GURU AND ASSOCIATES

Chartered Accountants

Ward No. 11, Babarmahal, Kathmandu, Nepal

Tel: +977-9868200880/9825689508 | PAN: 625015467 | Firm Registration No.: 1318

CA Guru Prasad Pokhrel • CA Mohan Budhathoki

Partners

Independent Auditor's Report

To the Members of,
Aasha Kiran Kendra
Birgunj, Parsa, Nepal

Report on the Audit of Financial Statements of Fiscal Year 2082/083

1. Opinion

We have audited the financial statements of **Aasha Kiran Kendra** (hereinafter referred as the Organization) which comprises Statement of Financial Position as at Ashad 32, 2083 (Corresponding to 16th July, 2026), Statement of Cash Flows, Statement of Changes in Equity for the year ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Organization's financial statements give a true and fair view of the financial position of the Organization as at Ashad 32, 2083 (Corresponding to 16 July, 2026), and its cash flows for the year then ended in accordance with Nepal Accounting Standards For NPO's.

2. Basis for Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSA). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the Handbook of The Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements issued by The Institute of Chartered Accountants of Nepal (ICAN). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Key Audit Matters

Key audit matters ('KAM') are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the financial year ended Ashad 32, 2083. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We haven't noticed any such type of matters.

4. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with NASs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

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In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Organization's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern.

- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

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Chartered Accountant

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6. Report on Other Legal and Regulatory Requirements

As required, we also report:

i. We have obtained all information and explanations, which to the best of our knowledge and belief, are necessary for the purpose of our audit.

ii. Proper books of account as required have been properly maintained by the Organization in a manner to reflect the real affairs of its business.

iii. The Organization's financial statements along with significant accounting policies and explanatory notes have been prepared from the books of accounts maintained by the Organization and are in agreement with the same. As well as it is prepared on the basis of Nepal Accounting Standards issued by Accounting Standard Board of Nepal.

iv. The accounting fraud or any misappropriation has not been noticed by us during the course of our audit.

UDIN: 260910CA02718NtMmz

On & behalf of,

Guru & Associates
Reg No. 1318
Chartered Accountant

CA Mohan Budhathoki
Partner
For & On Behalf of
Guru & Associates
Chartered Accountants

Place: Kathmandu
Date: 2083.05.25

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Aasha Kiran Kendra
Birgunj, Parsa, Nepal
Statement of Financial Position
As at 32 Ashadh 2083 (16 July 2026)

Particulars	Notes	Current Year (NPR)	Previous Year (NPR)
ASSETS			
Non - Current Assets			
Property Plant and Equipment	4.1	1,030,696.66	815,613.63
Total Non - Current Assets		1,030,696.66	815,613.63
Current Assets			
Deposits	4.2	2,000,000.00	-
Receivable from Donor	4.3	-	-
Cash and Cash Equivalents	4.4	932,579.51	2,442,874.08
Total Current Assets		2,932,579.51	2,442,874.08
TOTAL ASSETS		3,963,276.17	3,258,487.71
LIABILITIES & RESERVES			
Accumulated Reserves			
Operational Fund	4.5	3,929,483.16	3,228,294.24
Restricted Funds	4.6	-	-
Other Capital Reserves	4.6.1	-	-
Total Accumulated Reserves		3,929,483.16	3,228,294.24
Non - Current Liabilities			
Donor Fund - Fixed Assets Balance	4.1	-	-
Total Non - Current Liabilities		-	-
Current Liabilities			
Accounts Payable	4.7	33,793.00	30,193.46
Total Current Liabilities		33,793.00	30,193.46
Total Liabilities		33,793.00	30,193.46
TOTAL LIABILITIES AND RESERVES		3,963,276.17	3,258,487.71

Significant Accounting Policies and Notes to Account form integral part of Statement of Financial Position

As per our report of even date

AASHA KIRAN KENDRA BIRGUNJ-44, PARSA, NEPAL

Treasurer Chairperson

Guru & Associates Reg No.1318 Chartered Accountant

CA Mohan Budhathoki
Partner
For & On Behalf Of
Guru & Associates
Chartered Accountants

Location: Birgunj
Date : 2083.05.25

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Aasha Kiran Kendra
Birgunj, Parsa, Nepal
Statement of Income and Expenditure
For the Year Ended 32 Ashadh 2083

Particulars	Notes	Current Year (NPR)	Previous Year (NPR)
INCOME			
Annual program Income	4.8	52,200.00	1,116,990.00
Other Income	4.8	2,903,964.54	2,981,690.54
Other Income		2,956,164.54	4,098,680.54
EXPENDITURE			
Expenses	4.9	156,695.00	-
General Administrative Expenses	4.9	1,875,550.54	2,430,753.92
Depreciation (Granted Assets)		222,730.08	230,537.88
TOTAL EXPENDITURE		2,254,975.62	2,661,291.80
Net surplus/(deficit) before Taxation		701,188.92	1,437,388.74
Income Tax Expenses	4.10	-	-
SURPLUS/(DEFICIT) FOR THE YEAR		701,188.92	1,437,388.74

Significant Accounting Policies and Notes to Account form integral part of Statement of Income and Expenditure

As per our report of even date

Treasurer

Chairperson

CA Mohan Budhathoki
Partner
For & On Behalf Of
Guru & Associates
Chartered Accountants

Location: Birgunj
Date : 2083.05.25

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Aasha Kiran Kendra
Birgunj, Parsa, Nepal
Statement Of Cash Flows
For the Year Ended 32 Ashadh 2083

Particular	Current Year (NPR)	Previous Year (NPR)
Cash Flows From Operating Activities		
Surplus/ (Deficit) For The Year (Before Tax)	701,188.92	1,437,388.74
Adjustments to Reconcile Surplus/(Deficit) to Net Cash Flows: Non-Cash Items:		
Depreciation and Impairment of Property, Plant and Equipment	222,730.08	230,537.88
Deferred Revenue		-
Working Capital Adjustments:		
Increase/ (Decrease) in Accounts Receivable	(2,000,000.00)	-
Increase/ (Decrease) in Accounts Payable	3,599.54	(320,394.54)
Restricted Funds		-
Net Cash From/(Used In) Operating Activities	(1,072,481.46)	1,347,532.08
Cash Flows From Investing Activities		
Purchase of Property Plant and Equipment	(437,813.11)	**(44,850.00)**
Net Cash From/(Used In) Investing Activities	(437,813.11)	(44,850.00)
Cash Flows From Financing Activities		
Increase/(Decrease) in Fund Balance	-	-
Unrestricted excluding surplus/(deficit) during the year		-
Increase/(Decrease) inDonor Fund - Fixed Assets Balance	-	-
Net Cash From/(Used In) Financing Activities	-	-
Net Increase/(Decrease) In Cash And Cash Equivalents	(1,510,294.57)	1,302,682.08
Cash And Cash Equivalents at the Beginning of the Period	2,442,874.08	1,140,192.00
Cash And Cash Equivalentsat the End of the Period	932,579.51	2,442,874.08

Significant Accounting Policies and Notes to Account form integral part of Statement of Cash Flows

As per our report of even date

Treasurer

AASHA KIRAN KENDRA
BIRGUNJ-16, PARSA, NEPAL

Chairperson

Guru & Associates
Reg No.1318
Chartered Accountant

CA Mohan Budhathoki
Partner
For & On Behalf Of
Guru & Associates
Chartered Accountants

Location: Birgunj
Date : 2083.05.25

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Aasha Kiran Kendra
Birgunj, Parsa, Nepal
Statement Of Changes In Reserves
For the Year Ended 32 Ashadh 2083

Particulars	Restricted Reserves	Operational Fund	Other Capital Reserve	Result for the Year	Total
Balance as at 16th July, 2024 (31 Ashadh, 2081)	1,595,770.00	672,717.00	-	(477,581.50)	1,790,905.50
Result for the Year	-			-	-
Addition/(Utilization) in Restricted Reserves	(1,595,770.00)	1,595,770.00			-
Allocation of results to Unrestricted Reserves		-	-		-
Addition/(Utilization) in Capital Reserves				1,437,388.74	1,437,388.74
Balance as at 15th July, 2025 (32 Ashadh, 2082)	-	2,268,487.00	-	959,807.24	3,228,294.24
Result for the Year	-			-	-
Addition/(Utilization) in Restricted Reserves	-				-
Allocation of results to Unrestricted Reserves		-	-	701,188.92	701,188.92
Addition/(Utilization) in Capital Reserves					-
Balance as at 15th July, 2026 (32 Ashadh, 2083)	-	2,268,487.00	-	1,660,996.16	3,929,483.16

As per our report of even date

Treasurer

AASHA KIRAN KENDRA
BIRGUNJ-16, PARSA, NEPAL

Chairperson

Guru & Associates * Reg No.1318 * Chartered Accountant

CA Mohan Budhathoki
Partner
For & On Behalf Of
Guru & Associates
Chartered Accountants

Location: Birgunj
Date : 2083.05.25

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Notes to Financial Statement
Aasha Kiran Kendra
Birgunj, Parsa, Nepal
For the Year Ended 32 Ashadh 2083

4.2 Accounts Receivables

Particulars	Current Year (NPR)	Previous Year (NPR)
Deposits (Asset)	2,000,000.00	-
Loans and Advance		-
Total	2,000,000.00	-

4.3 Receivable from Donor

Particulars	Current Year (NPR)	Previous Year (NPR)
		-
Balance at the Beginning of the Year	-	
Transfer from Restricted Fund	-	-
Balance at the end of Year	-	-
Total	-	-

4.4 Cash and Cash Equivalents

Particulars	Current Year (NPR)	Previous Year (NPR)
Bank Balance	894,687.60	2,442,874.08
Cash Balance	37,892.00	-
Total	932,579.51	2,442,874.08

4.5 Operational Funds

Particulars	Current Year (NPR)	Previous Year (NPR)
Balance at the Beginning of the Year	3,228,294.24	195,135.50
Unrestricted Surplus/(Deficit) in Operating Activities	701,188.92	1,437,388.74
Transfer from Restricted Fund	-	1,595,770.00
Total	3,929,483.16	3,228,294.24

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BIRGUNJ-11, PARSA, NEPAL

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Particulars	Current Year (NPR)	Previous Year (NPR)

4.6 Restricted Funds

Particulars	Current Year (NPR)	Previous Year (NPR)
Balance at the Beginning of the Year	-	-
Additional Funds Received During The Year	-	-
Transfer to Unrestricted Funds (Transferred to Statement of Income & Expenditure	-	-
Transfer to Donor Receivable	-	-
Balance at the end of Year	-	-
Total	-	-

4.7 Accounts Payable

Particulars	Current Year (NPR)	Previous Year (NPR)
Audit Fee Payable	22,300.00	19,700.00
TDS on Audit Fee	300.00	300.00
SST Payable	11,193.00	10,193.46
Total	33,793.00	30,193.46

4.6. Other Capital Reserve

Particulars	Current Year (NPR)	Previous Year (NPR)
Opening fund Balance	-	-
Addition during the year		-
Depriciation/Amortization for the year		-
Surplus/deficit for the year	-	-
Balance at the end of Year	-	-
Total	-	-

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4.8 Incoming Resources

Particulars	Current Year (NPR)	Previous Year (NPR)
Annual Program Income		
Annual Program Sponsorship	-	529,990.00
Ticket Sale For Event	-	587,000.00
Project Diya Sales	52,200.00	-
Total Annual Program Income	52,200.00	1,116,990.00
Income		
Life Membership Fee	500,000.00	595,000.00
Youth Membership Fee	20,000.00	-
Lunch Sponser	110,000.00	60,700.00
Annual Student Sponser	1,780,000.00	985,000.00
Other Donation	284,500.00	840,211.96
Donation By Quest Pharmacuticals Pvt. Ltd.	-	144,000.00
Interest Income	24,207.53	44,926.58
Other Income (Payable Written Off)	-	311,852.00
Digital Souvenir - Advertisement	183,992.00	-
Accident Recovery (Van)	1,120.00	-
Discount	145.01	-
Sub-Total Income	2,903,964.54	2,981,690.54
Total	2,956,164.54	4,098,680.54

4.9 Program Expenses

Particulars	Current Year (NPR)	Previous Year (NPR)
Diya Purchase Expenses	52,105.00	-
Annual Program Expenses	104,590.00	
Total	156,695.00	-

4.9.1. General Administrative Expenses

Particulars	Current Year (NPR)	Previous Year (NPR)
Salary Expenses	1,141,939.00	1,019,346.17
Van Fuel Expenses	-	151,128.00
Annual Function and Charity Dinner Expenses	-	641,095.00
Van Repair and Maintenance	243,658.00	29,450.00
Van Tax and Insurance Expenses	-	38,130.00
School Maintainance Expenses	-	56,635.00
Audit Fee	22,600.00	20,000.00
Office Expenses	35,275.00	98,610.75
Old Outstanding Electricity Bill	-	167,660.00
Electricity Expenses	16,922.00	4,015.00
School Renovation Expenses	-	204,684.00
Food Commodity Purchase	82,180.00	9,285.00
Repairing & Maintenance Exp.	25,340.00	-

AASHA KIRAN KENDRA
BHOJPUR-44, PARSA, NEPAL

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Particulars	Current Year (NPR)	Previous Year (NPR)
Fine (SST)	306.54	-
Fine - TDS (Salary)	1,412.00	-
Videography Expenses	10,000.00	-
Bank Charges	25.00	-
Communication Exp.	5,200.00	-
Medical Camp Expenses	57,318.00	-
Accident Compensation Exp.	229,375.00	-
Loading Expenses	4,000.00	
Total	1,875,550.54	2,430,753.92

4.10 Income Tax Expenses

Particulars	Current Year (NPR)	Previous Year (NPR)
Provision for Income Tax	-	-
Total	-	-

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BIRGUNJ-16, PARSA, NEPAL

Guru & Associates
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Chartered Accountant

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Notes to Financial Statement
Aasha Kiran Kendra
Birgunj, Parsa, Nepal
For the Year Ended 32 Ashadh 2083

4.1 Property Plant and Equipment

Particulars			Gross Block			Depreciation			Net Block
	Depreciation Rate	Opening Balance As on 1st Shrawan 2082	Additions during the Year	Adjustment during the Year	As on Ashadh 32, 2083 (16 July 2026)	Adjustments	During the Year	As on Ashadh 32, 2082 (16 July 2026)	As on Ashadh 32, 2083 (16 July 2026)
Granted Assets									
Land	0%	-			-		-	-	-
Building	5%	-	329,133.01	-	329,133.01		16,456.65	16,456.65	312,676.36
Furniture & Fixture	25%	149,183.44	108,680.10	-	257,863.54		64,465.89	64,465.89	193,397.66
Computer & Office Equipment	25%	170,430.19			170,430.19		42,607.55	42,607.55	127,822.64
Vehicle	20%	496,000.00			496,000.00		99,200.00	99,200.00	396,800.00
Other Assets	15%	-	-		-		-	-	-
Project Equipments	15%	-	-		-		-	-	-
Sub-Total Granted Assets		**815,613.63**	**437,813.11**	**-**	**1,253,426.74**	**-**	**222,730.08**	**222,730.08**	**1,030,696.66**
Total		815,613.63	437,813.11	-	1,253,426.74	-	222,730.08	222,730.08	1,030,696.66

AASHA KIRAN KENDRA
BIRGUNJ-9, PARSA, NEPAL

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(Established under the Nepal Chartered Accountants Act, 1997)

UDIN Document

Fiscal Year: 2082/83

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Document Type: Audit	**Audit Type:** Statutory Audit
Office Type: NPOs	**Office Name:** AASHA KIRAN KENDRA
Type of Audit Opinion: Unqualified Opinion	
Client PAN: 608967307	

Financial figures

S.N.	Heading	Value
1	Total Assets/Liabilities	NRs. 3,963,276.17
2	Gross Revenue / Turnover	NRs. 2,956,164.54
3	Gross Expenses	NRs. 2,254,975.62
4	Net Profit or Loss	NRs. 701,188.92

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Significant Accounting Policies and Notes to Accounts

1. General Information

Aasha Kiran Kendra is a non-governmental not-for-profit organization registered in the District Administration Office and Social Welfare Council. Its registered office is in Birgunj, Nepal, as its principal place of activities.

Except for certain activities that will conclude upon the realization of their relevant activities in accordance with the relevant terms of reference, the financial statements have been prepared on a going concern basis.

2. Significant Accounting Policies

2.1 Basis of Preparation and Accounting Policies

2.1.1 Statement of Compliance

The Statement of Financial Position, Statement of Income & Expenditure, Statement of Changes in Reserves, Statement of Cash Flows together with the Accounting Policies and Notes to the Financial Statements are prepared as at 32nd Ashadh, 2083.

2.1.2 Basis of Measurement

The financial statements have been prepared using the historical cost convention or at fair value wherever specifically disclosed.

2.1.3 Significant Accounting Policies and Disclosures

The preparation of the financial statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the accounting policies.

Management makes certain estimates and assumptions regarding future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed where applicable.

2.1.4 Functional and Presentation Currency

The financial statements are prepared in Nepalese Rupees (NPR), which is the Organization's functional currency. All financial information presented in Nepalese Rupees has been rounded to the nearest rupee, unless otherwise indicated.

2.2 Accounting Policies

The accounting policies have been consistently applied, unless otherwise stated, and are consistent with those used in previous years.

AASHA KIRAN KENDRA
BIRGUNJ-16, PARSA, NEPAL

Guru & Associates
Reg.No. 1318
Chartered Accountant

2.2.1 Impairment of Non-Financial Assets (Excluding Inventories)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.

Impairment charges are included in profit or loss.

2.2.2 Foreign Currency

Transactions entered into by the Organization in a currency other than the currency of the primary economic environment in which it operates (the functional currency being NPR) are recorded at the exchange rates prevailing at the date of the transaction.

Foreign currency monetary assets and liabilities are translated at the rates prevailing at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or loss.

2.2.3 Property, Plant and Equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes the purchase price and other directly attributable costs.

Subsequently, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

2.2.4 Depreciation

Depreciation is provided on all Property, Plant and Equipment, except land, using the straight-line method. Depreciation is calculated on the cost of assets less any residual value over their estimated useful lives.

The annual rates of depreciation currently being used by the Organization based on useful life and residual/terminal value are as follows:

- Furniture's & Fixtures – 25%
- Office Equipment's- 25%

2.2.5 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization, except for assets with indefinite useful lives. Internally generated intangible assets are not capitalized; expenditure is therefore reflected in the Statement of Income & Expenditure in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortized over their useful economic life. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Accordingly, straight-line amortization over the useful life is carried out.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

AASHA KIRAN KENDRA
BIRGUNJ-14, PARSA, NEPAL

Gupta & Associates
Reg No. 1318
Chartered Accountant

value is recognized as income in the same period as the cost of the asset is charged to the Statement of Income & Expenditure.

At the end of the project, where there is a certain fair value remaining in such assets charged to the Statement of Income & Expenditure, the same will be recognized as Capital Reserve at fair value with a corresponding value of PPE. Each year over its useful life, the depreciation will be charged to Capital Reserve with a corresponding credit to related PPE.

2.2.15 Trade and Other Payables

Trade and other payables are stated at their cost.

2.2.17 Accounting for the Receipt and Utilization of Funds/Reserves

Reserves

Reserves are classified as either restricted or unrestricted reserves.

a. Unrestricted Reserves/Funds/Accumulated Surplus

Unrestricted funds are those that are available for use by the Organization at the discretion of the Board, in furtherance of the general objectives of the Organization and which are not designated for any specific purpose.

Surplus funds are transferred from restricted funds to unrestricted funds in terms of the relevant Donor Agreements or with the prior approval of the Donor.

b. Designated Reserves/Funds

Unrestricted funds designated by the Board for a specific purpose are identified as designated funds. The activities for which these funds may be used are identified in the financial statements. Where grants are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the Statement of Income & Expenditure to match with expenses incurred in respect of that identified project.

Unutilized funds are held in their respective fund accounts and included under accumulated funds in the Statement of Financial Position until such time as they are required.

Funds collected through a fundraising activity for any specific or defined purpose are also included under this category. Where approved grant expenditure exceeds the income received and there is certainty that the balance will be received, such amount is recognized through Debtors in the Statement of Financial Position.

c. Restricted Fund

The activities for which these restricted funds may be used are identified in the notes to the financial statements under Restricted Reserves/Funds. Such restricted funds may include conditions for refund should there be a balance of funds at the end of the project.

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Chartered Accountant

AASHA KIRAN KENDRA
BIRGUNJ-14, PARSA, NEPAL

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2.2.18 Grants and Subsidies

Grants and subsidies are recognized in the financial statements at their fair value. When the grant or subsidy relates to an expense, it is recognized as deferred income necessary to match it with the costs over the accounting years which it is intended to compensate for on a systematic basis.

Grants and subsidies in the form of Property, Plant and Equipment (Fixed Assets) are generally shown as deferred income in the Statement of Financial Position and credited to the Statement of Income & Expenditure over the useful life of the asset by the amount of depreciation, with a corresponding debit to deferred income over more than one accounting period.

In the case of grants received to fund an entire project or activity, which includes the purchase of an asset, and the cost of such asset is charged with the project costs to the Statement of Financial Performance, the grant value is recognized as income in the same period as the cost of the asset is charged to the Statement of Income & Expenditure.

At the end of the project, when there is a certain fair value remaining of such assets charged to the Statement of Income & Expenditure, the same will be recognized as Capital Reserve at fair value with corresponding value of PPE. Each year over its useful life, the depreciation will be charged to Capital Reserve with a corresponding credit to related PPE.

2.2.19 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Organization. It may also be a present obligation that arises from past events but in respect of which an outflow of economic benefit is not probable or which cannot be measured with sufficient reliability.

Such contingent liabilities are disclosed under Notes to Accounts. For certain operational claims reported as contingent liabilities, it may not be practical to disclose detailed information on their corresponding nature and uncertainties.

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2.2.6 Cash and Cash Equivalents

The Organization considers and classifies cash in hand, amounts due from banks and short-term deposits with an original maturity of three months or less under the category of "Cash and Cash Equivalents". Bank borrowings that are repayable on demand and form an integral part of the Organization's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

2.2.7 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the price at which inventories can reasonably be expected to be sold in the market place, less any estimated costs necessary to make the sale. The cost is determined on a First-In First-Out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Items donated for distribution or resale are not included in the financial statements until such time they are distributed or resold.

2.2.9 Provisions

A provision is recognized in the Statement of Financial Position when the Organization has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation, and the obligation can be measured reliably.

2.2.10 Employee Benefits Liabilities

The Organization's obligation in respect of the defined future benefit plans is calculated separately for each benefit plan by estimating the number of future benefits that employees have earned in the current and prior periods. The calculation of the defined benefit obligations is performed annually. Gratuity, medical facilities and accumulated leave provision have been provided as per Bye Laws, assuming that all the staff will be retired at the reporting date.

2.2.11 Loans and Borrowings and Account Payables

Loans and Borrowings and Accounts Payables are stated at their cost.

2.2.12 Taxation

The Organization has got tax-exempted status from Inland Revenue Department and accordingly no provision for tax has been made.

2.2.14 Grants and Subsidies

Grants and subsidies are recognized in the financial statements at their fair value. When the grant or subsidy relates to an expense, it is recognized as deferred income necessary to match it with the costs over the accounting years, which it is intended to compensate for on a systematic basis.

Grants and subsidies in the form of Property, Plant and Equipment (Fixed Assets) are generally shown as deferred income in the Statement of Financial Position and credited to the Statement of Income & Expenditure over the useful life of the asset by the amount of depreciation, with a corresponding debit to deferred income over more than one accounting period.

In the case of grants received to fund an entire project or activity, which includes the purchase of an asset, and where the cost of such asset is charged with the project costs to the Statement of Financial Performance, the grant

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