

CIRCULAR No. 230

SUBJECT- Scrutiny of Accounting Returns and Balance Sheet.

While scrutinising applications under Section 36A(3) of the Bombay Public Trusts Act, 1950 cases were observed where in liabilities of Educational Institutions were more than their assets. For example, in one case from Poona Region, it is observed that there were about 800 depositors and the deposits accepted by the trust were ranging from Rs.100 to 2.5 lakhs. Amount of total Rs.38 lakhs deposits received by the trust was to the tune of Rs.35 lakhs and the actual liabilities of the trust were much more than its assets. The Institution was thus on the brink of insolvency.

It may be the case that while scrutinizing the accounting returns in the Regional Offices, scrutiny of accounting returns is done from the contribution Point of view only and more stress is laid on the assessment of contribution and thereby thorough scrutiny of Balance Sheet is neglected. Unless the Balance Sheet is scrutinized properly true financial position of a trust will not be revealed. Proper scrutiny of Balance Sheet will also reveal contravention of any provisions of the Act and existence of surplus if any.

All the Regional Officers are therefore requested to ensure that proper scrutiny of Balance Sheet and Income and Expenditure account of Public trust is made so as to find out whether the trust has incurred heavy liability as compared with its assets; whether sanction of the Charity Commissioner under Sections 35]36]36A(3) etc. of the Bombay Public Trust Act 1950 is obtained for investment, sale, loan etc. as reflected in the Balance Sheet. They are also requested to examine the Balance Sheets of educational societies and Medical Institutions and report such cases to this office where the Institutions are on the brink of insolvency. As the additional staff in accounts section of Regional Officers is provided, scrutiny of accounting returns of the above lines should invariably be made.

The above instructions should be followed scrupulously.

Receipt of this Circular should be acknowledged.

G.S.PANDE,

Dated 20th February 1980

Charity Commissioner, Bombay