



# Retained Earnings

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## 1. Purpose

The purpose of this policy is to set out principles and requirements for the usage of operating surpluses or retained earnings generated by colleges/sections designed to encourage innovation and revenue generation. It provides guidelines for the treatment and usage of accumulated operating surpluses for colleges/sections.

## 2. Objective

This policy applies to the all-revenue-generating units except where noted otherwise in the policy.

## 3. Definitions

"University" means the Fiji National University

"Operating Cost" - Cost that can be clearly associated with specific activities of the section.

"Overhead Cost"- Cost which benefits more than one function of the University but is not charged directly to that function.

"Operating Surplus" - Is the excess of revenue over expenditure at any given period, including a percentage of overhead cost recovery charge.

## 4. Policy

4.1. The FNU council sets an annual operating surplus target as part of its budget process. The college/sections must generate an operating surplus that is not less than the agreed operating surplus targets set for the University from time to time. The generation of operating surplus is important to enable the section to re-invest for its future and strategic objectives.

4.2. All retained earnings of the sections (after paying off all operating costs and overhead) will be maintained and can be re-invested by sections. This is designed to encourage revenue generation and innovation.

4.3. Sections are expected to generate surpluses in order to invest in capex, which is to be in line with the strategic priorities of the university. Sections cannot use this for personnel or non-personnel (operating) expenses.

4.4. Colleges/sections can purchase capex within a year from which the operating surplus was earned and will not be carried forward.

4.5. The use of retained earnings will be endorsed by the respective SLT member responsible for the college/section and approved by the Chief Financial Officer.

4.6. The Chief Financial Officer may disapprove/discontinue the usage of the retained earnings due to the cash-flow situation of the university.



## **5. Roles and Responsibilities**

- 5.1. The Chief Financial Officer has the authority to approve the purchase of capital items from the retained earnings of a section.
- 5.2. The Chief Financial Officer is responsible for the overall management of the Policy, including advice, revisions, and enforcement.
- 5.3. Heads of colleges/sections are responsible to fully adhere and compliance with the policy.

## **6. Related Policies**

This policy should be read in conjunction with:

- Scheme of Financial Delegation