tax Act, 1961**
- It is not in the nature of Capital Expenditure
- It is not in the nature of Personal Expense
- It is laid out or expended wholly and exclusively for the purposes of the business or profession.

Business Expenditure must be incurred "wholly and exclusively" for business to qualify as an allowance, while a Business Loss, to qualify, must be of a Non-capital Nature and not only connected with the trade but also incidental to the trade itself [*CIT v. J. K. Cotton Spinning & Weaving Mills Co. Ltd. [1980] 4 Taxman 1/123 ITR 911 (All.)*].

In the case of *M. P. Financial Corporation v. CIT* [[1986] 26 Taxman 42/[1987] 165 ITR 765 (MP)], it has been observed that the term "expenditure" may, under specific circumstances, encompass:

- an amount that essentially represents a loss;
- even if that amount has not gone out of assessee's pocket.

i.e. to say the phrase 'any expenditure' within Section 37 of the Income Tax Act is interpreted to include both:

1. expenses incurred and
2. amount classified as losses.



even if such amount has not gone out of assessee's pocket.

Therefore, in accordance with the aforementioned provision of The Income Tax Act, 1961, the sum transferred to the Development & Modernization Fund under the Reserve & Surplus head of Rs. 400 lakhs signify an amount of capital nature and is not eligible to be classified as an Expenditure under any circumstances.

We believe that the elucidations provided herein, adequately meets the administration's request and effectively address any queries or uncertainties that may have arisen. We are assured that the information provided, will facilitate improved comprehension. Your attention to this matter is greatly appreciated.

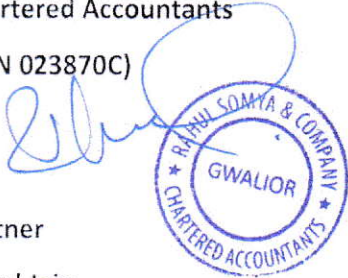
Thanking You

Yours Truly

For Rahul Somya and Company

Chartered Accountants

(FRN 023870C)



Partner

Rahul Jain

M.No. 419667

UDIN : 24419667BKBUEA8217

Date : 10.06.2024

Place: Gwalior