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GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI
DIRECTORATE OF EDUCATION
(PRIVATE SCHOOL BRANCH)
OLD SECRETARIAT, DELHI-110054

No. F. DE. .01 (001)/PSB/2023-24/1-6 **Dated:** 06/03/2024

Order

WHEREAS, Modern Convent School (School ID - 1821190), Sector-IV, Dwarka, New Delhi - 110075 (hereinafter referred to as **"the School"),** run by the Modern Charitable Foundation (hereinafter referred to as **"Society"),** is a private unaided school recognized by the Directorate of Education, Govt. of NCT of Delhi (hereinafter referred to as **"DoE"),** under the provisions of **Delhi** School Education Act & Rules, 1973 (hereinafter referred to as **"DSEAR, 1973").** The school is statutorily bound to comply with the provisions of the DSEAR, 1973 and RTE Act, 2009, as well as the directions/guidelines issued by the DoE from time to time.

WHEREAS every school is required to file a full statement of fees every year before the ensuing academic session under section 17(3) of the Delhi School Education Act, 1973 (hereinafter read as ***'the Act')*** with the Director. Such statement will indicate estimated income of the school derived from fees, estimated current operational expenses towards salaries and allowances payable to employees etc. in terms of Rule 177(1) of the Delhi School Education Rules, 1973 (hereinafter read as ***'the Rules').***

AND WHEREAS, as per section 18(5) of the Act read with section 17(3), 24 (1) of the Act and Rule 180 (3) of the DSEA & R, 1973, responsibility has been conferred upon the Director (Education) to examine the audited financial, account and other records maintained by the school at least once in each financial year. The Section 18(5) and Section 24(1) of the Act and Rule 180 (3) have been reproduced as under:

Section 18(5): *'the managing committee of every recognised private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed'*

Section 24(1): *'every recognised school shall be inspected at least once in each financial year in such manner as may be prescribed'*

Rule 180 (3): *'the account and other records maintained by an unaided private school shall be subject to examination by the auditors and inspecting officers authorised by the Director in this behalf and also by officers authorised by the Comptroller and Auditor-General of India. '*

Thus, the Director (Education) has the authority to examine the full statement of fees filled under section 17(3) of the DSEA, 1973 and returns and documents submitted under section 18(5) of DSEA, 1973 read with rule 180 (1) of DSER, 1973

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AND WHEREAS, besides the above, the Director (Education) is also required to examine and evaluate the fee hike proposal submitted by the private unaided recognized schools which have been allotted land by the DDA/ other land-owning agencies with the condition in their allotment to seek prior approval from Director (Education) before any increase in fee.

AND WHEREAS, besides the above, the Hon'ble Supreme Court in the judgment dated 27.04.2004 passed in Civil Appeal No. 2699 of 2001 titled Modern School Vs. Union of India and others has conclusively decided that under section 17(3), 18(4) read along with rule 172, 173, 175 and 177 of the Rules, Directorate of Education has the authority to regulate the fee and other charges to prevent the profiteering and commercialization of education.

AND WHEREAS, it was also directed by the Hon'ble Supreme Court to the Director of Education in the aforesaid matter titled Modern School Vs. Union of India and others in Para 27 and 28 in case of Private unaided Schools situated on the land allotted by DDA at concessional rates that:

"27 (c) It shall be the duty of the Director of Education to ascertain whether terms of allotment of land by the Government to the schools have been complied with ...

28. We are directing the Director of Education to look into the letters of allotment issued by the Government and ascertain whether they (terms and conditions of land allotment) have been complied with by the schools.....

.....If in a given case, Director finds non-compliance of above terms, the Director shall take appropriate steps in this regard."

AND WHEREAS, the Hon'ble High Court of Delhi vide its judgement dated 19.01.2016 in writ petition No. 4109/2013 in the matter of Justice for All versus Govt. of NCT of Delhi and others has reiterated the aforesaid directions of the Hon'ble Supreme Court and has directed the Director of Education to ensure the compliance of term, if any, in the letter of allotment regarding the increase of the fee by all the recognized unaided schools which are allotted land by DDA/ land owing agencies.

AND WHEREAS, accordingly, the DoE vide Order No. DE.-15(40)/PSB/2023/1964-1972 dated 01.03.2023, directed all the private unaided recognized schools, running on the land allotted by DDA/other land-owning agencies at concessional rates or otherwise, with the condition to seek prior approval of DoE for increase in fee, to submit their proposals, if any, for prior sanction, for increase in fee for the academic session 2023-24.

AND WHEREAS, in pursuance to Order dated 01.03.2023 of the DoE, the School submitted its proposal for enhancement of fee for the academic session 2023-24. Accordingly, this Order dispenses the proposal for enhancement of fee submitted by school for the academic session 2023-24.

AND WHEREAS, in order to ensure that the proposals submitted by the schools for fee increase are justified or not, this Directorate has deployed teams of Chartered Accountants at HQ level who has evaluated the fee increase proposals of the school very carefully in accordance with

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the provisions of the DSEA, 1973, the DSER, 1973 and other orders/ circulars issued from time to time by DoE.

AND WHEREAS, in the process of examination of the fee hike proposal filed by the aforesaid school, necessary records and explanations were also called from the school through an initial email dated 20.02.2024. The school was also provided an opportunity to be heard on 26.02.2024 to present its justifications/clarifications on the fee increase proposal. Based on the discussion with the school during a personal hearing, the school was further asked to submit the necessary documents/clarification on various issues noted. and an email in this regard was sent to the school on 26.02.2024. In the aforesaid personal hearing, compliance of order No. F. DE 15/(1109)/PSB/2022/415-420 dated 16.01.2023 issued for FY 2022-23 were also discussed with the school and the school's submissions were taken on record.

AND WHEREAS, on receipt of clarification as well as documents uploaded on the web portal for the fee hike post personal hearing, the fee hike proposal was evaluated by the team of Chartered Accountants and the key suggestions noted for improvement by the school are hereunder:

A. Financial Suggestions for Improvement

1. Clause No. 2 of Public Notice dated 04.05.1997 states *"It is the responsibility of the society who has established the school to raise such funds from their own sources or donations from the other associations because the immovable property of the school becomes the sole property of the society"*. Additionally, Hon'ble High Court of Delhi in its judgement dated 30.10.1998 titled Delhi Abibhavak Mahasangh concluded states *"The tuition fee cannot be fixed to recover capital expenditure to be incurred on the properties of the society."* Also, Clause (vii) (c) of Order No. F.DE/15/Act/21Q243/KKK/ 883-1982 dated 10.02.2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

   Rule 177 of DSER, 1973 states *"Income derived by an unaided recognized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances and other benefits admissible to the employees of the school. Provided that, savings, if any, from the fees collected by such school may be utilized by its management committee for meeting capital or contingent expenditure of the school, or for one or more of the following educational purposes, namely award of scholarships to students, establishment of any other recognized school, or assisting any other school or educational institution, not being a college, under the management of the same society or trust by which the first mentioned school is run. Further, the aforesaid savings shall be arrived at after providing for the following, namely:*

   a) Pension, gratuity and other specified retirement and other benefits admissible to the employees of the school.

   b) The needed expansion of the school or any expenditure of a developmental nature.

   c) The expansion of the school building or for the expansion or construction of any building or establishment of hostel or expansion of hostel accommodation.

   d) Co-curricular activities of the students.

   e) Reasonable reserve fund, not being less than ten percent, of such savings.

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Clause 7.24 of Duggal committee report states "school should be prohibited from discharging any of the functions, which rightly fall in the domain of the society out of the fees and other charges collected from the students; or where the parents are made to bear, even in part, the financial burden for the creation of facilities including building, *on a land which had been given to the society at concessional rates for carrying out a "philanthropic activity. One only wonders what then is the contribution of the society that professes to run the school".*

The DOE vide Order No. 15/ (434)/PSB/2022/2062-2066 dated 21.04.2022 issued to the school post evaluation of fees hike proposal for academic session FY 2019-20, noted that school had incurred INR 5,46,54,829 from FY 2013-14 to 2016-17 for construction of school building.

It was also noted that the school incurred additional capital expenditure on construction of school building for 1NR 2,12,78,615 and INR 54,68, 674 in the FY 2017-18 and 2018-19. The school incurred the aforesaid expenditure without complying with the requirement of Rule 177 of DSER, 1973. Accordingly, the school was directed to recover INR 8,14,02,118 (INR 5,46,54,829 plus INR 2,12,78,615 plus INR 54,68, 674) from society which is still pending for recovery.

The representation submitted by the school against Order No. 15/(434)/PSB/2022/2062-2066 dated 21.04.2022 issued to the school post evaluation of fee hike proposal for FY 2019-20 were taken on record. The school submitted that *"the expenditure incurred on building (capitalized as building earlier) have now being regrouped as fixtures, being of such a nature".*

On review of the representation submitted by the school, it appears that the school does not understand the requirement of Rule 177 of DSER, 1973. Rule 177 (1) of DSER, 1973 clearly states that *"Income derived by an unaided utilized school by way of fees shall be utilized in the first instance, for meeting the pay, allowances, and other benefits admissible to the employees of the school."* Thus, the school can incur the capital expenditure if there is saving deriving in the manner specified under Rule 177 of DSER, 1973. However, from the record submitted by the school, it was noted that the school is yet to implement the recommendation of 7th CPC and has to invest an amount in plan assets towards payment of gratuity and leave encashment. The school instead of implementing the recommendation of 7th CPC and investment of an amount in plan asset for payment of statutory dues payable to the employee opted to incur capital expenditure on construction of school building and when it was caught by the department. The school in order to escape itself from the recovery, has changed its instance by mentioning that the above expenditure was related to the fixture and not for the construction of the school building. This clearly indicates that the school, first of all want to exhaust its funds on the construction activities instead of paying salary to the teachers and then submit a fee hike proposal to DoE on the ground that it does not have sufficient funds to pay salary to its teachers which is nothing, but a kind of measure taken by the school to get the fee hike from the department at any cost.

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It was also noted that in the fee hike order No. F. DE 15/(1109)/PSB/2022/415-420 dated 16.01.2023 FY2022-23 apart from the above expenditure, recovery of the school incurred INR 40,09,103 in FY 2019-20, INR 1,07,20,535 in FY 2020-21 and INR 28,31,471 in FY 2021-22 towards staircase, solar panel, toilet block and finishing and furnishing thereof which is also part of the school building. However, this time the school has capitalized these expenditures under different heads just to escape itself that it was not related to building and therefore, nothing is recoverable from the society. However, the other facts are remained same that all these expenditures incurred by the school without complying with the provisions of Rule 177 of the DSER, 1973.

Accordingly, the total expenditure incurred by the school amounting to INR 9,89,63,227 related to construction of the school building is recoverable from the society and therefore, it has been included while deriving the fund position of the school and the school may hereby be directed to recover the same from society within 30 days from the date of issue of this order. Non-compliance with this direction by the school necessary action against the school shall be taken in accordance with section 24 of the DSEA, 1973.

2. Clause (vii) (c) of Order No. F.DE/15/Act/21Q243/KKK/ 883-1982 dated 10.02.2005 issued by this Directorate states *"Capital expenditure cannot constitute a component of the financial fee structure."*

As per Section 18(4) of DSEA,1973 states *"Income derived by unaided school by way of fees shall be utilized only for such educational purpose as may be prescribed".*

And Rule 176 of the DSER, 1973 states *"Income derived from collections for specific purposes shall be spent only for such purpose."*

The DOE vide Order No. 15/ (434)/PSB/2022/2062-2066 dated 21.04.2022 issued to the school post evaluation of fees hike proposal for academic session FY 2019-20, noted that school had purchased a car and two buses out the school funds and by taking a loan from the banks. Accordingly, the school was directed to recover INR 50,78,921 from the society to the extent of school funds used by the school for repayment of loan and payment of interest thereon till the FY 2017-18.

But the school instead of recovering the aforesaid amount from the society, incurred additional expenditure for purchase of two more buses by taking fresh loan and five buses from the school funds in FY 2017-18 and three buses in FY 2018-19. In order to purchase these buses, the school had paid INR 1,01,12,568 out the school funds towards down payment.

The school further paid INR 54,31,115 towards principal repayment and INR 1,82,518 towards interest thereon during the FY 2017-18 & 2018-19. Accordingly, the school was directed to recover INR 2,08,05,122 *(INR 50,78,921 plus INR 1,01,12,568 plus INR 54,31,115 plus INR 1,82,518)* from the society which is still pending for recovery.

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The school instead of complying with the previous direction of the department, purchased two new buses by taking the loans from Axis Bank and two buses from the school funds. The school paid total amount of INR 30,14,314 for purchase of the above buses. It has also been noted that the school has used the school funds of INR 82,01,923 towards repayment of aforesaid loans and interest costs thereon from FY 2019-20 to FY 2021-22.

The submitted its representation against the fee hike order of FY 2019-20. The school submitted that *"the capital expenditure on vehicle loan repayments have been funded out of the transport fees collected and incurred the capital expenditure as per the legal framework of rule 177 of DSER, 1973."*

The representation submitted by the school cannot be relied upon given the facts that the transportation facility is supported by earmarked levies, it must be run on a no-profit, no-loss basis. Further, as per Rule 177 of DSER, 1973, the school funds should be utilized for payment of the salary and salary related cost at first instances and if there is any saving the same can be utilized for meeting capital and other contingent expenditure of the school. Therefore, the school cannot shift the financial burden of purchase of buses on other who is not availing such facility.

It is also important to mention here that the school has not implemented the recommendation of 7th CPC until now. The school instead of implementing the recommendation of 7th CPC opted to incurred capital expenditure such as construction of school building and purchase of the bus etc. with clear intention to exhaust school funds first and then submit the fee hike proposal by claiming that the school does not have sufficient funds to pay salary to its staff in accordance with the recommendation of 7th CPC. Therefore, the total capital expenditure of INR 3,17,80,680 incurred by the school for purchase of buses out the school is hereby recoverable from the society and accordingly, it has been included while deriving the fund position of the school and the school may hereby be directed to recover this amount from society within 30 days from the date of issue this order.

3. Clause 14 of this Directorate's Order No.F.DE/15 (56)/Act/2009/778 dated 11.02.2009 states *"Development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, up gradation and replacement of furniture, fixtures and equipment. Development Fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made from this fund, will be kept in a separately maintained Development fund Account."*

Para 99 of Guidance Note-21 *'Accounting by school'* issued by the Institute of Chartered Accountants of India (ICAI), relating to restricted fund, *"Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund*

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account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year".

Based on the above-mentioned provisions, upon utilization of development funds, the school needs to create the *'Development Fund Utilisation Account' (or by any other name),* which may be treated as deferred income. And this deferred income should be written off in proportion to the depreciation charged to the revenue account. By following the aforesaid accounting treatment specified in Para 99 of GN-21, the depreciation reserve fund would be mere an accounting head, and school need not the require creation of equivalent investments against the depreciation reserve.

The documents submitted by the school were taken on record, from review of the documents submitted by the school, it has been noted that the school has not been following Para 99 of the GN-21 cited above. Because upon incurrence of the capital expenditure out of the development fund, the school has not created deferred income and has not transferred any amount from deferred income to the credit of income and expenditure account. Thus, correct accounting entry is not being followed by the school.

Therefore, the development fund balance to the extent of amount kept in the form of FDR/ Bank has been considered while deriving the fund position of the school. The school may hereby be directed to follow correct accounting with respect to collection and utilisation of development fund/ fee.

4. Para 7.14 of AS-15 *"Employee Benefit"* issued by the Institute of Chartered Accountants of India (ICAI) states 'Plan Assets as:

   a. assets held by a long-term employee benefit fund; and

   b. qualifying insurance policies."

Further, the Para 57 of the AS-15 states *"an enterprise should determine the present value of defined benefit obligations and the fair value any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date."*

A review of the audited financial statements of FY 2022-23 revealed that the school has recorded a liability for retirement benefits of INR 9,87,42,086 in accordance with the actuarial report obtained by the school from the actuary and invested INR 36,68,523 with LIC against that. Since, investment with LIC qualifies as plan asset with the meaning of AS-15. Therefore, the amount deposited by the school in plan assets has been considered while deriving the fund position of the school and the school may hereby be directed to invest the remaining amount in the plan assets.

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B. Other Suggestions for Improvement

1 Clause 22 of Order No. F.DE /15(56)/ Act/2009/778 dated 1.02.2009 states "Earmarked levies will be calculated and collected on 'no profit no loss' basis and spent only for the purpose for which they are being charged. "

Clause 6 of Order No. DE 15/ Act/ Duggal.Com /203 /99 /23033-23980 dated 15.12.1999 states "Earmarked levies shall be charged from the user student only."

Rule 176 states "Collections for specific purposes to be spent for that purpose ' of the DSER, 1973 states "Income derived from collections for specific purposes shall be spent only for such purpose."

Earmarked levies collected from students are form of restricted funds, which, according to Guidance Note-21 'Accounting by Schools' issued by the Institute of Chartered Accountants of India, are required to be credited to a separate fund account when the amount is received and reflected separately in the Balance Sheet.

Further, the Guidance Note-21 lays down the concept of fund-based accounting for restricted funds, whereby upon incurrence of expenditure, the same is charged to the Income and Expenditure Account and a corresponding amount is transferred from the concerned restricted fund account to the credit of the Income and Expenditure Account.

From the information provided by the school post personal hearing, it has been noted that school charges earmarked levies but has not maintained fund-based accounting.

In light of the directive, the school is hereby instructed to adhere to the principles of fund-based accounting for earmarked levies, as outlined in the Guidance Note-21 framework of fund-based accounting.

2. From a review of documents submitted by the school post personal hearing, the following has been noted with respect to the Fixed Asset Register (FAR) maintained by the school:

- No tagging of the assets has been done in Fixed Assets Register (FAR) and location is not identified due to which assets could not be physically verified.
- Depreciation for the individual assets is not recorded in the FAR, only cost of the assets is available in the FAR and WDV of the assets is not available.
- Invoice number, manufacturer's serial number and location of the asset is not mentioned in the fixed assets register.

Therefore, the School may hereby be directed to prepare a FAR, which should include details such as asset description, purchase date, supplier name, invoice number, manufacturer's serial number, location, purchase cost, other costs incurred, depreciation, asset identification number, etc. to facilitate identification of asset and documenting complete details of assets at one place. The school may hereby be directed to comply with the directions for preparing FAR with relevant details mentioned above according to the process for periodic physical verification of assets and

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documenting the results of physical verification of assets. The same shall be verified at the time of evaluation of the fee hike proposal for subsequent years. This being a procedural finding, no financial impact is warranted on the fund position of the school.

a. Fund Position of the School

i. The total estimated funds available for the FY 2023-24 amount to **INR 26,07,62,038** out of which cash outflow for the FY 2023-24 is estimated to be **INR 27,18,60,600**. This results in an estimated deficit of **INR 1,10,98,562** for the FY 2023-24. The details calculation is provided below:

Particulars	Amount (INR)
Cash and Bank balances as on 31.03.2023 as per Audited Financial Statement of FY 2022-23 **(Refer Note No. 1 Below)**	-
Investments as on 31.03.2023 as per Audited Financial Statement of FY 2022-23 **(Refer Note No. 2 Below)**	46,64,227
Liquid fund as on 31.03.2023	**46,64,227**
Add: Recovery from society towards construction of building **(Refer Financial Suggestion No. 1)**	9,89,63,227
Add: Recovery from society towards purchase of bus **(Refer Financial Suggestion No. 2)**	3,17,80,680
Add: Fees for FY 2022-23 as per Audited Financial Statements **(Refer Note No. 3 Below)**	13,34,10,696
Total available funds for FY 2023-24	**26,88,18,830**
Less: Student Security Deposit as per Audited Financial Statements of FY 2022-23	-
Less: Investment made with LIC against provision made for retirement benefits **(Refer Financial Suggestion No. 4)**	36,68,523
Less Depreciation reserve fund as on 31.03.2023 **(Refer Note No. 4 Below)**	-
Less: Society Receipts against Recovery in FY2022-23 **(Refer Note No. 5 Below)**	43,88,269
Estimated Available Funds for FY 2023-24	**26,07,62,038**
Less: Budgeted Expenditure as provided by the school **(Refer Note No. 6 and 7 Below)**	24,22,41,761
Less: Salary Arrears **(Refer Note 8 Below)**	2,96,18,839
Estimated Surplus/(Deficit)	**(1,10,98,562)**

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Note 1: While assessing the proposal for a fee increase, the department takes into account the amount of liquid funds necessary for the school to ensure smooth operation during a specific session without sacrificing educational quality. Consequently, when determining the school's financial position in the absence of a positive cash and bank balance, the cyclic nature of cash and bank balances is presumed, and thus disregarded in the calculation of the department's estimated available funds.

Note 2: The detail of fixed deposit held by the school as per the audited financial statements of FY is provided below:

S. No	Particulars	Amount INR	Remarks
1	LIC Investment	36,68,523	Considered separately.
2	Reserve Fund Investment	9,95,704	Part of the funds position as it is available with the school for utilization
	Total	**46,64,227**	

Note 3: Upon reviewing the audited financial statements of FY 2022-23 and considering additional information provided by the school, it has been observed that the school generated an annual fee income of Rs 13,34,10,696 for FY 2022-23. It is assumed that the school will maintain at least this level of fee income for FY 2023-24.

Note 4: As per the Duggal Committee report, there are four categories of fees that can be charged by a private unaided School. The first category of fee comprised of *"Registration fee and all one Time Charges'* levied at the time of admissions such as admission and caution money. The second category of fee comprises *'Tuition Fee'* which is to be fixed to cover the standard cost of the establishment and to cover the expenditure of revenue nature for the improvement of curricular facilities like library, laboratories, science, and computer fee up to class X and examination fee. The third category of the fee should consist of *Annual Charges'* to cover all expenditure not included in the second category and the fourth category consist of all *'Earmarked Levies'* for the services rendered by the school and be recovered only from the 'User' students. These charges are transport fee, swimming pool charges, Horse riding, tennis, midday meals etc. This recommendation has been considered by the Directorate while issuing order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and order No. F.DE. /15(56)/Act/2009/778 dated 11.02.2009.

The purpose of each head of the fee has been defined and it is nowhere defined the usage of development fee or any other head of fee for investments against depreciation reserve fund.

Further, Clause 7 of order No. DE.15/Act/Duggal.com/203/99/23033-23980 dated 15.12.1999 and clause 14 of the order no F.DE./15(56)/Act/2009/778 dated 11.02.2009, *"development fee, not exceeding 15% of the total annual tuition fee may be charged for supplementing the resources for purchase, upgradation and replacement of furniture, fixture and equipment. Development fee, if required to be charged, shall be treated as capital receipt and shall be collected only if the school is*

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maintaining a Depreciation Reserve Fund, equivalent to the depreciation charged in the revenue accounts and the collection under this head along with and income generated from the investment made out of this fund will be kept in a separately maintained Development Fund Account". Thus, the above direction provides for:

- Not to charge development fee for more than 15% of tuition fee.
- Development fee will be used for purchase, up gradation and replacement of furniture, fixtures, and equipment.
- Development fee will be treated as capital receipts.
- Depreciation reserve fund is to be maintained.

Thus, the creation of the depreciation reserve fund is a pre-condition for charging of development fee, as per above provisions and the decision of Hon'ble Supreme court in the case of Modern School Vs Union of India & Ors.: 2004(5) SCC 583. Even the Clause 7 of the above direction does not require to maintain any investments against depreciation reserve fund. Also, as per Para 99 of Guidance Note-21 *'Accounting by School'* issued by the Institute of Chartered Accountants of India states "Where the fund is meant for meeting capital expenditure, upon incurrence of the expenditure, the relevant asset account is debited which is depreciated as per the recommendations contained in this Guidance Note. Thereafter, the concerned restricted fund account is treated as deferred income, to the extent of the cost of the asset, and is transferred to the credit of the income and expenditure account in proportion to the depreciation charged every year."

Accordingly, the depreciation reserve (that is to be created equivalent to the depreciation charged in the revenue account) is mere of an accounting head for the appropriate accounting treatment of depreciation in the books of account of the school in accordance with Guidance Note -21 issued by the Institute of Chartered Accountants of India. Thus, there is no financial impact of depreciation reserve on the fund position of the School. Accordingly, the depreciation reserve fund has not been considered while deriving the fund position of the school.

Note 5 The school's response to Order No. F. DE 15/(1109)/PSB/2022/415-420 dated 16.01.2023, issued subsequent to the evaluation of the fee hike proposal for the fiscal year 2022-23, has been duly noted. The school reported recoveries of Rs 43,88,269 in FY 2022-23 and Rs 89,000,000 in FY 2023-24 from the society. The recovery from the society in FY 2022-23 has been accounted for in calculating the school's fund position.

Note 6:: Given the school's proposal of a significantly higher expenditure—amounting to a 236% increase compared to the audited expenses of FY2022-23—without providing a satisfactory explanation, it's imperative to limit this expenditure. Therefore, it will be restricted to a budgeted amount reflecting a specific % increase over the actual expenses incurred by the school in FY2022-23, with consideration for an inflation rate as per the RBI.

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Particulars	Amount (In INR)	Remarks
Total Expenditures as per Audited Financials Statement of FY 2022-23	17,32,18,020	The budgeted expenditure for the upcoming fiscal year reflects a close alignment with the actual expenses incurred by the school in FY 2022-23. This alignment takes into consideration various factors such as the expected increase in vendor fees and the regular audit of school accounts, alongside the costs associated with advertising for the recruitment of new teachers. Additionally, provisions have been made for expenses related to the planned appointment of a team of doctors to conduct full-body checkups for students. Compliance with CBSE affiliation rules is integral, necessitating the allocation of resources toward capacity-building programs for teachers. Furthermore, the budget accounts for expenditures aimed at encouraging student scholarship initiatives and fulfilling statutory obligations, such as providing books, stationery, and uniforms to economically weaker section (EWS) students. Through this comprehensive approach, the budget ensures prudent financial management while catering to the diverse needs of the school community.
Less: Salary Teaching & Non-teaching as per Audited Financials Statement of FY 2022-23	11,90,43,476	
Add: Salary expenses as per 7 CPC for FY 2022-23	12,96,90,170	
Total Expenditures (Including 7 CPC Salary for FY2022-23)	18,38,64,714	
Budgeted increase in Expenditure and CPI inflation per annum for FY 2023-24	5,83,77,047	
Budgeted Expenditure for FY2023-24	**24,22,41,761**	

Note 7: While evaluating the fee hike proposal, department considers that how much liquid funds would require the school for a particular session for smooth operation without compromising with the quality of education. Thus, while deriving the fund position of the school all legitimate expenditures revenue as well as capital in accordance with the provisions DESAR, 1973 and pronouncement of Courts judgment have been considered. Therefore, balance of the other current assets other and current liabilities has not been considered. Because it is clear that the current assets, loans and advances and current liabilities are cyclic in nature and the same have already been

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considered in the form of budgeted income and expenditure of the school.. Thus, current assets, loans and advances and current liabilities will always reflect in the financial statements at the end of the financial year.

Note 8: Salary Arrears of 7th CPC of INR 2,96,18,839 for FY 2022-23 as submitted by the school has been considered while deriving the fund position. Salary Arrears of 7th CPC of INR 5,24,52,963 for FY 2020-21 and 2021-22 as submitted by the school was already considered while deriving the fund position of Last Fee increase proposal and order No. F. DE 15/(1109)/PSB/2022/415-420 dated 16.01.2023

ii. In view of the above examination, it is evident that the school does not have adequate funds for meeting all the operational expenditures for the FY 2023-24. In this regard, the directions issued by the Directorate of Education vide circular no. 1978 dated 16.04.2010 states that,

"All Schools must, first of all, explore and exhaust the possibility of utilising the existing funds/ reserves to meet any shortfall in payment of salary and allowances, as a consequence of increase in the salary and allowance of the employees. A part of the reserve fund which has not been utilised for years together may also be used to meet the shortfall before proposing a fee increase."

AND WHEREAS, in the light of above evaluation which is based on the provisions of DSEA, 1973,DSER, 1973, guidelines, orders and circulars issued from time to time by this Directorate, it was recommended by the team of Chartered Accountants along with certain financial suggestions that were identified (appropriate financial impact has been taken on the fund position of the school) and certain procedural suggestions which were also noted (appropriate instructions against which have been given in this order), that the sufficient funds are not available with the School to carry out its operations for the academic session 2023-24. Accordingly, the fee increase proposal of the school may be accepted.

AND WHEREAS, it is noticed that the school has incurred INR 13,07,43,907 in contravention to the provisions of DSEAR, 1973 and other orders issued by the departments from time to time. Therefore, the school is directed to recover the aforesaid amount from society/ management. The receipts along with copy of bank statements showing receipt of the above-mentioned amount should be submitted with DoE, in compliance of the same, within 30 days from the date of issue of this order. Non-compliance with this direction shall be viewed seriously as per the provision of DSEAR, 1973 without providing any further opportunity of being heard.

AND WHEREAS, considering the financial situation and existing deficiencies and keeping in view that salary and other employee's benefits can be paid to the teachers and staff smoothly, the fee hike is allowed to the school with the suggestions for improvement. The school is hereby further directed that the additional income received on account of increase fee should be utilized at first instance only for payment of salary and salary arrears and submit the compliance report within 30 days from the date of issue of this order.

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AND WHEREAS, it is relevant to mention charging of any arrears on account of fee for several months from the parents is not advisable, not only because of the additional sudden burden fall upon the parents/students but also as per the past experience, the benefit of such collected arrears is not passed to the teachers and staff in most of the cases as was observed by the Justice Anil Dev Singh Committee (JADSC) during the implementation of the 6th CPC. Keeping this in view, and exercising the powers conferred under Rule 43 of DSER, 1973, the Director (Education) has accepted the proposal submitted by the school and allowed an increase in fee excluding for earmarked levies by 8% to be effective from 01 April 2024.

AND WHEREAS, recommendation of the team of Chartered Accountants along with relevant materials were put before the Director of Education for consideration and who after considering all the material on the record, and after considering the provisions of section 17 (3), 18(5), 24(1) of the DSEA, 1973 read with Rules 172, 173, 175 and 177 of the DSER, 1973 has found that funds are not available with the school for meeting financial implication for the academic session 2023-24. Hence, for smooth payment of salaries and other employee's benefit, the fee hike is required to the School

AND WHEREAS, the school is directed, henceforth to take necessary corrective steps on the financial and other suggestion noted during the above evaluation process and submit the compliance report within 30 days from the date of issue of this order to the D.D.E (PSB)

Accordingly, it is hereby conveyed that the proposal for fee hike of Modern Convent School (School ID - 1821190), Sector-IV, Dwarka, New Delhi - 110075 filled by the school in response to the Order No. DE.-15(40)/PSB/2023/1964-1972 dated 01.03.2023 for the academic session 2023-24, , is accepted by the Director (Education) with the above conclusion and suggestions and the school is hereby allowed to increase the fee excluding for earmarked levies by 8% to be effective from 1 April, 2024.

Further, the management of said School is hereby directed under section 24(3) of DSEAR 1973 to comply with the following directions:

1. To increase the fee only by the prescribed percentage from the specified date.

2. To ensure payment of salary is made in accordance with the provision of Section 10(1) of the DSEA, 1973. Further, the scarcity of funds cannot be the reason for non-payment of salary and other benefits admissible to the teachers/ staffs in accordance with section 10 (1) of the DSEA, 1973. Therefore, the Society running the school must ensure payment to teachers/ staffs accordingly.

3. To utilize the fee collected from students in accordance with the provisions of Rule 177 of the DSER, 1973 and orders and directions issued by this Directorate from time to time.

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Non-compliance of this order or any direction herein shall be viewed seriously and will be dealt with in accordance with the provisions of section 24(4) of Delhi School Education Act, 1973 and Delhi School Education Rules, 1973.

This is issued with the prior approval of the Competent Authority.

Patil Pranjal LahenSingh
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi

To

The Manager/ HoS

Modern Convent School (School ID - 1821190), Sector-IV, Dwarka, New Delhi - 110075

No. F.DE.01(001)/PSB/2023-24/1-6 Dated: 06/03/2024

Copy to:

1. P.S. to Principal Secretary (Education), Directorate of Education, GNCT of Delhi.
2. P.S. to Director (Education), Directorate of Education, GNCT of Delhi.
3. DDE (South West B) ensure the compliance of the above order by the school management.
4. DE's nominee concerned.
5. In-charge (I.T Cell) with the request to upload on the website of this Directorate.
6. Guard file.

Patil Pranjal LahenSingh
Additional Director of Education
(Private School Branch)
Directorate of Education, GNCT of Delhi